



Vadinar Port



Hazira Port



MT Smiti



Essar Wildcat

Essar Shipping Ports & Logistics Limited

ESSAR SHIPPING PORTS & LOGISTICS LIMITED

Annual Report 2009-10

C O N T E N T S

| | Pages |
|---|--------------|
| 1. Essar Shipping Ports & Logistics Limited – Standalone | 1 - 45 |
| 2. Essar Shipping Ports & Logistics Limited – Consolidated..... | 47 - 88 |
| 3. Essar Logistics Limited | 89 - 117 |
| 4. Essar Oilfields Services Limited..... | 118 - 144 |
| 5. Essar Oilfield Services India Limited | 145 - 168 |
| 6. Essar Ports & Terminals Limited..... | 169 - 187 |
| 7. Vadinar Oil Terminal Limited | 188 - 215 |
| 8. Essar Bulk Terminal Limited..... | 216 - 244 |
| 9. Essar Bulk Terminal (Salaya) Limited | 245 - 259 |
| 10. Vadinar Ports & Terminals Limited..... | 260 - 273 |
| 11. Essar Paradip Terminals Limited | 274 - 285 |
| 12. Essar Dredging Limited..... | 286 - 296 |
| 13. Essar International Limited..... | 297 - 306 |
| 14. Energy Transportation International Limited | 307 - 314 |
| 15. Energy II Limited | 315 - 322 |

ESSAR SHIPPING PORTS & LOGISTICS LIMITED

BOARD OF DIRECTORS

Shashi Ruia
Chairman

Anshuman Ruia
Director

Sanjay Mehta
Managing Director

Rajiv Agarwal
Wholetime Director

A. R. Ramakrishnan
Wholetime Director

V. Ashok
Wholetime Director

R. N. Bansal
Independent Director

N. Srinivasan
Independent Director

K. V. Krishnamurthy
Independent Director

Dilip J. Thakkar
Independent Director

S. V. Venkatesan
Independent Director

Deepak Kumar Varma
Independent Director

COMPANY SECRETARY
Manoj Contractor

AUDITORS
Deloitte Haskins & Sells

REGISTERED OFFICE
Administrative Building
Essar Refinery Complex
Okha Highway (SH-25)
Taluka Khambalia
District Jamnagar, Gujarat 361 305

REGISTRAR & TRANSFER AGENT
Data Software Research Company Private Limited
“Sree Sovereign Complex”
22, 4th Cross Street, Trustpuram
Kodambakkam, Chennai 600 024
e-mail: dsr cmd@vsnl.com

AUDIT COMMITTEE
Anshuman Ruia
R. N. Bansal
N. Srinivasan
S. V. Venkatesan

SHAREHOLDERS' GRIEVANCE COMMITTEE
Anshuman Ruia
Rajiv Agarwal
A. R. Ramakrishnan
V. Ashok
R. N. Bansal
K. V. Krishnamurthy

SHARE TRANSFER COMMITTEE
Rajiv Agarwal
A. R. Ramakrishnan
V. Ashok

COMPENSATION COMMITTEE
Shashi Ruia
Anshuman Ruia
R. N. Bansal

CORPORATE OFFICE
Essar House
11, K. K. Marg, Mahalaxmi
Mumbai 400 034

DIRECTORS' REPORT

To the Members of Essar Shipping Ports & Logistics Limited

Your Directors take pleasure in presenting the Thirty-fourth Annual Report of your Company together with Audited Accounts for the year ended March 31, 2010. Pursuant to the provisions of Section 219 of the Companies Act, 1956 and as permitted by the Securities and Exchange Board of India (SEBI), the abridged annual accounts of the Company are enclosed. Any member interested in obtaining a copy of the unabridged accounts may write to the Company Secretary at the Registered Office.

1. FINANCIAL RESULTS

The summary of the standalone and consolidated financial results of your Company for the year ended March 31, 2010 are furnished below:

(Rs. in crore)

| Particulars | Consolidated | | Standalone | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | For the year ended 31.03.2010 | For the year ended 31.03.2009 | For the year ended 31.03.2010 | For the year ended 31.03.2009 |
| Total Income | 3,092.14 | 2,676.57 | 1,132.80 | 1,154.79 |
| Total Expenditure | 1,985.64 | 1,739.70 | 705.56 | 748.15 |
| EBITDA | 1,106.50 | 936.87 | 427.24 | 406.64 |
| Less: Interest & Finance charges | 537.35 | 434.80 | 218.69 | 129.22 |
| Less: Provision for Depreciation | 446.94 | 377.82 | 119.51 | 159.45 |
| Profit before Tax | 122.21 | 124.25 | 89.04 | 117.97 |
| Less: Provision for Tax | 27.01 | 47.05 | (0.96) | 10.31 |
| Profit before Share of Minority Interest | 95.20 | 77.20 | 90.00 | 107.66 |
| Less: Share of Minority Interest (loss) | 1.43 | — | — | — |
| Profit after Tax | 93.77 | 77.20 | 90.00 | 107.66 |

On a consolidated basis, during the year under review, your Company registered an increase of 16% in the Total Income and an increase of 18% in EBITDA as compared to the previous year. This increase in Total Income and EBITDA is largely attributed to the contribution by the Oilfields Services business.

On a standalone basis which is represented by the Sea Transportation Business, the revenues were consistent with last year, with an increase in EBITDA by 5%.

2. DIVIDEND

Your Company has consolidated the Ports and Terminals and Oilfield Services business and is currently expanding the capacities in these businesses which are highly capital intensive in nature. Some of these investments have already started generating cashflows. Expansion of capacities in these businesses along with the existing business of sea transportation and the various capital expenditure committed require substantial resources. This necessitates the operating profits to be ploughed back towards capital expenditure. With a view to conserving resources for these requirements, your Directors have not recommended any dividend for the year ended March 31, 2010.

3. MANAGEMENT DISCUSSION & ANALYSIS

Overview of the World Economy

The world is gradually recovering from the shocks of the most severe recession in recent history. It was the first time since World War II that the global economy has substantially contracted when compared to previous years. The acute phase of the financial crisis has passed and a global economic recovery is underway. However, the recovery remains fragile and is expected to slowdown in the second half of 2010 as the growth impact of fiscal and monetary measures wane and the current inventory cycle runs its course. Economists believe that the baseline scenario for global growth would be 2.7 percent in 2010 and 3.2 percent in 2011. The world can be classified into slow growth economies like U.S.A, U.K and the rest of Europe who are grappling with huge fiscal deficits and significant debt, and faster growing Asian countries which have remained well insulated from the turmoil. The Euro zone is currently facing the possibility of sovereign defaults which has had a negative impact on the Euro; it has lost significant value against the US dollar. With a weakening currency and low growth prospects, the Euro zone is expected to grow at a very slow pace.

Overview of the Indian Economy

The Indian economy witnessed an average annual GDP growth of over 9% during the period from 2005-08. The global financial crisis contributed to the deceleration in annual GDP growth to 6.1% in 2009. India escaped the brunt of the global financial crisis because of its prudent banking regulations and a relatively low dependence on exports for growth. Domestic demand driven by purchases of consumer durables and automobiles has emerged as a key driver of the economy. During the slowdown, imports and exports were severely impacted. The Indian economy has bounced back, with industrial output improving every month. The government expects GDP growth to be over 8% in 2010 and above 9% from 2011 onwards.

The risks that India faces are more external in nature. The risk of the global economy experiencing a downturn, sovereign default or failure of banks threaten India's impressive growth rate. The fiscal deficit for 2009 was at 6.9% of GDP, which is a cause of concern for the economy. Improvement in this situation will allow better credit access to corporates as government borrowing will reduce.

4. YOUR COMPANY'S BUSINESS PERFORMANCE, OPPORTUNITIES AND OUTLOOK

The business model adopted by your Company is unique in nature with no peer group comparison. The business is based on the intrinsic and captive demand for transportation services and logistics & cargo handling infrastructure required by the steel, power generation and refining industry. With interests in dry bulk ports and oil terminals, crude and dry bulk carriers, port to plant logistics and oilfield services, your Company continues to provide end-to-end logistics solutions to its customers in a very cost effective manner.

a) Ports & Terminal Business

Consolidated cargo throughput at major ports in India grew by 5.7 percent in the current fiscal according to the latest data released by the Indian Ports Association. The country's 13 gateway ports, seven on the east and six on the west coast handled 560 million tons of cargo during 2009 compared to 530 million tons in the previous year and are expected to handle more than 600 million tons in the current year.

Your Company through its subsidiary Vadinar Oil Terminal Limited (VOTL) is operating the 46 million metric tons per annum (mtpa) liquid terminal at Vadinar on the west coast of India. The expansion of the current capacity to 53 mtpa is planned through another subsidiary Vadinar Ports & Terminals Limited (VPTL) which is scheduled for completion by April 2011. VPTL has already commissioned an evacuation jetty adjacent to the existing evacuation jetty of VOTL.

Your Company through its subsidiary Essar Bulk Terminal Limited (EBTL) commissioned its all weather deep draft dry bulk port of 30 million tons per annum (mtpa) capacity at Hazira on May 1, 2010. The expansion work at this port is currently underway and once completed the

dry bulk port at Hazira will have an aggregate capacity of 50 mtpa.

Your Company through another subsidiary Essar Bulk Terminal (Salaya) Limited is setting up a dry bulk port facility at Salaya in Gujarat. The port will handle import of coal and export of pet coke.

In view of the tremendous long term opportunities provided by the Government of India to privatise ports, especially container terminals, your Company is actively pursuing development of Ports & Terminal projects through competitive bidding route or through joint ventures and strategic alliances.

Qualifying through a competitive bidding process, your Company has been awarded the bid to construct a 14 mtpa coal terminal on a Build, Operate and Transfer (BOT) basis by Paradip Port Trust. The project is being implemented by Essar Paradip Terminal Limited (EPTL), a subsidiary Company. EPTL has been granted a 30 years concession by Paradip Port Trust for the said project and the construction is expected to commence soon.

b) Sea Transportation Business

Existing forecasts suggest that the outlook for seaborne trade is uncertain and that challenging times lie ahead for shipping and international seaborne trade. While demand fell, the supply of new vessels continued to grow. As the world's shipping capacity continues to increase even during the current economic downturn, freight rates are expected to stagnate. Since the beginning of the economic crisis, numerous orders at the world's shipyards have been cancelled. Shipbuilders have been spending more time on renegotiating existing contracts rather than receiving new enquiries or orders.

The dry bulk segment witnessed a marginal increase in seaborne trade of dry bulk commodities. Seaborne transport of iron ore, coking coal and steel products was largely driven by China. With the global economic recovery underway, demand for commodities has increased. This has resulted in freight rates bottoming out and stabilising. Uncertainty and volatility of the freight rates has been the highlight of the last year and is expected to continue this year too.

In the energy transportation segment, global oil consumption is expected to improve over the next few years. Increase in consumption has resulted in stabilisation of freight rates and the outlook for wet bulk is quite positive.

As per International Maritime Organisation (IMO) regulations, single-hull vessels have to be phased out by 2010. However, considering the economic constraints that developing countries could face in this exercise, countries were allowed to extend the phase-out up to 2015. India is one of the many countries that chose to extend the deadline. Many countries are expected to deny entry to single-hull vessels post the 2010 deadline. Due to this,

a large number of single hull tankers have been/are in the process of being phased out and large tonnage of double hull tankers are expected to join the fleet in the next couple of years.

c) Oilfields Services Business

Global demand for offshore services is likely to revive gradually in line with the positive outlook on crude. New supplies of assets are likely to peak in FY11. Hence, while demand for rig services will revive gradually, supply may keep rates tepid for some time.

Crude oil has a positive outlook due to the revival of the global economy. Crude demand is expected to grow at 1.6% for the next few years. Crude supply is likely to be supported by OPEC and Brazilian crude. The long-term price of crude is expected to be at USD 90 per barrel levels, which will encourage companies to increase their budgets towards new explorations.

The domestic offshore services sector is poised for significant growth on the back of development of India's relatively unexplored sedimentary basin, the New Exploration Licensing Policy (NELP) commitments, growing offshore crude/gas production and future monetisation of new discoveries in prospective basins like KG, Cambay, Mahanadi, etc. This is likely to be a catalyst for demand for offshore supply vessels, drilling units and construction services.

Essar Oilfields Services Limited (EOSL), a wholly owned subsidiary has successfully completed its maiden drilling contract with Gujarat State Petroleum Corporation Limited (GSPCL), for its Semi-submersible Rig, "Essar Wildcat". The Rig has now been deployed with Vietsovpetro JV, Vietnam. Of the twelve onshore rigs, seven are currently contracted with global energy majors. Your Company through another subsidiary has also entered into an agreement to acquire two New Building Jack Up Rigs which are expected to be delivered during the next financial year.

d) Logistics Business

Your Company through its wholly owned subsidiary Essar Logistics Limited (ELL) provides project cargo, transshipment, lighterage and trucking services to steel mills and oil refineries. ELL has made investments in acquiring assets for movement of project cargo.

5. RISK MANAGEMENT

Economic Risks: As a business philosophy, your Company has followed the conservative policy of entering into long term contracts with reputed global majors in each of its divisions thereby ensuring long term profitability of the Company and assured cashflows.

Forex Risk: A majority of the revenues of your Company are in foreign currency which creates a natural hedge against foreign exchange exposures. Apart from this, Essar Group's

specialised forex team provides efficient advice to mitigate the exchange risk of your Company.

Interest Rate Risk: Your Company has been undertaking suitable hedging strategies to overcome any adverse interest rate risks. It has formulated internal target rates at which any open interest rate risk can be hedged.

6. QUALITY, SAFETY AND ENVIRONMENT

Your Company, in order to ensure highest standard of safety, has implemented and initiated various measures with respect to Quality, Safety and Environment Management Systems. The initiatives by your Company have been rewarded with several recognitions. Some of the noticeable ones amongst the many are as follows:

- a) OHSAS 18001 certified by American Bureau of Shipping (ABS); first and only shipping Company in India to obtain this certification.
- b) VOTL along with Essar Oil Limited has been awarded the Integrated Management System – ISO 9001, 14000 and 18001 certification by Det Norsk Veritas (DNV).
- c) VOTL has also been awarded the ISO 29001 certification by ABS.
- d) Essar Wildcat has been awarded IADC Certificate for 365 days of Loss Time Injury (LTI) Free Operations.
- e) ISO 9001:2000 and ISO 14001:2004 certification to the Sea Transportation division by ABS Quality Evaluations Inc.
- f) Nil detention of vessels during the year, with most of the fleet trading internationally.

7. INTERNAL CONTROL FRAMEWORK

Your Company conducts its business with integrity, high standards of ethical behavior and in compliance with the laws and regulations that govern its business. Your Company has a well established framework of internal controls in operation, including suitable monitoring procedures. In addition to the external audit, the financial and operating controls of your Company at various locations are reviewed by Internal Auditors, who report their observations to the Audit Committee of the Board.

8. HUMAN RESOURCE

Your Company has introduced contemporary Human Resource practices to enhance technical and managerial competence of the employees and to further leverage their capabilities to enhance the performance of its business. Further the Company has taken a series of initiatives to enhance emotional and intellectual engagement of employees with the Company and its business.

9. INFORMATION TECHNOLOGY

Your Company has successfully implemented SAP in its financial and budget management systems. The Company is also exploring various methods of automation so as to have greater visibility and control over its assets and further improve the turnaround time thereby increasing asset

utilisation and profitability. All the vessels are undergoing upgradation of systems in terms of hardware and software. Your Company has implemented a robust Document Management System thus improving the availability of critical information in e-mode thereby reducing the use of paper.

10. SUBSIDIARIES

Your Company had the following subsidiaries as on March 31, 2010:

1. Essar Ports & Terminals Limited, Mauritius (EPTL)
2. Vadinar Oil Terminal Limited, India (VOTL) (wholly owned subsidiary of EPTL)
3. Vadinar Ports & Terminals Limited, India (a subsidiary of VOTL)
4. Essar Bulk Terminal Limited, India (EBTL) (a subsidiary of EPTL)
5. Essar Bulk Terminal (Salaya) Limited, India (EBTSL) (wholly owned subsidiary of EPTL)
6. Essar Logistics Limited, India (ELL)
7. Essar Dredging Limited, India (EDL) (wholly owned subsidiary of EBTL)
8. Essar Paradip Terminals Limited, India (EPTL)
9. Essar International Limited, Guernsey, Channel Islands (EIL)
10. Energy Transportation International Limited, Bermuda (ETIL) (wholly owned subsidiary of EIL)
11. Energy II Limited, Bermuda (E-II) (wholly owned subsidiary of EIL)
12. Essar Oilfields Services Limited, Mauritius (EOSL)
13. Essar Oilfield Services India Limited, India (wholly owned subsidiary of EOSL)
14. Essar Oilfields Services FZE, Dubai (EOSFZE) (wholly owned subsidiary of EOSL)

Subsequent to March 31, 2010, one more Company has become a wholly owned subsidiary of the Company viz. Essar Ports & Terminals Limited, India (effective April 16, 2010) and Essar Oilfields Services FZE, wholly owned subsidiary of the Company has been liquidated (effective April 14, 2010).

11. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. S. N. Ruia, Mr. V. Ashok, Mr. N. Srinivasan and Mr. K. V. Krishnamurthy retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

Mr. Ravi Ruia, resigned from the Directorship of your Company with effect from March 31, 2010. Mr. Sanjay Mehta, Managing Director also retires at the ensuing Annual General Meeting and does not offer himself for re-appointment. Your Board places on record their appreciation for the valuable contribution made by Mr. Ravi Ruia and Mr. Sanjay Mehta in

the progress of the Company.

Mr. Rajiv Agarwal has been appointed as an Additional Director in the wholetime employment of the Company. The Company has received a notice from a member proposing the appointment of Mr. Agarwal as the Director of the Company. If appointed Mr. Agarwal will be designated as the Managing Director of the Company with effect from July 24, 2010.

12. AUDITORS

Your Company's Auditors, Messrs. Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting. It is proposed to re-appoint Messrs. Deloitte Haskins & Sells, Chartered Accountants, as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

13. CORPORATE GOVERNANCE

The Company has complied with the requirements under the Corporate Governance reporting system. The disclosures as required therein have been furnished in the Annexure to the Directors' Report under the head "Corporate Governance".

14. PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

This does not apply to your Company as the shipping industry is not included in the Schedule to the relevant rules.

Foreign exchange earnings and outgo are summarised below:

Total Foreign Exchange:

- | | |
|--|--------------------|
| (1) Earned (including loan receipts, sale of ships, freight, charter hire earnings, interest income, etc.) | : Rs. 798.62 crore |
| (2) Used (including cost of acquisition of ships, loan repayments, interest, operating expenses, etc.) | : Rs. 785.33 crore |

Your Company has obtained exemption from the Central Government under Section 211(4) of the Companies Act, 1956 from giving information required under clauses (a), (b), (c) and (e) of Paragraph 4-D of Part II of Schedule VI to the Companies Act, 1956 vide Order no. 46/5/2010-CL-III dated March 19, 2010.

15. PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given in the Annexure forming part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees u/s 217 (2A) of the said Act. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary for the same at the Registered Office of the Company.

16. STATEMENT OF DIRECTORS RESPONSIBILITIES

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 the Board of Directors hereby state that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there have been no material departures;
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 or loss of the Company for that period;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) the Directors have prepared the annual accounts on a going concern basis.

17. GOVERNMENT POLICY

The Government needs to favourably consider issues relating to Withholding Tax, Tax on Capital Gains on Sale of Ships, Tax on Ship Staff Salary, Service Tax and Fringe Benefit Tax. Due to these factors the Indian Tonnage has been hampered. Infrastructure Projects such as Ports are highly capital intensive and therefore liberal policies relating to External Commercial Borrowings needs to be formulated to encourage investments.

18. APPRECIATION AND ACKNOWLEDGEMENTS

Your Directors express their sincere thanks and appreciation to all the employees for their commendable teamwork and contribution to the growth of the Company.

Your Directors also thank its bankers, charterers and other business associates for their continued support and co-operation during the year.

For and on behalf of the Board

Mumbai
May 27, 2010

V. Ashok
Wholetime Director

R. N. Bansal
Director

CORPORATE GOVERNANCE REPORT

1. Statement on Company's philosophy on Code of Corporate Governance

Your Company believes that adhering to global standards of Corporate Governance is essential to enhance shareholders value and achieve long term corporate goals. The Company's philosophy on Corporate Governance stresses the importance of transparency, accountability and protection of shareholder interests. The Board overseas periodic review of business plans, monitors performance and ensures compliance of regulatory requirements including SEBI Regulations and Listing requirements.

2. Board of Directors

The Company has a non-executive Chairman and Independent Directors which constitutes more than half the total number of Directors.

A. Composition, Category, Attendance and Number of other Directorships of the Directors are furnished below:

As at March 31, 2010 the Board consisted of eleven members. The composition, category of directors and directorships held in other companies was as under:

| Name of Director | Category of Director | * No. of outside Directorships in other Indian public companies | **No. of Committee positions held in other public companies | |
|---|----------------------------|---|---|--------|
| | | | Chairman | Member |
| Mr. Shashi Ruia (Chairman) | Promoter Non-Executive | 9 | - | - |
| Mr. Anshuman Ruia | Promoter Non-Executive | 9 | - | 6 |
| Mr. R. N. Bansal | Independent Non-Executive | 8 | 4 | 4 |
| Mr. N. Srinivasan | Independent Non-Executive | 14 | 5 | 4 |
| Mr. K. V. Krishnamurthy | Independent Non-Executive | 10 | 3 | 5 |
| Mr. Dilip Thakkar | Independent Non-Executive | 13 | 5 | 5 |
| Mr. Deepak Kumar Varma | Independent Non-Executive | 1 | - | - |
| Mr. S. V. Venkatesan | Independent Non- Executive | 10 | 3 | 7 |
| Mr. Sanjay Mehta (Managing Director) | Non-Promoter Executive | 9 | - | 4 |
| Mr. A. R. Ramakrishnan (Wholetime Director) | Non-Promoter Executive | 2 | - | 1 |
| Mr. V. Ashok (Wholetime Director) | Non-Promoter Executive | 10 | - | 5 |

* excludes foreign companies, private limited companies, Section 25 companies and Alternate Directorships.

** includes membership of Audit and Share Transfer & Shareholders' Grievance Committee only.

Mr. Ravi Ruia, Director has resigned from the Board with effect from March 31, 2010.

Mr. Rajiv Agarwal has been appointed as an Additional Director in wholetime employment designated as Chief Executive Officer w.e.f. May 27, 2010.

B. Details of Board Meetings held during the year

| Sr. No. | Date | Board Strength | No. of Directors present |
|---------|-------------------|----------------|--------------------------|
| 1. | May 18, 2009 | 12 | 10 |
| 2. | June 17, 2009 | 12 | 9 |
| 3. | July 30, 2009 | 12 | 7 |
| 4. | October 30, 2009 | 12 | 7 |
| 5. | December 18, 2009 | 12 | 9 |
| 6. | December 22, 2009 | 12 | 9 |
| 7. | January 29, 2010 | 12 | 9 |
| 8. | March 23, 2010 | 12 | 8 |

C. Attendance of Directors at Board Meetings and at the last Annual General Meeting:

| Director | No. of Board Meetings attended | Attendance at last AGM |
|-------------------------|--------------------------------|------------------------|
| Mr. Shashi Ruia | 5 | N |
| *Mr. Ravi Ruia | 5 | N |
| Mr. Anshuman Ruia | 5 | N |
| Mr. R. N. Bansal | 3 | N |
| Mr. N. Srinivasan | 8 | N |
| Mr. K. V. Krishnamurthy | 5 | N |
| Mr. Dilip Thakkar | 8 | N |
| Mr. Deepak Kumar Varma | 7 | N |
| Mr. S. V. Venkatesan | 7 | N |
| Mr. Sanjay Mehta | 1 | N |
| Mr. A. R. Ramakrishnan | 7 | Y |
| Mr. V. Ashok | 8 | N |

* ceased to be a Director on March 31, 2010.

3. Audit Committee

The Audit Committee of the Company inter-alia performs all the functions specified under the Companies Act, 1956 and Clause 49 of the Listing Agreement.

Composition

The Committee comprises of four Directors of which three are Independent Directors. The Chairman of the Audit Committee is an Independent Director. All the members of the Committee are financially literate and have relevant financial management and/or audit exposure. The Managing Director, Wholetime Directors, Head - Accounts, Statutory

Auditors and Internal Auditors attend the meetings. The Company Secretary is the Secretary to the Committee.

Details of Audit Committee Meetings held during the year:

| Sr. No. | Date | Committee Strength | No. of Members present |
|---------|------------------|--------------------|------------------------|
| 1. | May 18, 2009 | 3 | 2 |
| 2. | July 30, 2009 | 3 | 2 |
| 3. | October 30, 2009 | 4 | 3 |
| 4. | January 29, 2010 | 4 | 3 |

Attendance at Audit Committee Meetings

| Director | No. of meetings held | No. of meetings attended |
|----------------------------|----------------------|--------------------------|
| Mr. R. N. Bansal, Chairman | 4 | 3 |
| Mr. N. Srinivasan | 4 | 4 |
| * Mr. S. V. Venkatesan | 4 | 2 |
| Mr. Anshuman Ruia | 4 | 1 |

* was member of the Committee for part of the year.

4. Remuneration to Directors

Details of remuneration paid to the Managing Director and Wholetime Directors during the year ended March 31, 2010 is as under:

(Rs.)

| Name of Director | Basic Salary | Allowances and other benefits | Perquisites | Contribution to Provident & Superannuation Fund | Total |
|--|--------------|-------------------------------|-------------|---|-------------|
| Mr. Sanjay Mehta, Managing Director | 12,00,000 | 50,60,868 | 0 | 1,44,000 | 64,04,868 |
| Mr. A. R. Ramakrishnan, Wholetime Director | 29,16,000 | 84,56,064 | 1,20,000 | 3,49,920 | 118,41,984 |
| Mr. V. Ashok, Wholetime Director | 29,15,016 | 67,55,271 | 3,37,252 | 7,87,056 | 1,07,94,595 |

No Employee Stock Option Schemes have been provided by the Company till date. Services of the aforesaid Executive Directors can be mutually terminated by giving three months notice or three months salary in lieu thereof.

Details of sitting fees paid to Non-Executive Directors for the meetings held during the year ended March 31, 2010 is as under:

| Non-Executive Directors | Sitting Fees paid for Board/ Committee meetings (Rs.) |
|-------------------------|---|
| Mr. Shashi Ruia | 37,500 |
| Mr. Ravi Ruia | 30,000 |
| Mr. Anshuman Ruia | 42,500 |
| Mr. R. N. Bansal | 37,500 |
| Mr. N. Srinivasan | 80,000 |
| Mr. K. V. Krishnamurthy | 37,500 |
| Mr. Dilip J. Thakkar | 60,000 |
| Mr. Deepak Kumar Verma | 52,500 |
| Mr. S. V. Venkatesan | 62,500 |

No shares or convertible instruments are held by any member of the Board.

5. Share Transfer & Shareholders' Grievance Committee

Terms of reference

To approve transfer, transmission, sub-division and issue of duplicate shares/debentures and for redressal of investor complaints on all matters.

Composition

As on March 31, 2010 the Committee members comprised of Mr. Sanjay Mehta, Managing Director, Mr. A. R. Ramakrishnan, Wholetime Director and Mr. V. Ashok, Wholetime Director. Mr. R. N. Bansal, Mr. K. V. Krishnamurthy and Mr. Anshuman Ruia have been appointed as members of the Committee with effect from May 27, 2010. Mr. Ravi Ruia who was the Chairman of the Committee has resigned with effect from March 31, 2010.

The Executive Directors and Company Secretary are authorised to approve the Share Transfer and other related transactions on a day to day basis under the supervision of the Committee.

Details of Share Transfer and Shareholders' Grievance Committee Meetings held during the year:

| Sr. No. | Date | Committee Strength | No. of Members present |
|---------|-----------------|--------------------|------------------------|
| 1 | May 15, 2009 | 4 | 3 |
| 2 | July 3, 2009 | 4 | 2 |
| 3 | October 9, 2009 | 4 | 2 |
| 4 | January 8, 2010 | 4 | 2 |

Attendance at Share Transfer and Shareholders Grievance Committee Meetings:

| Director | No. of meetings held | No. of meetings attended |
|------------------------|----------------------|--------------------------|
| Mr. Ravi Ruia | 4 | – |
| Mr. Sanjay Mehta | 4 | 1 |
| Mr. A. R. Ramakrishnan | 4 | 4 |
| Mr. V. Ashok | 4 | 4 |

Details of shareholders complaints received, resolved and pending share transfers:

There were no complaints pending at the beginning of the year. A total of 101 complaints were received during the year ended March 31, 2010, most of which being non-receipt of dividend/debenture warrants, non-receipt of share certificates. All the complaints were redressed under the supervision of the Committee and no complaints were outstanding as on March 31, 2010.

All the valid share transfer requests received during the year were duly attended to and processed in time. There were no valid requests pending for share transfers as on March 31, 2010.

6. General Body Meeting

(a) Details of General Meetings held in last three years:

| Financial year | Meeting | Date | Time | Location |
|----------------|---------|----------|----------|---|
| 2006-07 | AGM | 25-09-07 | 11.00 AM | Dayanandasagar Memorial Hall Chandrasagar Complex No. 264/266 T. Mariappa Road 2 nd Block, Jayanagar Bangalore 560 011 |
| | EGM | 23-02-08 | 11.00 AM | Srinivasa Sagar Kalyana Mahal Chandrasagar Complex No.264/266 T. Mariappa Road 2 nd Block, Jayanagar Bangalore 560 011 |
| 2007-08 | AGM | 27-09-08 | 3.30 PM | Administrative Building Essar Refinery Complex Okha Highway (SH-25) Jamnagar Gujarat 361 305 |
| 2008-09 | AGM | 31-07-09 | 3.30 PM | Administrative Building Essar Refinery Complex Okha Highway (SH-25) Jamnagar, Gujarat 361 305 |

(b) No special resolutions were passed in the previous three Annual General Meetings.

(c) Three special resolutions were passed during the financial year 2008-2009 through postal ballot for :

- i. inserting additional main objects by amending the main objects clause of the Memorandum of Association;
- ii. shifting the registered office from the State of Karnataka to the State of Gujarat; and
- iii. issuance of Corporate Guarantee.

Mr. Prem Rajani, Advocate acted as Scrutinizer for conducting the Postal Ballot.

(d) No resolutions are proposed to be passed at the ensuing Annual General Meeting which require approval of members through Postal Ballot.

7. Disclosures

- There are no materially significant related party transactions made by the Company with its Promoters, Directors or Management, their relatives,

its subsidiaries, etc. that may have potential conflict with the interest of the Company at large.

- Transactions with related parties during the year are disclosed in Note No. B(11) of Schedule 13 to the accounts in the Annual Report.
- During the last three years no penalty or stricture has been imposed on the Company by Stock Exchanges/SEBI/Statutory Authorities on matters related to Capital Markets.

8. Means of Communication

| | |
|--|--|
| Financial results and other information about the Company | The quarterly and annual financial results are displayed on the Company's website: www.essar.com |
| Publication of financial results | Published in major newspapers such as Financial Express and Jai Hind, etc. |
| Presentation to Institutional Investors and to the Analyst | Press releases and presentations made to Institutional Investors and Analysts are displayed on the Company's website: www.essar.com |
| Management Discussion & Analysis | Forms part of the Annual Report, which is mailed to the shareholders of the Company |

9. General Shareholders Information

A. Annual General Meeting details

| Date | July 24, 2010 |
|--------------------|---|
| Venue | Administrative Building Essar Refinery Complex Okha Highway (SH - 25) Taluka Khambalia, Distt. Jamnagar Gujarat 361 305 |
| Time | 3.00 p.m. |
| Book Closure Dates | July 19, 2010 to July 24, 2010 (both days inclusive) |

B. Financial Calendar

| | |
|-----------------------------|---------------------------------|
| Financial year of Company | April 1, 2010 to March 31, 2011 |
| First Quarter results | On or before August 14, 2010 |
| Second Quarter results | On or before November 15, 2010 |
| Third Quarter results | On or before January 14, 2011 |
| Annual results for the year | On or before May 30, 2011 |

C. Registrar and Share Transfer Agent

Data Software Research Company Private Limited
 "Sree Sovereign Complex", 22, 4th Cross Street
 Trustpuram, Kodambakkam, Chennai - 600 024
 Tel: (044) 2480 1664, Fax: (044) 2483 4636
 E-Mail: dsrcmd@vsnl.com

D. Share Transfer System

To expedite the process of share transfers, transmission, etc., the Board of your Company has delegated these powers to the Executive Directors and the Company Secretary.

All valid share transfer requests received by the Company in physical form are registered within an average period of 15 days. Presently the Company dematerialises the shares after getting the dematerialisation requests being generated by the Depository Participant.

E. Listing on Stock Exchanges

The Company's securities are listed on the following Stock Exchange:

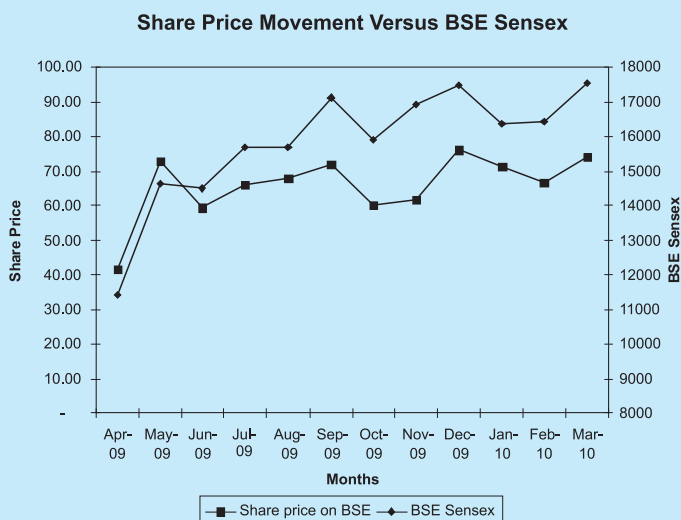
| Bombay Stock Exchange Limited | National Stock Exchange of India Limited |
|--|---|
| Phiroze Jeejeebhoy Towers Dalal Street Fort Mumbai 400 023 Code : 500630 | Exchange Plaza Bandra-Kurla Complex Bandra East Mumbai 500 051 Code : ESSARSHIP |

Annual Listing fee for the year 2010-11 has been paid to both the exchanges.

F. Market price data (High/Low) during each month in the year 2009-2010 on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited

| Bombay Stock Exchange | | | National Stock Exchange | | |
|-----------------------|---------|--------|-------------------------|---------|--------|
| Month | Highest | Lowest | Month | Highest | Lowest |
| April | 52.65 | 29.40 | April | 53.70 | 29.20 |
| May | 78.00 | 43.00 | May | 76.75 | 41.10 |
| June | 90.50 | 58.00 | June | 90.90 | 58.00 |
| July | 68.80 | 40.00 | July | 68.90 | 38.55 |
| August | 70.40 | 54.10 | August | 78.00 | 53.70 |
| September | 76.35 | 61.10 | September | 76.45 | 61.50 |
| October | 73.30 | 58.40 | October | 73.35 | 57.05 |
| November | 73.25 | 54.45 | November | 73.30 | 54.30 |
| December | 79.80 | 61.85 | December | 79.80 | 61.50 |
| January | 86.00 | 65.70 | January | 85.85 | 62.60 |
| February | 83.00 | 64.10 | February | 77.70 | 64.10 |
| March | 76.70 | 67.00 | March | 75.15 | 66.25 |
| Scrip Code : 500630 | | | Scrip Code : ESSARSHIP | | |

G. Share Price performance in comparison to BSE Sensex.



H. Shareholding Pattern as on March 31, 2010

| Shareholding by | No. of Shares | % |
|--|---------------------|---------------|
| Promoters | 51,53,80,747 | 83.71 |
| Financial Institutions/ Mutual Funds/Banks/Insurance Companies | 13,70,096 | 0.22 |
| Other Corporate Bodies | 1,40,36,236 | 2.28 |
| Non-Domestic Companies/ Foreign Banks | 22,709 | 0.00 |
| Foreign Institutional Investors | 5,11,50,142 | 8.31 |
| Non-Resident Individuals | 10,18,809 | 0.17 |
| Public | 3,27,04,581 | 5.31 |
| Total | 61,56,83,320 | 100.00 |

I. Distribution of Shareholding as on March 31, 2010:

| No. of equity shares held | Number of share-holders | % of share-holders | Total number of shares | % of holding |
|---------------------------|-------------------------|--------------------|------------------------|---------------|
| Upto 5000 | 1,19,885 | 99.47 | 2,52,33,847 | 4.10 |
| 5001-10000 | 309 | 0.26 | 23,22,971 | 0.38 |
| 10001-20000 | 137 | 0.11 | 19,70,460 | 0.32 |
| 20001-30000 | 56 | 0.05 | 14,04,207 | 0.23 |
| 30001-40000 | 33 | 0.03 | 11,70,065 | 0.19 |
| 40001-50000 | 17 | 0.01 | 7,95,111 | 0.13 |
| 50001-100000 | 35 | 0.03 | 27,27,237 | 0.44 |
| 100001 and above | 47 | 0.04 | 58,00,59,422 | 94.21 |
| TOTAL | 1,20,519 | 100.00 | 61,56,83,320 | 100.00 |

- J. Compliance Officer** : Mr. Manoj Contractor
Company Secretary
- K. Registered Office** : Administrative Building
Essar Refinery Complex
Okha Highway (SH - 25)
Taluka Khambalia
Distt. Jamnagar
Gujarat 361 305
- L. Corporate Office** : Essar House
11, Keshavrao Khadye Marg
Mahalaxmi
Mumbai 400 034
Tel : (022) 6660 1100
Fax: (022) 2354 4312
E-mail: espl.secretarial@essar.com

M. Status of Dematerialisation of shares as on March 31, 2010

| Mode | No. of shares | No. of folios | % |
|--------------|---------------------|-----------------|--------|
| Physical | 97,95,481 | 66,235 | 1.59 |
| Demat | 60,58,87,839 | 54,284 | 98.41 |
| TOTAL | 61,56,83,320 | 1,20,519 | 100.00 |

10. Nomination Facility

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956 are requested to submit the prescribed nomination form to the R&T Agent of the Company.

11. Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity

As on March 31, 2010 there are no GDRs/ADRs/Warrants or any convertible instruments, conversion of which is likely to have an impact on the equity of the Company.

12. Secretarial Audit

A qualified practicing Company Secretary carries out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

13. Non-mandatory requirements

1. Remuneration Committee

The Committee comprises of three non-executive Directors with the Company Secretary as the Secretary of the Committee. The Committee is empowered to formulate and recommend to the Board from time to time, the compensation structure for Managing/Executive/Wholtime Directors and to administer and supervise the Employee Stock Option Schemes, whenever applicable.

2. Shareholders right

Quarterly financial results including various presentations are available on the website of the Company i.e. www.essar.com. No separate financials are sent to shareholders of the Company.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Essar Shipping Ports & Logistics Limited

We have examined the compliance of conditions of Corporate Governance by Essar Shipping Ports & Logistics Limited ("the Company"), for the year ended March, 31, 2010, as stipulated in clause 49 of the Listing Agreement entered into by the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate

Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Regn. No. 117366W)

Khurshed Pastakia
Partner
(Membership No. 31544)

Mumbai
May 27, 2010

DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT TO THE MEMBERS OF ESSAR SHIPPING PORTS & LOGISTICS LIMITED

The Company has framed a specific code of conduct for the members of the Board and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges to further strengthen corporate governance practices in the Company.

All the members of the Board and Senior Management Personnel of the Company have affirmed due observance of

the said code of conduct in so far as it is applicable to them and there is no non-compliance thereof during the year ended March 31, 2010.

Mumbai
May 27, 2010

Sanjay Mehta
Managing Director

AUDITORS' REPORT

TO THE MEMBERS OF

ESSAR SHIPPING PORTS & LOGISTICS LIMITED

1. We have audited the attached Balance Sheet of Essar Shipping Ports & Logistics Limited ("the Company"), as at 31st March, 2010, the Statement of Profit and Loss and Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 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 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give 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:
 - (i) 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;
 - (ii) 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;
 - (iii) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
 - (vi) On the basis of written representations received from Directors as on 31st March, 2010 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2010 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai
May 27, 2010

**ANNEXURE TO THE AUDITOR'S REPORT
TO THE MEMBERS OF ESSAR SHIPPING PORTS &
LOGISTICS LIMITED**

(Referred to in paragraph 3 of our report of even date)

In our opinion and according to the information and explanations given to us, the nature of the Company's business/activities during the year are such that clauses (vi), (viii), (xiii), (xiv), (xviii), and (xx) of para 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

1. In respect of its fixed assets:
 - a. The Company has maintained proper records showing 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 in our opinion, is largely reasonable having regard to the size of the Company and the nature of its assets. As per the information given to us by the management, no material discrepancies as compared to book records were noticed in respect of fixed assets verified during the year.
 - c. In our opinion and according to the information and explanations given to us, the Company has not made substantial disposals of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of its inventories:
 - a. As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. According to the information and explanations given to us, the Company's inventories comprise fuel oil and lube oil on board the ships. Having regard to the nature of the Company's business and scale of operations, quantities are determined by physical count and it is not considered feasible to maintain records of movements of inventories of such items by the vessel in which they are carried. As quantities are determined by physical count and records of movements are not maintained on board the ships, the question of discrepancies on physical verification thereof does not arise.
3. In our opinion and according to the information and explanations given to us, there are no companies, firms or parties required to be entered into the register maintained under section 301 of the Companies Act,

1956. Accordingly, paragraphs 4(iii) (a) to (g) of the Order are not applicable to the Company.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal controls. The nature of the Company's business does not involve sale of goods.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act 1956.
6. In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.
7. According to the information and explanations given to us in respect of statutory dues:
 - a. Except for delays in depositing service tax in a few cases, the Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Value Added Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues, as applicable, with the appropriate authorities during the year. As informed to us Employees State Insurance Scheme is not applicable to the Company.

There are no material undisputed amounts payable in respect of above statutory dues outstanding as at 31st March, 2010 for a period exceeding six months from the date they became payable.
 - b. The details of disputed Income Tax and Sales Tax dues which have not been deposited as at March 31, 2010 on account of disputes pending, are given below:

| Name of the statute | Nature of the disputed dues | Amount (Rs. in crore) | Period to which the amount relates | Forum where dispute is pending |
|--------------------------------|-------------------------------|---------------------------------------|---|--------------------------------------|
| Income tax Act, 1961 | Income Tax | 117.97 (advance tax payment 54.48) | Assessment Year from 1988-1989 to 2001-2002 | Appellate Authority – Tribunal Level |
| Tamil Nadu Sales Tax Act, 1959 | Sales Tax and penalty thereon | 52.20 (security deposit 0.50) | Assessment Year 1992-98 | Madras High Court |

According to the information and explanation given to us, there were not dues pending to be deposited on account of any dispute in respect of Wealth Tax, Service

- Tax, Customs Duty, Excise Duty and Cess as on 31st March, 2010.
8. The Company does not have accumulated losses as at 31st March, 2010. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
 9. In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks, financial institutions or debenture holders.
 10. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 11. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for the loans taken by others from banks and financial institutions, are not, prima facie, prejudicial to the interests of the Company.
 12. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
 13. According to the information and explanations given to us, and on an overall examination of the Balance sheet of the Company, we report that the funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
 14. According to the information and explanations given to us, during the period covered by our audit report, the Company had issued 7,000 debentures of Rs. 10,00,000 each. The security or charge created does not fully cover the amount of debentures however with the due approval of the debenture holders, the Company is in the process of creating security or charge.
 15. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia

Partner
(Membership No.31544)

Mumbai
May 27, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | Schedule No. | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|--|--------------|---------------------------------------|---------------------------------------|
| I. SOURCES OF FUNDS | | | |
| Shareholders' funds | | | |
| Capital | 1 | 615.81 | 615.81 |
| Reserves and surplus | 2 | 6,617.71 | 6,565.99 |
| | | 7,233.52 | 7,181.80 |
| Loan funds: | | | |
| Secured loans | 3 | 1,230.18 | 1,115.65 |
| Finance lease obligations (refer note no.B (3) of schedule 13) | | 926.13 | 1,134.90 |
| Unsecured loans | 4 | 933.67 | 160.00 |
| | | 3,089.98 | 2,410.55 |
| Total | | 10,323.50 | 9,592.35 |
| II. APPLICATION OF FUNDS | | | |
| Fixed assets | 5 | | |
| Gross block | | 2,580.14 | 2,763.98 |
| Less: Depreciation | | 903.68 | 746.84 |
| Net block | | 1,676.46 | 2,017.14 |
| Capital work in progress (capital advances) | | 320.56 | 19.68 |
| | | 1,997.02 | 2,036.82 |
| Investments | 6 | 7,241.70 | 7,167.05 |
| Current assets, loans and advances | 7 | | |
| Inventories | | 17.63 | 14.84 |
| Sundry debtors | | 140.74 | 193.90 |
| Cash and bank balances | | 32.26 | 19.70 |
| Other current assets | | 3.27 | 0.08 |
| Loans and advances | | 981.78 | 203.18 |
| | | 1,175.68 | 431.70 |
| Less: Current liabilities and provisions | 8 | | |
| Current liabilities | | 85.85 | 51.13 |
| Provisions | | 5.05 | 3.68 |
| | | 90.90 | 54.81 |
| Net current assets | | 1,084.78 | 376.89 |
| Foreign currency monetary items translation difference account (refer note no. B (1) of schedule13) | | - | 11.59 |
| Total | | 10,323.50 | 9,592.35 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS | 13 | | |

In terms of our report attached

For and on behalf of the board

For **Deloitte Haskins & Sells**
Chartered Accountants**Sanjay Mehta**
Managing Director**R. N. Bansal**
Director**Khurshed Pastakia**
Partner**V. Ashok**
Wholetime Director**Manoj Contractor**
Company SecretaryMumbai
May 27, 2010Mumbai
May 27, 2010

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | Schedule No. | For the year ended 31.03.2010 (Rs. in crore) | For the year ended 31.03.2009 (Rs. in crore) |
|--|--------------|---|---|
| INCOME | | | |
| Fleet operating and chartering earnings | | 1,028.21 | 1,023.20 |
| Profit on sale of fleet | | – | 27.66 |
| Extinguishment of liability on cancellation of finance lease | | – | 17.48 |
| Other income | 9 | 104.59 | 73.95 |
| Currency exchange gain, net (refer note no. B (1) of schedule 13) | | – | 12.50 |
| | | 1,132.80 | 1,154.79 |
| EXPENDITURE | | | |
| Fleet operating expenses | 10 | 626.84 | 661.40 |
| Establishment and other expenses | 11 | 69.49 | 86.75 |
| Currency exchange loss, net (refer note no. B (1) of schedule 13) | | 9.23 | – |
| | | 705.56 | 748.15 |
| PROFIT BEFORE INTEREST, DEPRECIATION AND TAX | | | |
| Interest and finance expenses | 12 | 427.24 | 406.64 |
| | | 218.69 | 129.22 |
| PROFIT BEFORE DEPRECIATION AND TAX | | | |
| | | 208.55 | 277.42 |
| Depreciation / impairment | | 157.79 | 438.15 |
| Less: Transfer from fixed assets revaluation reserve | | (38.28) | (278.71) |
| | | 119.51 | 159.45 |
| PROFIT BEFORE TAX | | | |
| | | 89.04 | 117.97 |
| Less: Provision for taxation | | | |
| - Current tax (including tonnage tax) | | (3.55) | (14.00) |
| - Fringe benefit tax | | – | (3.60) |
| - Tax adjustments for earlier years (credit) | | 4.51 | 7.29 |
| | | 0.96 | (10.31) |
| PROFIT FOR THE YEAR | | | |
| | | 90.00 | 107.66 |
| Balance brought forward from previous year | | 1,069.91 | 801.60 |
| Add: Balance of profit of erstwhile amalgamating companies | | – | 178.65 |
| AMOUNT AVAILABLE FOR APPROPRIATION | | | |
| | | 1,159.91 | 1,087.91 |
| APPROPRIATIONS | | | |
| Transferred to tonnage tax reserve | | 25.00 | 18.00 |
| Transferred to debenture redemption reserve | | 25.00 | – |
| Balance carried forward to balance sheet | | 1,109.91 | 1,069.91 |
| | | 1,159.91 | 1,087.91 |
| Basic and diluted earnings per share (Rs.) (face value of Rs.10/- per share) (refer note no.B (7) of schedule 13) | | 1.46 | 1.75 |

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

13

In terms of our report attached

For and on behalf of the board

For **Deloitte Haskins & Sells**
Chartered Accountants

Sanjay Mehta
Managing Director

R. N. Bansal
Director

Khurshed Pastakia
Partner

V. Ashok
Wholetime Director

Manoj Contractor
Company Secretary

Mumbai
May 27, 2010

Mumbai
May 27, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| | Year ended 31.03.2010 (Rs. in crore) | Year ended 31.03.2009 (Rs. in crore) |
|---|--|--|
| A CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 89.04 | 117.97 |
| Adjustments for : | | |
| Depreciation / impairment | 119.51 | 159.44 |
| Interest and finance expenses | 218.69 | 129.22 |
| Interest income from long term investment | (3.62) | – |
| Interest income | (100.11) | (10.79) |
| Loss / (Profit) on sale of assets | 0.04 | (31.11) |
| Extinguishment of liability on cancellation of finance lease | – | (17.48) |
| Provision for employee benefits - non funded | 1.34 | 0.88 |
| Profit on sale of investments | – | (58.35) |
| Dividend on investments | (0.75) | (1.32) |
| Foreign exchange difference loss / (gain) | 9.64 | (1.35) |
| Operating profit before working capital changes | 333.78 | 287.11 |
| Adjustments for: | | |
| Trade and other receivables | 15.57 | 32.53 |
| Inventories | (2.79) | 6.19 |
| Trade and other payables | 34.05 | (0.06) |
| Cash generated from operations | 380.61 | 325.77 |
| Income taxes refund / (paid) net | 10.82 | (18.13) |
| Fringe benefit tax paid | – | (3.70) |
| Net cash flow from operating activities | 391.43 | 303.94 |
| B CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets including capital work in progress / advance | (301.16) | (801.07) |
| Proceeds from sale of fixed assets | – | 219.13 |
| Advance given towards purchase of investments | – | (6.91) |
| Purchase of current investments | (93.40) | (829.16) |
| Proceeds from sale of current investments | 537.63 | 343.05 |
| Proceeds from sale of non - current investments | – | 153.99 |
| Investment in shares of subsidiaries | (131.69) | (405.64) |
| Fixed deposits matured for a period of more than three months,net | 2.11 | 22.58 |
| Loans and advances given to subsidiaries and other body corporates | (1,712.58) | (111.27) |
| Loans and advances repaid by subsidiaries and other body corporates | 661.82 | – |
| Dividend on investments | 0.75 | 1.32 |
| Interest income from long term investment | 3.62 | – |
| Interest received | 9.62 | 11.77 |
| Net cash used for investing activities | (1,023.29) | (1,402.21) |
| C CASH FLOW FROM FINANCING ACTIVITIES | | |
| Interest and finance expenses paid | (219.41) | (121.55) |
| Proceeds from debentures | 700.00 | – |
| Proceeds from term loans | 157.25 | 563.75 |
| Proceeds from commercial papers | 160.00 | 290.00 |
| Additional lease obligations | – | 761.50 |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010 (Contd.)

| | Year ended 31.03.2010 (Rs. in crore) | Year ended 31.03.2009 (Rs. in crore) |
|--|--|--|
| Proceeds from unsecured loans | 956.35 | – |
| Repayment of term loans | (682.28) | (129.10) |
| Repayment of finance lease obligations | (82.70) | (68.49) |
| Repayment of commercial papers | (160.00) | (290.00) |
| Repayment of unsecured loan | (182.68) | – |
| Payment of unclaimed debentures and interest thereon | – | (0.40) |
| Net cash flow from financing activities | 646.53 | 1,005.71 |
| INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | 14.67 | (92.56) |
| Cash and cash equivalents at beginning of the year | 17.20 | 109.76 |
| Cash and cash equivalents at end of the year | 31.87 | 17.20 |
| Notes | | |
| 1. Cash and cash equivalents include | | |
| Cash and bank balances | 32.01 | 17.02 |
| Unrealised foreign currency (loss) / gain on cash and cash equivalents | (0.14) | 0.18 |
| Total cash and cash equivalents | 31.87 | 17.20 |
| Balances in fixed deposits (maturity period of more than 3 months) | 0.39 | 2.50 |
| CASH AND BANK BALANCES | 32.26 | 19.70 |
| 2. Non cash investing and financing transactions | | |

- a) During the year, Essar Steel Limited has transferred Unsecured Non convertible Debentures of Essar Holdings Limited to the Company in lieu of loan given to Essar Steel Limited amounting to Rs. 315.54 crore.
- b) During the year, Essar Oilfields Services Limited has issued Cumulative Preference Shares to the Company amounting to Rs. 71.65 crore against loans and advances given in previous year.
- c) During the year 2008-09, pursuant to scheme of amalgamation of India Shipping, Mauritius (IS) and Essar Sisco Ship Management Company Limited, India (ESSMC),
- (i) The Company has allotted 364,905,489 equity shares of Rs. 10/- each fully paid up, at a premium of Rs. 210 per share to Essar Shipping & Logistics Limited, Cyprus (immediate holding Company and sole shareholder of erstwhile IS) and;
- (ii) 175,299,376 equity shares (including 376,000 GDS represented by 124,456,000 equity shares) of the Company held by IS have been cancelled.
- (iii) The net excess value of additional shares (shares allotted to the shareholder of IS reduced by the shares already held by IS and cancelled by the Company) issued over net assets of the IS acquired by the Company amounting to Rs. 3,712.43 crore has been deducted from the securities premium account of the Company.
- (iv) The difference of Rs. 4.33 crore, between Company's investment value in equity shares and equity share capital of ESSMC, has also been deducted from securities premium account of the Company.
3. Cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 'Cash Flow Statement' as notified under the Companies (Accounting Standards) Rules, 2006.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 27, 2010

For and on behalf of the board

Sanjay Mehta
Managing Director

V. Ashok
Wholetime Director

Mumbai
May 27, 2010

R. N. Bansal
Director

Manoj Contractor
Company Secretary

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|--|---------------------------------------|---------------------------------------|
| SCHEDULE 1 | | |
| SHARE CAPITAL | | |
| Authorised | | |
| 1,50,00,00,000 | 1,500.00 | 1,500.00 |
| 10,50,000 | 10.50 | 10.50 |
| | 1,510.50 | 1,510.50 |
| Issued, subscribed and paid up | | |
| 61,56,83,320 | 615.68 | 615.68 |
| 2,44,648 | 0.13 | 0.13 |
| | 615.81 | 615.81 |
| [*of the above 426,705,480 (previous year 426,705,480) equity shares are held by Essar Shipping & Logistics Limited, immediate holding Company, 100 (previous year 100) equity shares are held by Essar Global Limited, ultimate holding Company and 65,108,095 (previous year 87,608,867) equity shares are held by Teletech Investments (India) Limited, 1,067,072 held by Essar Investments Limited and 22,500,000 (previous year nil) equity shares are held by Essar Steel Limited, subsidiaries of Essar Global Limited] | | |
| SCHEDULE 2 | | |
| RESERVES AND SURPLUS | | |
| Fixed assets revaluation reserve | | |
| As per last balance sheet | 151.09 | 538.01 |
| Add: Exchange difference adjustment (refer note no. B (1) of schedule 13) | - | 38.62 |
| Less: Depreciation on enhanced value of fixed assets | (38.28) | (144.73) |
| Less: Impairment of assets (refer note no. C of schedule 5) | - | (133.97) |
| Less: Transferred to general reserve on disposal of assets | - | (146.84) |
| | 112.81 | 151.09 |
| Capital redemption reserve | | |
| As per last balance sheet | 10.50 | 10.50 |
| Debenture redemption reserve | | |
| Transferred from Statement of Profit and Loss | 25.00 | - |
| Securities premium account | | |
| As per last balance sheet | 4,242.85 | 296.59 |
| Add: Addition during the year | - | 7,663.02 |
| Less: Goodwill written off on merger | - | (3,716.76) |
| | 4,242.85 | 4,242.85 |
| Ship acquisition utilised reserve | | |
| (In terms of Section 33 AC of the Income Tax Act, 1961) | | |
| As per last balance sheet | 505.50 | 505.50 |
| Less: Transferred to general reserve | (505.50) | - |
| | - | 505.50 |
| Tonnage tax reserve (In terms of Section 115 VT of the Income Tax Act, 1961) | | |
| As per last balance sheet | 180.50 | 162.50 |
| Add: Transferred from Statement of Profit and Loss | 25.00 | 18.00 |
| | 205.50 | 180.50 |
| General reserve | | |
| As per last balance sheet | 405.64 | 330.38 |
| Add: Transferred from fixed assets revaluation reserve on disposal of assets | - | 146.84 |
| Add: Transferred from ship acquisition utilised reserve | 505.50 | - |
| Less: Exchange difference adjustment (refer note no. B (1) of schedule 13) | - | (71.58) |
| | 911.14 | 405.64 |
| Balance in Statement of Profit and Loss | 1,109.91 | 1,069.91 |
| | 6,617.71 | 6,565.99 |

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|---|---------------------------------------|---------------------------------------|
| SCHEDULE 3 | | |
| SECURED LOANS | | |
| DEBENTURES | | |
| 11.35% Secured redeemable non-convertible 7,000 (previous year nil) debentures of Rs.10,00,000 each, secured by mortgage on immovable property, first charge on three bulk carriers, two tugs of the Company and six land rigs of a subsidiary | 700.00 | – |
| Of the above 5000 debentures were issued on 22.06.09 is redeemable on 22.06.19 with put and call option exercisable after five years from the date of issue, and 2000 debentures were issued on 25.03.10 is redeemable on 25.03.20 with put and call option exercisable after five years from the date of issue | | |
| FROM BANKS | | |
| Foreign currency term loan secured by first charge on a capesize bulk carrier and its receivables | – | 46.82 |
| Rupee term loans [converted into FCNR(B) facility], secured by first charge on a very large crude carrier and its receivables | 349.18 | 421.41 |
| Rupee term loans, [converted into FCNR(B) facility], secured by first charge on two tugs and its receivables | – | 44.46 |
| Rupee term loan [converted into FCNR(B) facility], secured by first charge on two bulk carriers | – | 39.20 |
| Rupee term loan, secured by second charge on four bulk carriers | 56.00 | 63.75 |
| Rupee term loan, secured by second charge on a very large crude carrier | – | 500.00 |
| | 405.18 | 1,115.65 |
| FROM FINANCIAL INSTITUTION | | |
| Rupee term loan, secured by first charge on eight mini bulkers and four tugs | 125.00 | – |
| Total | 1,230.18 | 1,115.65 |
| SCHEDULE 4 | | |
| UNSECURED LOANS | | |
| Short term loans and advances from Banks | 773.67 | – |
| Short term loans and advances from others | | |
| - Commercial paper | 160.00 | 160.00 |
| [maximum balance Rs.160 (previous year Rs.160) crore] [repayable within one year] | | |
| Total | 933.67 | 160.00 |

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

 SCHEDULE 5
FIXED ASSETS

(Rs. in crore)

| Details | GROSS BLOCK AT COST/ VALUATION | | | DEPRECIATION / IMPAIRMENT | | | NET BLOCK | | |
|---|--------------------------------|-----------|----------------------|---------------------------|---------------------|-----------------|-----------------|---------------------|---------------------|
| | As at 01.04.2009 | Additions | Sale / deductions | As at 31.03.2010 | As at 01.04.2009 | For the year | Deduc- tions | As at 31.03.2010 | As at 31.03.2009 |
| Tangible fixed assets | | | *A | *B | | *C | | | |
| Land - freehold | 0.02 | - | - | 0.02 | - | - | - | 0.02 | 0.02 |
| Buildings | 6.66 | - | - | 6.66 | 2.00 | 0.46 | - | 4.20 | 4.66 |
| Fleet - | | | | | | | | | |
| - Owned | 1,467.28 | - | 57.05 | 1,410.23 | 583.74 | 94.32 | - | 732.16 | 883.54 |
| - Leased *D | 1,147.58 | - | 118.32 | 1,029.26 | 102.73 | 57.29 | - | 869.24 | 1,044.85 |
| Plant and machinery *E | 39.00 | - | - | 39.00 | 38.98 | - | - | 0.02 | 0.02 |
| Aircraft - Gulfstream - taken on lease *D | 91.75 | - | 7.77 | 83.98 | 12.55 | 4.45 | - | 66.98 | 79.20 |
| Furniture, fixture,airconditioners refrigerators and office equipments | 5.32 | 0.28 | 0.96 | 4.65 | 3.53 | 0.47 | 0.92 | 3.08 | 1.79 |
| Vehicles | 6.37 | - | 0.03 | 6.34 | 3.31 | 0.79 | 0.03 | 4.07 | 3.06 |
| Total tangible fixed assets | 2,763.98 | 0.28 | 184.13 | 2,580.14 | 746.84 | 157.79 | 0.95 | 903.68 | 2,017.14 |
| Capital work in progress (capital advances) | - | - | - | - | - | - | - | - | 19.68 |
| Grand total | 2,763.98 | 0.28 | 184.13 | 2,580.14 | 746.84 | 157.79 | 0.95 | 903.68 | 2,036.82 |
| As at 31.03.2009 | 2,680.86 | 1,072.87 | 989.75 | 2,763.98 | 557.15 | 438.15 | 248.62 | 746.68 | 2,036.98 |

NOTES

*A Pursuant to the notification of Ministry of Corporate Affairs relating to the effects of changes in foreign exchange rates, the resultant gain of Rs. 183.14 (previous years net loss of Rs.425.68) crore arising on conversion/translation/settlement of long term foreign currency items has been adjusted in the current year deductions to the corresponding fleet and aircraft (refer note no.B (1) of schedule 13)

*B The Company has revalued its fleet on 1st April, 2004 and on 31st March, 2008 on the basis of valuation done by approved valuers. The net difference between book value and revalued value on 1st April, 2004 amounting to Rs. 669.52 crore and on 31st March, 2008 amounting to Rs. 491.31 crore (including Rs. 38.62 crore exchange difference, net of depreciation relating to previous year) had been added to the book value of the fleet and corresponding credit was given to the Fixed assets revaluation reserve. Gross block as on 31st March, 2010 includes Rs. 435.67 crore being an amount added on revaluation of fleet.

*C Out of the depreciation / impairment for the year, a sum of Rs. 38.28 (previous year Rs. 144.73) crore and Rs. nil (previous year Rs. 133.97) crore relating to depreciation and impairment respectively, to the extent it is charged on the increased value has been recouped from Fixed assets revaluation reserve and the balance of Rs. 119.51 (previous year Rs. 159.45) crore has been debited to the Statement of Profit and Loss.

*D The Company has three vessels and one aircraft on finance lease as on the Balance Sheet date.

*E Gross block of plant and machinery includes Rs. 38.84 crore leased out, W.D.V on 1st April, 2009 Rs. nil.

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|--|---------------------------------------|---------------------------------------|
| SCHEDULE 6 | | |
| INVESTMENTS | | |
| LONG TERM INVESTMENTS | | |
| Investments in debentures | | |
| 3,15,54,000 (previous year nil) 13.5% Unsecured Non Convertible Debenture of Rs.100 each of Essar Holdings Limited | 315.54 | — |
| Investments in subsidiaries | | |
| Equity shares (fully paid up, at cost) | | |
| – Unquoted | | |
| 12,58,40,000 equity shares of US\$ 1/- each of Essar International Limited, Guernsey | 566.77 | 566.77 |
| 7,30,00,000 equity shares of Rs.10/- each of Essar Logistics Limited # | 73.00 | 73.00 |
| 50,45,66,401 (previous year 47,74,30,851 equity shares of US\$ 1/- each of Essar Ports & Terminals Limited | 2,099.43 | 1,967.83 |
| 10,00,00,001 equity shares of US\$1/- each of Essar Oilfields Services Limited | 4,056.96 | 4,056.96 |
| 1 equity share of Rs.10/- each of Essar Bulk Terminal Limited * | — | — |
| 37,500 (previous year nil) equity shares of Rs.10/- each of Essar Paradip Terminals Limited | 0.04 | — |
| 17,65,785 (previous year nil) cumulative preference shares of US\$ 10 each of Essar Oilfields Services Limited | 71.64 | — |
| | 6,867.84 | 6,664.55 |
| Other investments (non trade) | | |
| Equity shares (fully paid up, at cost net of other than temporary decline) | | |
| – Quoted | | |
| 38,38,104 equity shares of Rs.10/- each of Essar Oil Limited @ | 2.27 | 2.27 |
| | 2.27 | 2.27 |
| CURRENT INVESTMENTS (non trade) | | |
| Mutual funds (at lower of cost and fair value) | | |
| – Unquoted | | |
| 5,10,47,360.195 (previous year 45,55,34,096.52l) units of LIC MF Liquid Fund - Dividend Plan (NAV as on 31.03.10 Rs. 10.9801 each) | 56.05 | 500.18 |
| Nil (previous year 41,100.80) units of LIC MF Income Plus Fund (NAV as on 31.03.09 Rs.10 each) | — | 0.04 |
| | 56.05 | 500.22 |
| Total | 7,241.70 | 7,167.05 |

Negative lien undertaking in favour of lenders for loan availed by Essar Steel Holdings Limited.

* amount is less than Rs.1 lakh.

@ pledged in favour of lenders for loan availed by Essar Oil Limited.

NOTES

Aggregate cost of unquoted investments 7,239.43 7,164.78

Aggregate cost / book value of quoted investments [net of other than temporary decline Rs.15.97 (previous year Rs.15.97) crore] 2.27 2.27

Aggregate market value of quoted investments 53.10 27.85

Details of current Investments purchased and sold during the year are as under:

| Sl. no. | Description | No of units | Purchase cost (Rs. in crore) |
|---------|---|-------------|------------------------------|
| 1 | Essar Oilfield Services India Limited | 50,000 | 0.05 |
| 2 | LIC Mutual Fund - Liquid Fund - Dividend Plan | 341,812,101 | 37.30 |

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|---|---------------------------------------|---------------------------------------|
| SCHEDULE 7 | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | |
| CURRENT ASSETS | | |
| Inventories - fuel oil and lubes (at cost or net realisable value whichever is lower) | 17.63 | 14.84 |
| Sundry debtors (unsecured) (refer note B (10) of schedule 13) | | |
| Debts outstanding for a period exceeding six months | | |
| (a) Considered good | 6.67 | - |
| (b) Considered doubtful | - | - |
| | <u>6.67</u> | <u>-</u> |
| Less: Provision for doubtful debts | - | - |
| | <u>6.67</u> | <u>-</u> |
| Other debts - considered good | 134.07 | 193.90 |
| | <u>140.74</u> | <u>193.90</u> |
| Cash and bank balances | | |
| Cash and cheques on hand | 0.02 | 3.69 |
| Balance with scheduled banks | | |
| In current accounts | 31.86 | 13.51 |
| In margin deposits | 0.38 | 2.50 |
| | <u>32.26</u> | <u>19.70</u> |
| Other current assets | | |
| Interest accrued on bank deposits | 0.01 | 0.08 |
| Interest accrued on Debentures | 3.26 | - |
| Total (A) | <u>193.90</u> | <u>228.52</u> |
| LOANS AND ADVANCES | | |
| (unsecured, considered good) | | |
| Loans and advances to subsidiaries | 575.87 | 111.27 |
| Inter corporate deposits with group companies | 286.28 | - |
| Advances recoverable in cash or in kind or for value to be received | 28.39 | 5.35 |
| Rental and other deposits | 51.89 | 53.43 |
| Cenvat receivables | 1.10 | 0.33 |
| Advance tax and tax deducted at source (net of provision for tax) | 14.83 | 24.69 |
| Prepaid expenses | 23.20 | 7.99 |
| Insurance claims receivable | 0.22 | 0.12 |
| Total (B) | <u>981.78</u> | <u>203.18</u> |
| Total (A) + (B) | <u>1,175.68</u> | <u>431.70</u> |

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|--|---------------------------------------|---------------------------------------|
| SCHEDULE 8 | | |
| CURRENT LIABILITIES AND PROVISIONS | | |
| CURRENT LIABILITIES | | |
| Sundry creditors | | |
| – Due to micro and small enterprises (refer note no. B (14) of schedule 13) | – | – |
| – Others | 66.69 | 34.41 |
| Other liabilities | 4.68 | 2.97 |
| Interest accrued but not due on loans | 9.39 | 8.68 |
| Freight / charter hire amount received in advance | 5.08 | 5.03 |
| Deposits including security deposit | 0.01 | 0.04 |
| | <u>85.85</u> | <u>51.13</u> |
| PROVISIONS | | |
| Provision for gratuity | 1.99 | 2.60 |
| Provision for compensated absences | 3.06 | 1.08 |
| | <u>5.05</u> | <u>3.68</u> |
| Total | <u><u>90.90</u></u> | <u><u>54.81</u></u> |
| SCHEDULE 9 | | |
| OTHER INCOME | | |
| Dividend from subsidiary | 0.22 | 0.25 |
| Interest income from banks [inclusive of tax deducted at source Rs. 0.02 (previous year Rs. 0.46) crore] | 0.20 | 3.54 |
| Interest income from others [inclusive of tax deducted at source Rs. 2.69 (previous year Rs. 0.15) crore] | 99.92 | 7.24 |
| Income on long term investments [inclusive of tax deducted at source Rs. 0.36 (previous year nil) crore] | 3.62 | – |
| Profit on sale of investments | – | 58.35 |
| Profit on sale of other assets | – | 3.45 |
| Miscellaneous Income | 0.10 | 0.04 |
| Dividend on non trade current investments | 0.53 | 1.08 |
| | <u>104.59</u> | <u>73.95</u> |

**SCHEDULES ATTACHED TO AND FORMING PART OF THE STATEMENT OF
PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010**

| Particulars | For the year ended 31.03.2010 (Rs. in crore) | For the year ended 31.03.2009 (Rs. in crore) |
|--|---|---|
| SCHEDULE 10 | | |
| FLEET OPERATING EXPENSES | | |
| Consumption of fuel, oil and water | 128.85 | 183.18 |
| Direct voyage expenses | 379.15 | 353.73 |
| Commission, brokerage and agency fees | 7.11 | 5.73 |
| Salaries, wages, bonus and other expenses on off shore staff | | |
| - Salaries, wages and bonus | 46.97 | 44.94 |
| - Contribution to staff provident and other funds | 0.58 | 0.63 |
| - Staff welfare expenses | 6.49 | 7.95 |
| Consumption of stores and spares | 14.94 | 13.88 |
| Standing costs | 16.95 | 15.63 |
| Dry docking expenses | 12.16 | 22.18 |
| Insurance, protection and indemnity club fees | 13.64 | 13.55 |
| | <u>626.84</u> | <u>661.40</u> |
| SCHEDULE 11 | | |
| ESTABLISHMENT AND OTHER EXPENSES | | |
| Salaries, wages and bonus | 20.16 | 15.45 |
| Contribution to staff provident and other funds | 1.46 | 0.29 |
| Staff welfare expenses | 1.52 | 2.41 |
| Rent | 1.75 | 4.76 |
| Rates and taxes | 0.11 | 0.09 |
| Repairs and maintenance-buildings | 0.77 | 1.69 |
| Repairs and maintenance-others | 12.02 | 18.79 |
| Legal and professional fees | 16.34 | 5.73 |
| Travelling and conveyance | 5.55 | 8.05 |
| Auditor's remuneration (refer note no. B(6) of schedule 13) | 0.63 | 0.38 |
| Loss on sale / disposal of assets | 0.04 | - |
| Business centre fees | 5.30 | 13.56 |
| Miscellaneous expenses | 3.84 | 15.55 |
| | <u>69.49</u> | <u>86.75</u> |
| SCHEDULE 12 | | |
| INTEREST AND FINANCE EXPENSES | | |
| Interest to banks on secured loans | 44.72 | 33.44 |
| Interest to Financial Institution | 4.19 | - |
| Interest on debentures | 46.49 | - |
| Interest on others | 50.99 | 14.91 |
| Interest on finance lease obligations | 66.59 | 79.77 |
| Guarantee fees, processing and other charges | 0.70 | 0.54 |
| Loan arrangement expenses | 5.01 | 0.57 |
| | <u>218.69</u> | <u>129.22</u> |

SCHEDULE 13

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2010

A. SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

These financial statements are prepared under the historical cost convention, except for the revaluation of fleet, on accrual basis of accounting, and are in accordance with generally accepted accounting principles and in compliance with the applicable Accounting Standards (AS) referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

2. USE OF ESTIMATES

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the reporting date and the reported amounts of income and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. FIXED ASSETS

Fixed assets are recorded at cost of acquisition or at revalued amounts less accumulated depreciation and impairment loss, if any. Cost of acquisition of fleet includes brokerage, start up costs and cost of major improvements / upgradations.

Assets acquired under finance leases are capitalised as fixed assets at lower of fair value at inception of the lease and the present value of minimum lease payments and a corresponding liability is recognised. The lease rentals paid (excluding operating expenses) are bifurcated into principal and interest components by applying an implicit rate of return. The interest is charged against income as a period cost and the principal amount is adjusted against the liability recognised in respect of assets taken on finance lease.

Foreign exchange differences on conversion / translation / settlement in respect of long term monetary items used for acquisition of depreciable fixed assets are added to the cost of fixed Assets.

4. DEPRECIATION

Depreciation on fleet, including second hand fleet, is provided by using the straight-line method based on a technical evaluation of the economic useful life of respective vessels or at the rates prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher as follows:

| Fleet | Method of depreciation | Estimated useful life |
|--------------------|--|------------------------------|
| Tankers | SLM over balance useful life or 5% whichever is higher | 14-20 years |
| Bulk carriers | | 3-26 years |
| Mini bulk carriers | | 20 years |
| Tugs | SLM over balance useful life or 7% whichever is higher | 20 years |

Depreciation on water circulation treatment plant and aircraft is provided by using the straight-line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

All other assets are depreciated by using the written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing less than Rs. 5,000/- are depreciated at 100% in the year of acquisition.

Depreciation on the incremental value of fixed assets upon revaluation is recouped proportionately from fixed assets revaluation reserve.

Depreciation on additions/deductions to fixed assets made during the year is provided on a pro-rata basis from / up to the date of such additions / deductions, as the case may be.

Profit or loss on disposal of revalued fixed assets is recognised with reference to their revalued carrying values. The balance, if any, in the fixed assets revaluation reserve relating to revalued fixed assets that are sold / disposed is transferred to general reserve.

5. IMPAIRMENT OF ASSETS

The Company assesses on each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The amount so reduced is treated as an impairment loss and is recognised in the statement of profit and loss, except in case of revalued assets, where it is first adjusted against the related balance in fixed assets revaluation reserve.

If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is carried at the recoverable amount subject to a maximum of depreciated historical cost, except for revalued assets which are subject to a maximum of depreciated revalued cost.

6. BORROWING COST

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

7. INVESTMENTS

- a) Long term investments are carried at cost less provision for other than temporary diminution in the fair value of these investments.
- b) Current investments are carried at lower of cost and fair value.

8. INVENTORY

Inventory is valued at the lower of cost and net realisable value. Cost is determined on first-in-first-out basis.

9. FLEET OPERATING EARNINGS

Fleet operating earnings represent the value of charter hire earnings, demurrage, freight earnings, fleet management fees and lighterage earnings, and are accounted on accrual basis. Freight earnings are recognised on a pro-rata basis for voyages in progress at balance sheet date after loading of the cargo is completed; revenues and related expenses for voyages where cargo has not been loaded as on the balance sheet date are deferred and recognised in the following year. Lighterage is recognised on the basis of unloading of entire cargo.

10. INTEREST INCOME

Interest income is recognised on an accrual basis.

11. INSURANCE CLAIMS

Insurance claims are recorded based on reasonable certainty of their settlement.

12. FLEET OPERATING EXPENSES

All expenses relating to the operation of the fleet including crewing, insurance, stores, bunkers, dry docking, charter hire and special survey costs, are expensed under fleet operating expenses on accrual basis.

13. OPERATING LEASES

Rentals are expensed with reference to the terms of the lease agreement and other considerations in respect of operating leases.

14. EMPLOYEE BENEFITS

- a) The Company (employer) and the employees contribute a specified percentage of eligible employees' salary - currently 12%, to the employer established provident fund "Essar Staff Provident Fund" set up as an irrevocable trust by the Company. The Company is generally liable for annual contributions and any shortfall in the fund assets based on government specified minimum rates of return - currently @ 8.5%, and recognises such provident fund liability, considering fund as the defined benefit plan, based on an independent actuarial valuation carried out at every statutory year end.
- b) Provision for gratuity for floating staff is made as under:
 - (i) For officers on actuarial valuation.

- (ii) For crew on accrual basis as per rules of the National Maritime Board and is charged to the Statement of Profit and Loss.

Contribution in respect of gratuity for on shore staff is made to Life Insurance Corporation of India based on demands made. The Company also accounts for gratuity liability based on an independent actuary valuation carried out at every statutory year end.

- c) Contribution towards superannuation, funded by payments to Life Insurance Corporation of India, is a fixed percentage of the salary of eligible employees under a defined Contribution plan, and is charged to the Statement of Profit and Loss.
- d) Provision for all compensated absences of eligible employees is based on an independent actuarial valuation.

15. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are recorded at standard exchange rates determined monthly which approximates the actual rate on the date of transaction. The difference between the standard rate and the actual rate of settlement is accounted in the Statement of Profit and Loss.

Monetary items denominated in foreign currency are translated at the rate prevailing at the end of the year. Gains/losses on conversion / translation / settlement of foreign currency transactions are recognised in the Statement of Profit and Loss, except gains / losses on conversion / translation / settlement in respect of long term foreign currency monetary items related to acquisition of a depreciable asset is adjusted to the carrying amount to those depreciable assets.

Gains/losses on conversion/translation/settlement in respect of long term foreign currency items relates to other than an acquisition of depreciable assets are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance period of such long term foreign currency item but not beyond 31st March, 2011.

16. TAXES ON INCOME

- a) Income tax on income from qualifying fleet is provided on the basis of the Tonnage Tax Scheme whereas income tax on other income and fringe benefit tax are provided as per other provisions of the Income Tax Act, 1961.
- b) The tax effect of timing differences relating to non-tonnage tax activities that occur between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations as at the balance sheet date.

Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation under tax laws are recognised only if there is a virtual certainty of realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised to the extent there is reasonable certainty of realisation.

17. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised for present obligations arising out of past events if it is probable that an outflow of economic resources, the amount of which can be reliably estimated, will be required to settle the obligation.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or the likelihood of an outflow of economic resources is remote.

Contingent assets are not recognised in the financial statements.

18. SEGMENT ACCOUNTING POLICIES

- a) Segment assets and segment liabilities:
Segment assets include all operating assets used by the segment and consist principally of fixed assets, inventories, sundry debtors, cash and bank balances. Segment assets and liabilities do not include share capital, reserves and surplus, income tax and unallocable assets and liabilities.
- b) Segment revenue and segment expenses:
Segment revenue and expenses have been identified to its segment on the basis of relationship to its operating activities. It does not include interest income on investment; inter corporate deposits, interest expense and provision for taxes.

B. NOTES TO THE FINANCIAL STATEMENTS

1) Fixed assets

Pursuant to notification issued by the Central Government under Companies (Accounting Standards) Amendment Rules, 2009 dated 31st March, 2009; the Company has chosen an option with effect from 1st April, 2007 to adjust the gains/losses arising on conversion/translation/settlement of long term foreign currency items into the corresponding costs of fixed assets to the extent it is related to acquisition of depreciable fixed assets and the balance gains / losses has been accumulated in "Foreign Currency Monetary Item Translation Difference Account" (FCMITDA).

During the year, exchange difference gain on long term foreign currency items relating to fixed assets amounting to Rs. 183.14 (previous year net loss of Rs. 459.78) crore has been adjusted in costs of corresponding fixed assets and the balance exchange difference of Rs. 4.10 (previous year Rs. 11.59) crore [net of Rs. 4.10 (previous year Rs. 5.79) crore amortised in the Statement of Profit and Loss] outstanding under FCMITDA as on the balance sheet date has been charged to the Statement of Profit and Loss as the only general purpose loan on which the FCMITDA was created has been repaid during the year.

The compounding effect of this treatment has resulted into decrease in the profit for the year by an amount of Rs. 170.82 (previous year increase of Rs. 449.89) crore.

2) Contingent liabilities

(Rs. in crore)

| Particulars | As on 31.03.2010 | As on 31.03.2009 |
|--|------------------|------------------|
| i) Guarantees given by banks | 3.36 | 31.46 |
| ii) Corporate guarantees on behalf of subsidiaries | 3,996.04 | 295.00 |
| v) Disputed sales tax demand under appeal in the Honorable High Court of Chennai | 52.20 | 58.10 |
| vi) Income tax appeals before ITAT | 117.97 | 117.97 |

3) Finance leases

The minimum lease rentals outstanding at year end are as under:

(Rs. in crore)

| Particulars | As on 31.03.2010 | | | As on 31.03.2009 | | |
|---|------------------------|---------------|---|------------------------|---------------|---|
| | Minimum lease payments | Interest | Present value of minimum lease payments | Minimum lease payments | Interest | Present value of minimum lease payments |
| Future lease rental obligation payable : | | | | | | |
| – not later than one year | 141.61 | 57.45 | 84.16 | 162.28 | 72.04 | 90.24 |
| – later than one year but not later than five years | 692.57 | 197.75 | 494.82 | 801.59 | 259.29 | 542.30 |
| – later than five years | 372.47 | 25.32 | 347.15 | 560.46 | 58.10 | 502.36 |
| TOTAL | 1,206.65 | 280.52 | 926.13 | 1,524.33 | 389.43 | 1,134.90 |

4) Business segment and geographical segment

Business segment

The Company has one primary business segment of fleet operations and chartering.

a) Geographical segment

The Company's fleet operations are managed on a worldwide basis from India. Fleet operating and chartering earnings based on the geographical location of customers:

(Rs. in crore)

| Fleet operating and chartering earnings | Year ended | |
|---|-----------------|-----------------|
| | 31.03.2010 | 31.03.2009 |
| India | 725.46 | 621.16 |
| China | 87.63 | 92.74 |
| U.S.A | 29.85 | – |
| U.K. | 69.57 | 116.57 |
| U.A.E. | 0.63 | 30.44 |
| Rest of the world | 115.07 | 162.29 |
| TOTAL | 1,028.21 | 1,023.20 |

The main operating assets represent floating fleet, which is not identifiable to any geographical location.

5) Remuneration to whole-time directors and managing director

(Rs. in crore)

| Particulars | Year ended | |
|---|-------------|-------------|
| | 31.03.2010 | 31.03.2009 |
| Basic salary | 0.70 | 0.69 |
| Allowances and other benefits/perquisites | 2.08 | 1.68 |
| Contribution to provident fund | 0.13 | 0.08 |
| TOTAL | 2.91 | 2.45 |

Note: The above does not include the amount payable towards gratuity and compensated absences by the Company to the managerial personnel as same is calculated for the Company as a whole on actuarial basis.

6) Auditor's remuneration

(Rs. in crore)

| Particulars | Year ended | |
|-------------------------|-------------|-------------|
| | 31.03.2010 | 31.03.2009 |
| Audit fees | 0.55 | 0.34 |
| Other matters | 0.02 | – |
| Out of pocket expenses* | – | – |
| Service tax on above | 0.06 | 0.04 |
| TOTAL | 0.63 | 0.38 |

* Amount is less than Rs. 1 lakh

7) Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

| Particulars | Year ended | |
|---|-------------|---------------|
| | 31.03.2010 | 31.03.2009 |
| Earnings for the purpose of basic and diluted earnings per share (net profit for the year) (Rs. in crore) | 90.00 | 107.66 |
| Equity shares at the beginning of the year (nos.) | 615,683,320 | 426,077,207 |
| Equity shares issued pursuant to merger of India Shipping (nos.) | – | 364,905,489 |
| Equity shares held by India Shipping in the Company cancelled upon merger (nos.) | – | (175,299,376) |
| Equity shares at the end of the year (nos.) | 615,683,320 | 615,683,320 |
| Weighted average equity shares for the purpose of calculating basic and diluted earnings per share (nos.) | 615,683,320 | 615,683,320 |
| Earnings per share-basic and diluted (face value of Rs.10/- each) (Rs.) | 1.46 | 1.75 |

- 8) a) There were no forward / options contracts entered into by the Company during the financial year to hedge its foreign currency exposures.
- b) The outstanding foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:
- i) Amount receivable in foreign currency on account of the following:

| Particulars | Rs. in crore | | Currency | In million | |
|--|--------------|---------|----------|------------|---------|
| | 2009-10 | 2008-09 | | 2009-10 | 2008-09 |
| i. Export of goods and services | 4.32 | 14.28 | USD | 0.97 | 2.83 |
| ii. Sale of assets | – | 13.64 | USD | – | 2.70 |
| iii. Advance to vendors | 0.03 | 0.75 | USD | 0.01 | 0.15 |
| iv. Advance to holding /subsidiaries | 98.27 | – | USD | 22.00 | – |
| v. Bank balances and fixed deposits including interest accrued thereon | 1.56 | 0.32 | USD | 0.35 | 0.06 |

- ii) Amount payable in foreign currency on account of the following:

| Particulars | Rs. in crore | | Currency | In million | |
|--|---------------|-----------------|----------|---------------|---------------|
| | 2009-10 | 2008-09 | | 2009-10 | 2008-09 |
| i) Import of goods and services | 11.45 | 14.05 | USD | 2.53 | 2.73 |
| | 0.09 | 0.07 | GBP | 0.01 | 0.01 |
| | – | – | DKK | – | – |
| | 0.59 | 0.47 | EUR | 0.10 | 0.07 |
| | 0.32 | 0.68 | JPY | 6.45 | 14.67 |
| | 1.04 | 0.75 | SGD | 0.32 | 0.22 |
| | – | 0.04 | NOK | – | 0.05 |
| | – | 0.02 | HKD | – | 0.05 |
| | – | 0.02 | ZAR | – | 0.03 |
| | 0.06 | 0.00 | AED | 0.05 | 0.00 |
| | 13.55 | 16.10 | | | |
| ii) Secured loans payable (including interest accrued) | 356.51 | 551.90 | USD | 78.22 | 107.27 |
| iii) Lease loans obligation | 926.12 | 1,134.90 | USD | 203.19 | 221.70 |

9) Employee benefits

The Company has adopted Accounting Standard (AS) 15 (Revised) 'Employee benefits' as notified under the Companies (Accounting Standard) Rules, 2006, with effect from 1st April, 2007. The Company has classified the various benefits provided to employees as under:

I. Defined contribution plans

The Company has recognised the following amounts in the Statement of Profit and Loss during the year:

(Rs. in crore)

| Particulars | 2009-10 | 2008-09 | 2007-08 |
|---|---------|---------|---------|
| a) Employer's contribution to gratuity fund (offshore crew staff) | 0.77 | 0.78 | 0.12 |
| b) Group accident policy cover (all employees) | 3.83 | 3.64 | 3.62 |
| c) Contribution to pension fund (offshore crew staff) | 0.22 | 0.23 | 0.20 |

The above amounts are included in 'Contribution to staff provident and other funds' (Schedule 11).

II. Defined benefit plans

- a. Contribution to provident fund
- b. Contribution to gratuity fund
- c. Provision for compensated absences (CA)

In accordance with AS-15, relevant disclosures are as under:

(A) Changes in present value of defined benefit obligation

(Rs. in crore)

| Particulars | Provident fund (funded) | | | Gratuity-shore officers (funded) | | | Gratuity-off shore officers (non-funded) | | | CA-paid leave (non-funded) | | |
|---|-------------------------|--------------|--------------|----------------------------------|-------------|-------------|--|-------------|-------------|----------------------------|-------------|-------------|
| | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.3.08 |
| Present value of defined benefit obligation at the beginning of the year | 17.40 | 18.58 | 16.88 | 0.53 | 1.44 | 1.28 | 2.80 | 3.49 | 3.34 | 0.54 | 1.86 | 0.86 |
| Current service cost | 1.21 | 1.24 | 1.26 | 0.06 | 0.05 | 0.12 | 0.43 | 0.40 | 0.64 | 0.12 | 0.11 | 0.57 |
| Current service contribution - employee | 1.25 | 1.31 | 1.37 | - | - | - | - | - | - | - | - | - |
| Interest cost | 0.07 | 1.39 | 1.37 | 0.04 | 0.11 | 0.10 | 0.20 | 0.27 | 0.26 | 0.04 | 0.14 | 0.06 |
| Acquisitions | 0.30 | 0.16 | - | - | - | - | - | - | - | - | (0.21) | - |
| Benefits paid | (2.22) | (5.28) | (2.64) | (0.06) | (0.20) | (0.08) | (0.26) | (0.23) | (0.13) | (0.09) | (0.19) | (0.06) |
| Actuarial (gain)/loss on obligations | (1.31) | - | 0.34 | 0.22 | (0.87) | 0.02 | (1.23) | (1.14) | (0.62) | 0.55 | (1.17) | 0.43 |
| Present value of defined benefit obligation at the end of the year | 16.69 | 17.40 | 18.58 | 0.79 | 0.53 | 1.44 | 1.95 | 2.79 | 3.49 | 1.16 | 0.54 | 1.86 |

(B) Changes in the fair value of plan assets

(Rs. in crore)

| Particulars | Provident fund (funded) | | | Gratuity-shore officers (funded) | | | Gratuity-off shore officers (non-funded) | | | CA-paid leave (non-funded) | | |
|---|-------------------------|--------------|--------------|----------------------------------|-------------|-------------|--|----------|----------|----------------------------|----------|----------|
| | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.3.08 |
| Fair value of plan assets at the beginning of the year | 17.40 | 18.58 | 16.88 | 0.77 | 0.90 | 0.87 | - | - | - | - | - | - |
| Expected return on plan assets | - | - | - | 0.06 | 0.07 | 0.08 | - | - | - | - | - | - |
| Actual return on plan assets | (1.23) | 1.39 | 1.37 | - | - | - | - | - | - | - | - | - |
| Actuarial gains / (losses) | - | - | - | - | *(0.00) | *(0.00) | - | - | - | - | - | - |
| Contributions by the employer/ employees | 2.75 | 2.71 | 2.97 | - | *(0.00) | 0.03 | 0.26 | 0.23 | 0.13 | 0.09 | 0.19 | 0.06 |
| Benefits paid | (2.22) | (5.28) | (2.64) | (0.05) | (0.20) | (0.08) | (0.26) | (0.23) | (0.13) | (0.09) | (0.19) | (0.06) |
| Fair value of plan assets at the end of the year | 16.69 | 17.40 | 18.58 | 0.79 | 0.77 | 0.90 | - | - | - | - | - | - |

* Amount is less than Rs.1 lakh

(C) Amount recognised in Balance Sheet

(Rs. in crore)

| Particulars | Provident fund (funded) | | | Gratuity-shore officers (funded) | | | Gratuity-off shore officers (non-funded) | | | CA-paid leave (non-funded) | | |
|---|----------------------------|----------|---------|-------------------------------------|----------|----------|---|----------|---------|-------------------------------|----------|---------|
| | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.3.08 |
| Present value of defined benefit obligation at the end of the year | 16.69 | 17.40 | 18.58 | 0.79 | 0.53 | 1.44 | 1.95 | 2.79 | 3.49 | 1.16 | 0.54 | 1.86 |
| Fair value of plan assets at the end of the year | (16.69) | (17.40) | (18.58) | (0.79) | (0.77) | (0.90) | - | - | - | - | - | - |
| Liability/(asset) recognised in the Balance Sheet (included in current liabilities and provisions) (schedule 8) | - | - | - | - | (0.24) | 0.54 | 1.95 | 2.79 | 3.49 | 1.16 | 0.54 | 1.86 |

(D) Expenses recognised in the Statement of Profit and Loss

(Rs. in crore)

| Particulars | Provident fund (funded) | | | Gratuity-shore officers (funded) | | | Gratuity-off shore officers (non-funded) | | | CA-paid leave (non-funded) | | |
|--|----------------------------|----------|---------|-------------------------------------|----------|----------|---|----------|---------|-------------------------------|----------|---------|
| | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.3.08 |
| Current service cost | 1.21 | 1.24 | 1.26 | 0.06 | 0.05 | 0.12 | 0.43 | 0.40 | 0.65 | 0.12 | 0.11 | 0.57 |
| Interest cost | 0.07 | 1.39 | 1.37 | 0.04 | 0.11 | 0.10 | 0.20 | 0.27 | 0.26 | 0.04 | 0.14 | 0.06 |
| Expected return on plan assets | (0.07) | (1.39) | (1.37) | (0.06) | (0.07) | (0.08) | - | - | - | - | - | - |
| Net actuarial (gain)/loss recognised in the period | - | - | - | 0.22 | (0.87) | 0.02 | (1.23) | (1.11) | (0.64) | 0.55 | (1.17) | 0.42 |
| Total expenses recognised in the Statement of Profit and Loss (Included in Contribution to provident and other funds (Schedule 10)) | 1.21 | 1.24 | 1.26 | 0.25 | (0.78) | 0.16 | (0.59) | (0.44) | 0.27 | 0.71 | 0.92 | 1.05 |

(E) Experience history

(Rs in crore)

| Particulars | Provident fund (funded) | | Gratuity-shore officers (funded) | | Gratuity-off shore officers (non-funded) | | CA-paid leave (non-funded) | |
|---|----------------------------|----------|-------------------------------------|----------|---|----------|-------------------------------|----------|
| | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 |
| Defined benefit obligation at the end of the year | - | - | (0.79) | (0.53) | (1.90) | (2.80) | (1.16) | (0.54) |
| Plan assets at the end of the period | - | - | 0.79 | 0.77 | - | - | - | - |
| Funded status | - | - | - | 0.24 | (1.90) | (2.80) | (1.16) | (0.54) |
| Experience gain /(loss) adjustments on plan liabilities | - | - | (0.29) | 0.70 | 0.90 | 0.59 | (0.91) | 1.70 |
| Experience gain /(loss) adjustments on plan assets | - | - | - | - | - | - | - | - |
| Actuarial gain/(loss) due to change on assumptions | - | - | 0.07 | - | 0.34 | 0.52 | 0.36 | (0.54) |

(F) Category of plan assets

(Rs. in crore)

| Percentage of each category of plan assets to total fair value of plan assets: | Provident fund (funded) | | | Gratuity-shore officers (funded) | | | Gratuity-off shore officers (non-funded) | | | CA-paid leave (non-funded) | | |
|--|-------------------------|----------|---------|----------------------------------|----------|----------|--|----------|---------|----------------------------|----------|---------|
| | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.3.08 |
| Administered by Life Insurance Corporation of India | - | - | - | 100% | 100% | 100% | - | - | - | - | - | - |
| Government of India security | 25% | 32% | 36% | - | - | - | - | - | - | - | - | - |
| Public sector bonds / TDRs | 60% | 48% | 44% | - | - | - | - | - | - | - | - | - |
| State government securities | 15% | 20% | 20% | - | - | - | - | - | - | - | - | - |

(G) Actuarial assumptions

In accordance with Accounting Standard (AS) 15 (Revised), actuarial valuation as at the year end was done in respect of the aforesaid defined benefit plans based on the following assumptions:

i) General assumptions

(Rs. in crore)

| Particulars | Provident fund (funded) | | | Gratuity-shore officers (funded) | | | Gratuity-off shore officers (non-funded) | | | CA-paid leave (non-funded) | | |
|---|-------------------------|----------|---------|----------------------------------|----------|----------|--|----------|---------|----------------------------|----------|---------|
| | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.3.08 |
| Discount rate (per annum) | 7.80% | 7.60% | 8.00% | 7.80% | 7.60% | 8.00% | 7.80% | 7.60% | 8.00% | 7.80% | 7.60% | 8.00% |
| Rate of return on plan assets (for funded scheme) | 8.50% | 8.50% | 8.50% | 8.50% | 8.50% | 9.25% | N.A | N.A | N.A | N.A | N.A | N.A |
| Expected retirement age of employees (years) | 58 | 58 | 58 | 58 | 58 | 58 | 60 | 60 | 60 | 58 | 58 | 58 |
| Separation rate of employees | - | - | - | 10.00% | 16.00% | 16.00% | 7.00% | 7.00% | 2.00% | 10.00% | 16.00% | 16.00% |
| Rate of increase in compensation | - | - | - | 9.00% | 15.00% | 15.00% | 9.00% | 9.00% | 9.00% | 9.00% | 15.00% | 15.00% |

ii) Mortality rates considered are as per the published rates in the Life Insurance Corporation (1994-96) Mortality table.

iii) Leave policy:

- Sick leave balance as at the valuation date and each subsequent year following the valuation date will be availed by the employee against future sick leave; the sick leave balance is not available for encashment.
- Leave balance as at the valuation date and each subsequent year following the valuation date to the extent not availed by the employee is available for encashment on separation from the Company up to a maximum of 120 days.

iv) As this is the third year of implementation of Accounting Standard (AS) -15 (Revised 2005), only corresponding previous two year figure have been furnished.

v) The contribution to be made by the Company for funding its liability for gratuity during the financial year 2009-2010 will be made as per demand raised by the fund administrator Life Insurance Corporation of India.

10) Receivable from Essar Shipping & Logistics (Panama) Inc., the Company under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956, is Rs. nil (previous year Rs. 13.64 crore)

11) Related party transactions:

a) Holding companies

- i) Essar Global Limited, Cayman Island, ultimate holding Company
- ii) Essar Shipping & Logistics Limited, Cyprus, immediate holding Company

b) Subsidiaries

- i) Vadinar Oil Terminal Limited, India
- ii) Essar Logistics Limited, India
- iii) Essar International Limited, Guernsey, Channel Islands
- iv) Energy Transportation International Limited, Bermuda
- v) Energy II Limited, Bermuda
- vi) Essar Ports & Terminals Limited, Mauritius
- vii) Essar Bulk Terminal Limited, India
- viii) Essar Bulk Terminal (Salaya) Limited, India
- ix) Essar Oilfields Services Limited, Mauritius
- x) Essar Oilfields Services FZE – Dubai
- xi) Essar Dredging Limited, India
- xii) Essar Oilfield Services India Limited, India (w.e.f. 4th April, 2009)
- xiii) Essar Paradip Terminal Limited (w.e.f. 4th November, 2009)
- xiv) Vadinar Port & Terminal Limited (w.e.f. 21st April, 2009)

c) Key Management Personnel

- i) Mr. Sanjay Mehta, Managing Director
- ii) Mr. A. R. Ramakrishnan, Wholetime Director
- iii) Mr. V. Ashok, Wholetime Director

d) Other related parties where there have been transactions

Enterprises commonly controlled or influenced by major shareholders / directors / relatives of Directors of the Company:

- (i) Essar Information Technology Limited
- (ii) Essar Agrotech Limited
- (iii) Essar House Limited
- (iv) Essar Infrastructure Services Limited
- (v) Essar Steel Limited
- (vi) Futura Travels Limited
- (vii) India Securities Limited
- (viii) Essar Oil Limited
- (ix) Essar Steel Hazira Limited
- (x) Aegis Limited
- (xi) Essar Steel Algoma Inc.
- (xii) Essar Shipping & Logistics (Panama) Inc
- (xiii) Essar Infrastructure Holdings Limited
- (xiv) Essar Logistics Holdings Limited
- (xv) Essar Holdings Limited
- (xvi) Essar Investments Limited
- (xvii) Essar Bulk Terminals Paradip Limited

The details of transactions with related parties

(Rs. in crore)

| Nature of transactions | Holding and subsidiary companies | | Other related parties | | Key Management Personnel | | Total | |
|--|----------------------------------|--------------|-----------------------|---------------|--------------------------|-------------|---------------|---------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| INCOME | | | | | | | | |
| Fleet operating income | | | | | | | | |
| Essar Steel Limited | – | – | 478.37 | 469.76 | – | – | 478.37 | 469.76 |
| Essar Steel Algoma Inc. | – | – | – | 30.59 | – | – | – | 30.59 |
| Essar Shipping & Logistics Limited | 9.09 | – | – | – | – | – | 9.09 | – |
| Essar Steel Hazira Limited | – | – | 25.40 | – | – | – | 25.40 | – |
| Essar Logistics Limited | 16.15 | 13.57 | – | – | – | – | 16.15 | 13.57 |
| Vadinar Oil Terminal Limited | 18.07 | 18.07 | – | – | – | – | 18.07 | 18.07 |
| Essar International Limited | 3.98 | 4.85 | – | – | – | – | 3.98 | 4.85 |
| Essar Oil Limited | – | – | – | 5.18 | – | – | – | 5.18 |
| Total | 47.29 | 36.49 | 503.77 | 505.53 | – | – | 551.06 | 542.02 |
| Equipment lease rental income | | | | | | | | |
| Essar Steel Limited | – | – | 0.02 | 0.02 | – | – | 0.02 | 0.02 |
| Rental income on building | | | | | | | | |
| Essar Steel Limited | – | – | 0.01 | 0.01 | – | – | 0.01 | 0.01 |
| Dividend income | | | | | | | | |
| Essar International Limited | 0.22 | 0.25 | – | – | – | – | 0.22 | 0.25 |
| Interest income on debenture | | | | | | | | |
| Essar Holdings Limited | – | – | 3.62 | – | – | – | 3.62 | – |
| Interest income | | | | | | | | |
| Essar Steel Limited | – | – | 8.01 | – | – | – | 8.01 | – |
| Essar Investments Limited | – | – | 8.77 | – | – | – | 8.77 | – |
| Essar Ports & Terminal Limited | 5.47 | – | – | – | – | – | 5.47 | – |
| Vadinar Oil Terminal Limited | 0.05 | – | – | – | – | – | 0.05 | – |
| Essar Shipping & Logistics Limited | 16.10 | – | – | – | – | – | 16.10 | – |
| Essar Oilfields Services India Limited | 39.05 | – | – | – | – | – | 39.05 | – |
| Essar Oilfields Services Limited (Mauritius) | 13.99 | – | – | – | – | – | 13.99 | – |
| Essar Bulk Terminal Paradip Limited | – | – | 0.06 | – | – | – | 0.06 | – |
| Essar Bulk Terminal (Salaya) Limited | 1.34 | 0.10 | – | – | – | – | 1.34 | 0.10 |
| Essar Bulk Terminal Limited | 0.07 | 0.17 | – | – | – | – | 0.07 | 0.17 |
| Total | 76.07 | 0.27 | 16.84 | – | – | – | 92.91 | 0.27 |
| Remuneration | | | | | | | | |
| Sanjay Mehta | – | – | – | – | 0.64 | 0.64 | 0.64 | 0.64 |
| A. R. Ramkrishnan | – | – | – | – | 1.18 | 0.89 | 1.18 | 0.89 |
| V. Ashok | – | – | – | – | 1.08 | 0.92 | 1.08 | 0.92 |
| Total | – | – | – | – | 2.90 | 2.45 | 2.90 | 2.45 |
| Purchase of fuel oil | | | | | | | | |
| Essar Oil Limited | – | – | 0.01 | – | – | – | 0.01 | – |
| Essar Logistics Limited | – | 0.02 | – | – | – | – | – | 0.02 |
| Total | – | 0.02 | 0.01 | – | – | – | 0.01 | 0.02 |

The details of transactions with related parties (Contd.)

(Rs. in crore)

| Nature of transactions | Holding and subsidiary companies | | Other related parties | | Key Management Personnel | | Total | |
|--|----------------------------------|---------------|-----------------------|--------------|--------------------------|----------|--------------|---------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Hire charges | | | | | | | | |
| Essar Shipping & Logistics Limited | 43.79 | – | – | – | – | – | 43.79 | – |
| Essar Oil Limited | – | – | 2.43 | – | – | – | 2.43 | – |
| Essar International Limited | 47.98 | 132.44 | – | – | – | – | 47.98 | 132.44 |
| Total | 91.78 | 132.44 | 2.43 | – | – | – | 94.20 | 132.44 |
| Manning charges | | | | | | | | |
| Essar Infrastructure Services Limited | – | – | 0.16 | – | – | – | 0.16 | – |
| Direct voyage expenses | | | | | | | | |
| Essar Steel Limited | – | – | 3.99 | – | – | – | 3.99 | – |
| Essar Steel Hazira Limited | – | – | 0.13 | – | – | – | 0.13 | – |
| Essar Logistics Limited | 0.80 | 0.86 | – | – | – | – | 0.80 | 0.86 |
| Total | 0.80 | 0.86 | 4.12 | – | – | – | 4.92 | 0.86 |
| Business center fees | | | | | | | | |
| Essar Infrastructure Services Limited | – | – | 5.00 | 13.56 | – | – | 5.00 | 13.56 |
| Rent charges | | | | | | | | |
| Essar House Limited | – | – | 1.68 | 4.20 | – | – | 1.68 | 4.20 |
| Essar Infrastructure Services Limited | – | – | – | 0.24 | – | – | – | 0.24 |
| Total | – | – | 1.68 | 4.44 | – | – | 1.68 | 4.44 |
| Repair and maintenance | | | | | | | | |
| Essar Agrotech Limited | – | – | 0.30 | 0.30 | – | – | 0.30 | 0.30 |
| Traveling expenses | | | | | | | | |
| Futura Travels Limited | – | – | 1.67 | 3.51 | – | – | 1.67 | 3.51 |
| Reimbursement of expenses | | | | | | | | |
| Futura Travels Limited | – | – | 16.03 | 21.38 | – | – | 16.03 | 21.38 |
| Essar Infrastructure Services Limited | – | – | – | 0.06 | – | – | – | 0.06 |
| Essar Shipping & Logistics Limited | – | 0.28 | – | – | – | – | – | 0.28 |
| Essar Bulk Terminal (Salaya) Limited | – | 0.11 | – | – | – | – | – | 0.11 |
| Essar Logistics Limited | 6.41 | 6.98 | – | – | – | – | 6.41 | 6.98 |
| Essar Oil Limited | – | – | 0.02 | – | – | – | 0.02 | – |
| Essar Investments Limited | – | – | 0.95 | – | – | – | 0.95 | – |
| Total | 6.41 | 7.37 | 17.00 | 21.44 | – | – | 23.41 | 28.81 |
| Aircraft usage charges reimbursed | | | | | | | | |
| Essar Oil Limited | – | – | 9.95 | – | – | – | 9.95 | – |
| Professional /Advisory fees / Agency fees | | | | | | | | |
| India Securities Limited | – | – | 0.20 | 0.22 | – | – | 0.20 | 0.22 |
| Essar Investments Limited | – | – | 10.02 | – | – | – | 10.02 | – |
| Aegis Limited | – | – | 0.13 | 0.38 | – | – | 0.13 | 0.38 |
| Essar Information Technology Limited | – | – | 0.42 | 0.71 | – | – | 0.42 | 0.71 |
| Essar Logistics Limited | 0.48 | 0.21 | – | – | – | – | 0.48 | 0.21 |
| Total | 0.48 | 0.21 | 10.77 | 1.31 | – | – | 11.25 | 1.52 |

The details of transactions with related parties (Contd.)

(Rs. in crore)

| Nature of transactions | Holding and subsidiary companies | | Other related parties | | Key Management Personnel | | Total | |
|--|----------------------------------|-----------------|-----------------------|--------------|--------------------------|----------|---------------|-----------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Interest on loan (ICD) | | | | | | | | |
| Essar Steel Limited | – | – | 9.89 | – | – | – | 9.89 | – |
| Interest on lease loan | | | | | | | | |
| Essar Shipping & Logistics Limited | 39.18 | 52.69 | – | – | – | – | 39.18 | 52.69 |
| Fixed asset sold | | | | | | | | |
| Essar Shipping & Logistics (Panama) Inc. | – | – | – | 13.16 | – | – | – | 13.16 |
| Cancellation of finance lease obligation | | | | | | | | |
| Essar Shipping & Logistics Limited | – | 548.53 | – | – | – | – | – | 548.53 |
| Balance taken over pursuant to merger of India Shipping | | | | | | | | |
| Essar Infrastructure Holdings Limited | – | – | – | 92.57 | – | – | – | 92.57 |
| Essar Logistics Holdings Limited | – | – | – | 1.46 | – | – | – | 1.46 |
| Investment in Essar Oilfields Services Limited | – | 4,056.96 | – | – | – | – | – | 4,056.96 |
| Total | – | 4,056.96 | – | 94.03 | – | – | – | 4,150.99 |
| Assignment of receivables | | | | | | | | |
| Essar Global Limited | – | – | – | 92.57 | – | – | – | 92.57 |
| Essar Shipping & Logistics Limited | – | 94.03 | – | – | – | – | – | 94.03 |
| Total | – | 94.03 | – | 92.57 | – | – | – | 186.60 |
| Advance towards purchase of shares | | | | | | | | |
| Essar Oilfields Services Limited | – | 100.94 | – | – | – | – | – | 100.94 |
| Fixed asset acquired under finance lease | | | | | | | | |
| Essar Shipping & Logistics Limited | – | 632.85 | – | – | – | – | – | 632.85 |
| Advance for acquisition of asset | | | | | | | | |
| Essar Shipping & Logistics Limited | 301.19 | – | – | – | – | – | 301.19 | – |
| Investments in debentures | | | | | | | | |
| Essar Holdings Limited | – | – | 315.54 | – | – | – | 315.54 | – |
| Investments in shares | | | | | | | | |
| Essar Ports & Terminals Limited | 131.60 | 405.64 | – | – | – | – | 131.60 | 405.64 |
| Essar Paradip Terminals Limited | 0.04 | – | – | – | – | – | 0.04 | – |
| Essar Oilfield Services India Limited | 0.05 | – | – | – | – | – | 0.05 | – |
| Essar Oilfields Services Limited | 71.65 | – | – | – | – | – | 71.65 | – |
| Total | 203.34 | 405.64 | – | – | – | – | 203.34 | 405.64 |
| Loans and advances given | | | | | | | | |
| Essar Steel Limited | – | – | 314.00 | – | – | – | 314.00 | – |
| Essar Investments Limited | – | – | 270.00 | – | – | – | 270.00 | – |
| Essar Ports & Terminal Limited | 227.00 | 0.02 | – | – | – | – | 227.00 | 0.02 |
| Essar Bulk Terminal Limited | – | 16.95 | – | – | – | – | – | 16.95 |
| Essar Bulk Terminal (Salaya) Limited | 21.25 | 10.00 | – | – | – | – | 21.25 | 10.00 |
| Essar Bulk Terminal Paradip Limited | – | – | 5.42 | – | – | – | 5.42 | – |
| Essar Oilfield Services India Limited | 423.10 | 3.92 | – | – | – | – | 423.10 | 3.92 |

The details of transactions with related parties (Contd.)

(Rs. in crore)

| Nature of transactions | Holding and subsidiary companies | | Other related parties | | Key Management Personnel | | Total | |
|--|----------------------------------|--------------|-----------------------|----------|--------------------------|----------|-----------------|--------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Essar Oilfields Services Limited | 506.53 | – | – | – | – | – | 506.53 | – |
| Energy II Limited | – | 3.57 | – | – | – | – | – | 3.57 |
| Vadinar Oil Terminal Limited | 5.00 | – | – | – | – | – | 5.00 | – |
| Essar Bulk Terminal Limited | 28.00 | – | – | – | – | – | 28.00 | – |
| Total | 1,210.88 | 34.46 | 589.42 | – | – | – | 1,800.30 | 34.46 |
| Loans and advances received | | | | | | | | |
| Essar Oilfields Services Limited | 0.35 | – | – | – | – | – | 0.35 | – |
| Essar Bulk Terminal Limited | 7.00 | – | – | – | – | – | 7.00 | – |
| Essar Steel Limited | – | – | 167.00 | – | – | – | 167.00 | – |
| Total | 7.35 | – | 167.00 | – | – | – | 174.35 | – |
| Guarantees given by others on behalf of Company | | | | | | | | |
| Essar Shipping & Logistics Limited | 100.00 | – | – | – | – | – | 100.00 | – |
| Guarantees given on behalf of others | | | | | | | | |
| Vadinar Ports & Terminals Limited | 150.00 | – | – | – | – | – | 150.00 | – |
| Essar Bulk Terminal (Salaya) Limited | 679.60 | – | – | – | – | – | 679.60 | – |
| Essar Bulk Terminal Limited | 223.70 | – | – | – | – | – | 223.70 | – |
| Essar Logistics Limited | 17.74 | 45.00 | – | – | – | – | 17.74 | 45.00 |
| Essar Oilfield Services India Limited | 1,310.00 | 1.16 | – | – | – | – | 1,310.00 | 1.16 |
| Essar Oilfields Services Limited | 1,320.00 | – | – | – | – | – | 1,320.00 | – |
| Total | 3,701.04 | 46.16 | – | – | – | – | 3,701.04 | 46.16 |

Directors sitting Fees: Rs. 0.01 (previous year Rs. 0.01) crore

The details of outstanding balances as on 31.03.2010

(Rs. in crore)

| Nature of balances | Holding and subsidiary companies | | Other related parties | | Key Management Personnel | | Total | |
|--|----------------------------------|--------------|-----------------------|---------------|--------------------------|----------|---------------|---------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Advance for acquisition of assets | | | | | | | | |
| Essar Shipping & Logistics Limited | 301.19 | – | – | – | – | – | 301.19 | – |
| Sundry debtors | | | | | | | | |
| Essar Steel Limited | – | – | 89.27 | 135.17 | – | – | 89.27 | 135.17 |
| Essar Shipping & Logistics (Panama) Inc. | – | – | – | 13.64 | – | – | – | 13.64 |
| Essar Logistics Limited | – | 4.68 | – | – | – | – | – | 4.68 |
| Vadinar Oil Terminal Limited | – | 7.70 | – | – | – | – | 7.70 | – |
| Essar Oil Limited | – | – | 6.25 | – | – | – | 6.25 | – |
| Total | – | 12.38 | 95.52 | 148.81 | – | – | 95.52 | 161.19 |
| Interest accrued on debentures | | | | | | | | |
| Essar Holdings Limited | – | – | 3.26 | – | – | – | 3.26 | – |
| Loans and advances | | | | | | | | |

The details of outstanding balances as on 31.03.2010 (Contd.)

(Rs. in crore)

| Nature of balances | Holding and subsidiary companies | | Other related parties | | Key Management Personnel | | Total | |
|---------------------------------------|----------------------------------|---------------|-----------------------|--------------|--------------------------|----------|---------------|---------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| (including interest accrued) | | | | | | | | |
| Essar Steel Limited | – | – | 5.67 | – | – | – | 5.67 | – |
| Essar Investments Limited | – | – | 275.41 | – | – | – | 275.41 | – |
| Essar Oilfield Services India Limited | 451.34 | – | – | – | – | – | 451.34 | – |
| Essar Oilfield Services Limited | 6.13 | – | – | – | – | – | 6.13 | – |
| Essar Bulk Terminal (Salaya) Limited | 22.49 | 10.08 | – | – | – | – | 22.49 | 10.08 |
| Essar Bulk Terminal Paradip Limited | – | – | 5.20 | – | – | – | 5.20 | – |
| Essar Bulk Terminal Limited | 28.05 | – | – | – | – | – | 28.05 | – |
| Energy II Limited | – | 0.25 | – | – | – | – | – | 0.25 |
| Essar Logistics Limited | – | 0.08 | – | – | – | – | – | 0.08 |
| Essar Ports & Terminals Limited | 67.85 | – | – | – | – | – | 67.85 | – |
| Total | 575.86 | 10.41 | 286.28 | – | – | – | 862.14 | 10.41 |
| Advance recoverable | | | | | | | | |
| Essar Logistics Limited | 0.07 | – | – | – | – | – | 0.07 | – |
| Essar International Limited | 2.99 | – | – | – | – | – | 2.99 | – |
| Essar Shipping & Logistics Limited | 21.30 | – | – | – | – | – | 21.30 | – |
| Total | 24.36 | 10.49 | – | – | – | – | 24.36 | 10.49 |
| Deposits given | | | | | | | | |
| Futura Travels Limited | – | – | 6.25 | 6.25 | – | – | 6.25 | 6.25 |
| Essar House Limited | – | – | 31.00 | 31.00 | – | – | 31.00 | 31.00 |
| Essar Infrastructure Services Limited | – | – | – | 0.75 | – | – | – | 0.75 |
| Essar Investments Limited | – | – | 0.06 | – | – | – | 0.06 | – |
| Essar Steel Limited | – | – | 4.80 | – | – | – | 4.80 | – |
| Essar Information Technology Limited | – | – | 0.46 | 0.46 | – | – | 0.46 | 0.46 |
| Total | – | – | 42.57 | 38.46 | – | – | 42.57 | 38.46 |
| Lease loan obligation | | | | | | | | |
| Essar Shipping & Logistics Limited | 599.23 | 733.95 | – | – | – | – | 599.23 | 733.95 |
| Advance for investment in shares | | | | | | | | |
| Essar Oilfields Services Limited | – | 100.94 | – | – | – | – | – | 100.94 |
| Sundry creditors | | | | | | | | |
| Futura Travels Limited | – | – | 17.59 | 6.70 | – | – | 17.59 | 6.70 |
| Essar Steel Hazira Limited | – | – | 0.79 | – | – | – | 0.79 | – |
| Essar Logistics Limited | 19.00 | – | – | – | – | – | 19.00 | – |
| Vadinar Oil Terminal Limited | 5.84 | – | – | – | – | – | 5.84 | – |
| Aegis Limited | – | – | – | – | – | – | – | – |
| Essar Agrotech Limited | – | – | 0.03 | – | – | – | 0.03 | – |
| Energy II Limited | 0.19 | – | – | – | – | – | 0.19 | – |
| Essar Investments Limited | – | – | 1.28 | – | – | – | 1.28 | – |
| Essar Shipping & Logistics Limited | – | 4.81 | – | – | – | – | – | 4.81 |
| Total | 25.03 | 4.81 | 19.69 | 6.70 | – | – | 44.72 | 11.51 |

The details of outstanding balances as on 31.03.2010 (Contd.)

(Rs. in crore)

| Nature of balances | Holding and subsidiary companies | | Other related parties | | Key Management Personnel | | Total | |
|--|----------------------------------|---------------|-----------------------|----------|--------------------------|----------|-----------------|---------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Security deposit received | | | | | | | | |
| Essar Steel Limited | – | – | – | 0.40 | – | – | – | 0.40 |
| Interest accrued but not due on loan | | | | | | | | |
| Essar Shipping & Logistics Limited | 7.20 | 8.13 | – | – | – | – | 7.20 | 8.13 |
| Guarantees given by others on behalf of Company | | | | | | | | |
| Essar Shipping & Logistics Limited | 100.00 | – | – | – | – | – | 100.00 | – |
| Guarantees given on behalf of others | | | | | | | | |
| Vadinar Ports & Terminals Limited | 150.00 | – | – | – | – | – | 150.00 | – |
| Essar Bulk Terminal (Salaya) Limited | 679.60 | – | – | – | – | – | 679.60 | – |
| Essar Oilfield Services India Limited | 1,310.00 | – | – | – | – | – | 1,310.00 | – |
| Essar Oilfields Services Limited | 1,320.00 | – | – | – | – | – | 1,320.00 | – |
| Essar Logistics Limited | 62.74 | 45.00 | – | – | – | – | 62.74 | 45.00 |
| Essar Bulk Terminal Limited | 223.70 | – | – | – | – | – | 223.70 | – |
| Vadinar Oil Terminal Limited | 250.00 | 250.00 | – | – | – | – | 250.00 | 250.00 |
| Others | – | 14.90 | – | – | – | – | – | 14.90 |
| Total | 3,996.04 | 309.90 | – | – | – | – | 3,996.04 | 309.90 |

- 12) In view of exemption from Central Government obtained by the Company under section 211(4) of the Companies Act, 1956 vide order number 46/5/2010-CL-III dated 19th March, 2010, information required under sub-clauses (a), (b), (c) and (e) of paragraph 4-D of part II of schedule VI to the Companies Act, 1956, is not given.
- 13) The Company has entered into Memorandum of agreement (MOA) for acquisition of two 13,000 dwt dry bulk carriers, (built in 1998 and 1999) with a German seller during May 2010. The purchase consideration is US\$11.70 million each with deliveries scheduled in July 2010. The vessels will be utilized for transportation of finished steel along the Indian coast.
- 14) The Company has not received any intimation from the suppliers regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) and hence the disclosure required by the Act have not been made. The Company is making efforts to get confirmations from the suppliers as regards their status under the Act.
- 15) Previous year's figures have been regrouped / reclassified wherever necessary.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 27, 2010

For and on behalf of the board

Sanjay Mehta
Managing Director

V. Ashok
Wholetime Director

Mumbai
May 27, 2010

R. N. Bansal
Director

Manoj Contractor
Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, part (iv) of the Companies Act, 1956)

I. Registration Details

Registration No. State Code
Balance Sheet Date

II. Capital Raised During the year (Amounts Rs. in thousands)

| | | | | | | | | | |
|--------------|-------------------------------|---|---|---|-------------------|-------------------------------|---|---|---|
| Public Issue | <input type="text" value=""/> | N | I | L | Right Issue | <input type="text" value=""/> | N | I | L |
| Bonus Issue | <input type="text" value=""/> | N | I | L | Private Placement | <input type="text" value=""/> | N | I | L |

III. Position of Mobilisation and Deployment of Funds (Amount Rs. in thousands)

| | | | | | | | | | | | | | | | | | | |
|----------------------|--------------------------------|--------------------|--------------------------------|---|---|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Total Liabilities | <input type="text" value="1"/> | Total Asset | <input type="text" value="1"/> | | | | | | | | | | | | | | | |
| Source of Funds | | | | | | | | | | | | | | | | | | |
| Paid - up Capital | <input type="text" value=""/> | Reserves & Surplus | <input type="text" value=""/> | | | | | | | | | | | | | | | |
| Secured Loans | <input type="text" value=""/> | Unsecured loans | <input type="text" value=""/> | | | | | | | | | | | | | | | |
| Application of Funds | | | | | | | | | | | | | | | | | | |
| Net Fixed Assets | <input type="text" value=""/> | Investments | <input type="text" value=""/> | | | | | | | | | | | | | | | |
| Net Current Assets | <input type="text" value=""/> | Misc. Expenditure | <input type="text" value=""/> | - | - | | | | | | | | | | | | | |
| Accumulated Losses | <input type="text" value=""/> | N | I | L | | | | | | | | | | | | | | |

IV. Performance of Company (Amount Rs. in thousands)

| | | | | | | | | | | | | | | | | | | | |
|----------------------------|--------------------------------|----------------------------|--------------------------------|--|--|--|--------------------------------|---|--------------------------------|--------------------------------|-----------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|---|---|---|
| Turnover | <input type="text" value="1"/> | Total Expenditure | <input type="text" value="1"/> | | | | | | | | | | | | | | | | |
| + - Profit/Loss Before Tax | <input type="text" value=""/> | + - Profit /Loss After Tax | <input type="text" value=""/> | | | | | | | | | | | | | | | | |
| Earning Per Share in Rs. | <input type="text" value=""/> | | | | | | <input type="text" value="1"/> | . | <input type="text" value="4"/> | <input type="text" value="6"/> | Dividend Rate % | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | N | I | L |

V. Generic Names of Three Principal Products/services of Company (as per monetary terms)_Not applicable being Shipping Company

| | | | | | | | | | | | | | | | | | | | | |
|-------------------------|-------------------------------|---|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--|
| Item code No (ITC Code) | <input type="text" value=""/> | N | A | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | Product Description | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | Ship Operation and Chartering | | |
| Item code No (ITC Code) | <input type="text" value=""/> | N | A | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | Product Description | <input type="text" value=""/> | <input type="text" value=""/> | N | A | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | |
| Item code No (ITC Code) | <input type="text" value=""/> | N | A | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | Product Description | <input type="text" value=""/> | <input type="text" value=""/> | N | A | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | |
| Item code No (ITC Code) | <input type="text" value=""/> | N | A | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | Product Description | <input type="text" value=""/> | <input type="text" value=""/> | N | A | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | <input type="text" value=""/> | |

Note: for ITC code of Products please refer to the publication "Indian Trade Classification " based on harmonised Commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics, Kolkata 700 001.

For and on behalf of the Board

Sanjay Mehta
Managing Director

R. N. Bansal
Director

V. Ashok
Wholetime Director

Manoj Contractor
Company Secretary

Mumbai
May 27, 2010

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

| Particulars | Essar Logistics Limited | Essar International Limited | Energy Transportation Limited | Energy II Limited | Essar Ports & Terminals Limited | Vadinar Oil Terminal Limited | Essar Bulk Terminal Limited | Essar Bulk Terminal (Salaya) Limited | Essar Dredging Limited | Essar Paradip Terminals Limited | Vadinar Ports & Terminals Limited | Essar Oilfields Services Limited | Essar Oilfields Services India Limited | Essar Oilfields Services FZE Limited |
|--|-------------------------|-----------------------------|-------------------------------|-------------------|---------------------------------|------------------------------|-----------------------------|--------------------------------------|------------------------|---------------------------------|-----------------------------------|----------------------------------|--|--------------------------------------|
| | Mumbai | Guernsey | Bermuda | Bermuda | Mauritius | Vadinar | Hazira | Mumbai | Mumbai | Mumbai | Vadinar | Mauritius | Mumbai | Dubai |
| 1. The relevant financial year of the subsidiary ended on | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 |
| 2. No. of shares in the subsidiary Company held by Essar Shipping Ports & Logistics Limited as on 31 st March, 2010 | 73,000,000 | 125,840,000 | 1,952,000 | 12,000 | 504,566,401 | 1,046,142,000 | 65,339,003 | 3,004,875 | 50,000 | 37,500 | 246,134,457 | 100,000,001 | 667,986,865 | 1 |
| 3. Extent of holding by Essar Shipping Ports & Logistics Limited as at the end of the financial period | 100% | 100% | 100% | 100% | 100% | 100% | 66.06% | 100% | 100% | 75% | 100% | 100% | 100% | 100% |
| 4. The net aggregate amount of the Subsidiary Companies Profit / (Loss) so far as it concerns the members of the Holding Company | Rs 238,139,135 | \$4,980,727 | (\$22,302) | (\$13,773) | (\$131,683) | (Rs 664,462,136) | Rs. 37,849,920 | (Rs. 100,000) | (Rs. 138,205) | (Rs. 400,000) | (Rs. 172,909) | Rs.567,096,115 | (Rs.127,216,535) | (Rs.464,886) |
| a) <i>Not dealt with in the Holding Company's Accounts :</i> | | | | | | | | | | | | | | |
| i) For the financial year ended 31 st March, 2010 | | | | | | | | | | | | | | |
| ii) For the previous Financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries | Rs 433,321,004 | \$20,986,094 | \$101,191 | (\$5,305) | (\$4,986,762) | (Rs.789,552,150) | (Rs. 213,360) | (Rs. 110,300) | NIL | NA | NA | Rs.344,463,032 | NA | (Rs.269,823) |
| b) <i>Dealt with in Holding Company's accounts:</i> | | | | | | | | | | | | | | |
| i) For the financial year ended 31 st March, 2010 | NIL | NIL | NIL | NIL | | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| ii) For the previous Financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries | NIL | NIL | NIL | NIL | | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| 5. Change of interest of Essar Shipping Ports & Logistics Limited in the subsidiary between the end of the financial year of subsidiary and that of Essar shipping Ports & Logistics Limited | NIL | NIL | NIL | NIL | | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES (Contd.)

| Particulars | Essar Logistics Limited Mumbai | Essar International Limited Guernsey | Energy Transportation Limited Bermuda | Energy II Limited Bermuda | Essar Ports & Terminals Limited Mauritius | Vadinar Oil Terminal Limited Vadinar | Essar Bulk Terminal Limited Hazira | Essar Bulk Terminal (Salaya) Limited Mumbai | Essar Dredging Limited Mumbai | Essar Paradip Terminals Limited Mumbai | Vadinar Ports & Terminals Limited Vadinar | Essar Oilfields Services Limited Mauritius | Essar Oilfields Services India Limited Mumbai | Essar Oilfields Services FZE Limited Dubai |
|--|-----------------------------------|---|--|------------------------------|--|---|---------------------------------------|--|----------------------------------|---|--|---|--|---|
| 6. Material changes between the end of the financial year of the subsidiary and the end of the financial year to Essar Shipping Ports & Logistics Limited in respect of subsidiary's fixed assets, investments, monies lent and borrowed | | | | | | | | | | | | | | |
| a) Fixed Assets | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| b) Investments | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| c) Money lent by the subsidiary | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| d) Money borrowed by the subsidiary Company other than for meeting current Liabilities (Net) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |

Mumbai
May 27, 2010

For and on behalf of the Board

Sanjay Mehta
Managing Director

R. N. Bansal
Director

V. Ashok
Wholtime Director

Manoj Contractor
Company Secretary

DETAILS OF SUBSIDIARY COMPANIES PURSUANT TO APPROVAL OBTAINED U/S.212 (8)

| Sr. No. | Particulars | (Rs. in crore) | | | | | | | | | | | | | |
|---------|--|-----------------------------------|---|--|------------------------------|--|---|--|--|----------------------------------|---|--|--|---|--|
| | | Essar Logistics Limited Mumbai | Essar International Limited Guernsey | Energy Transportation International Limited Bermuda | Energy II Limited Bermuda | Essar Ports & Terminals Limited Mauritius | Vadinar Oil Terminal Limited Vadinar | Essar Bulk Terminal Limited (Hazira) Hazira | Essar Bulk Terminal Limited (Salaya) Mumbai | Essar Dredging Limited Mumbai | Essar Paradip Terminals Limited Mumbai | Vadinar Ports & Terminals Limited Vadinar | Essar Oilfields Services Limited Mumbai | Essar Oilfields Services FZE Limited Dubai | |
| | Year ending | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | 31.03.10 | |
| 1 | Capital | 73.00 | 568.04 | 8.81 | 0.05 | 2,277.61 | 1,046.14 | 251.79 | 3.00 | 0.05 | 246.13 | 1,695.72 | 657.99 | 1.23 | |
| 2 | Reserves | 108.43 | 514.20 | 0.33 | (0.04) | (24.53) | (291.86) | 3.76 | (0.05) | (0.01) | (0.04) | 80.75 | (12.72) | (0.07) | |
| 3 | Total Assets | 412.76 | 1,082.24 | 9.14 | 0.01 | 3,142.77 | 2,988.24 | 771.83 | 24.20 | 0.04 | 496.39 | 2,690.47 | 1,437.64 | 1.16 | |
| 4 | Total Liabilities | 412.76 | 1,082.24 | 9.14 | 0.01 | 3,142.77 | 2,988.24 | 771.83 | 24.20 | 0.04 | 496.39 | 2,690.47 | 1,437.64 | 1.16 | |
| 5 | Details of investments (including investments in subsidiaries) | 0.01 | 10.01 | - | - | 1,288.96 | 221.48 | - | - | - | 7.00 | 634.64 | - | - | |
| 6 | Turnover | 1,080.17 | 84.40 | - | 0.79 | 8.36 | 427.41 | 8.29 | - | - | 510.04 | 33.20 | - | - | |
| 7 | Profit before taxation | 37.03 | 23.62 | (0.11) | (0.07) | (0.62) | (66.85) | 0.71 | (0.01) | (0.01) | (0.04) | 74.96 | (12.72) | (0.05) | |
| 8 | Provision for taxation | 13.22 | - | - | - | - | (0.40) | (3.07) | - | - | - | 18.25 | - | - | |
| 9 | Profit after taxation | 23.81 | 23.62 | (0.11) | (0.07) | (0.62) | (66.45) | 3.78 | (0.01) | (0.01) | (0.04) | 56.71 | (12.72) | (0.05) | |
| 10 | Dividend paid | - | 0.24 | - | - | - | - | - | - | - | - | - | - | - | |

For and on behalf of the Board

Sanjay Mehta
Managing Director

R. N. Bansal
Director

V. Ashok
Wholetime Director

Manoj Contractor
Company Secretary

Mumbai
May 27, 2010

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ESSAR SHIPPING PORTS & LOGISTICS LIMITED

1. We have audited the attached Consolidated Balance Sheet of **ESSAR SHIPPING PORTS & LOGISTICS LIMITED** ("the Company") and its subsidiaries (together "the Group") as at 31st March, 2010, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These Consolidated financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), as notified under the Companies (Accounting Standards) Rules, 2006.
4. Attention is invited to note B (3) of schedule 14 to the financial statements detailing the state of the Master Restructuring Agreement and the reasons for following principles laid down in other internationally recognised financial reporting frameworks as well as Accounting Standard (AS 30), Financial Instrument – Recognition & Measurement, issued by the Institute of Chartered Accountants of India, in the absence of guidance available under the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
5. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company and its aforesaid subsidiaries and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements, read together with notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India and in respect of the matter described in paragraph 4 above where accounting principles generally accepted in India do not provide specific guidance, in conformity with the principles laid down in related internationally recognised financial reporting frameworks:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2010;
 - (ii) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No. 31544)

Mumbai
May 27, 2010

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | Schedule No. | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|---|--------------|---------------------------------------|---------------------------------------|
| I. SOURCES OF FUNDS | | | |
| Shareholders' funds: | | | |
| Capital | 1 | 615.81 | 615.81 |
| Share application money received | | 17.92 | 0.50 |
| Reserves and surplus | 2 | 6,830.65 | 6,877.78 |
| | | 7,464.38 | 7,494.09 |
| Preference share capital (refer note no. B (6) of schedule 14) | | 1,164.61 | 433.08 |
| Minority interest | | 68.88 | 32.91 |
| Loan funds: | | | |
| Secured loans | 3 | 5,642.92 | 4,927.46 |
| Finance lease obligations (refer note no. B(5) of schedule 14) | | 926.12 | 1,134.90 |
| Unsecured loans | 4 | 938.47 | 676.53 |
| | | 7,507.51 | 6,738.89 |
| Deferred tax liability (net) (refer note no. B (10) of schedule 14) | | 22.20 | 32.52 |
| TOTAL | | 16,227.58 | 14,731.49 |
| II. APPLICATION OF FUNDS | | | |
| Fixed assets: | | | |
| Gross block | 5 | 8,208.79 | 8,544.74 |
| Less: depreciation | | 1,576.76 | 1,121.98 |
| Net block | | 6,632.03 | 7,422.76 |
| Capital work-in-progress (including capital advances) | 6A | 2,879.99 | 979.20 |
| | | 9,512.02 | 8,401.96 |
| Expenditure during construction | 6B | 230.34 | 72.01 |
| Goodwill on consolidation | | 5,037.11 | 5,037.11 |
| Investments | | | |
| Current assets, loans and advances: | 8 | 413.08 | 520.23 |
| Inventories | | 146.03 | 150.20 |
| Sundry debtors | | 519.16 | 504.92 |
| Cash and bank balances | | 280.50 | 117.30 |
| Other current assets | | 6.31 | 2.41 |
| Loans and advances | | 1,180.70 | 649.32 |
| | | 2,132.70 | 1,424.15 |
| Less: Current liabilities and provisions: | 9 | | |
| Liabilities | | 1,072.81 | 720.96 |
| Provisions | | 27.52 | 14.60 |
| | | 1,100.33 | 735.56 |
| Net current assets | | 1,032.37 | 688.59 |
| Foreign currency monetary items translation difference account (refer note no. B (2) of schedule 14) | | - | 11.59 |
| Miscellaneous expenditure (to the extent not written off or adjusted) | | 2.66 | - |
| Total | | 16,227.58 | 14,731.49 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS | | | |
| | 14 | | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants**Khurshed Pastakia**
PartnerMumbai
May 27, 2010

For and on behalf of the board

Sanjay Mehta
Managing Director**V. Ashok**
Wholetime DirectorMumbai
May 27, 2010**R. N. Bansal**
Director**Manoj Contractor**
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | Schedule No. | For the year ended 31.03.2010 (Rs. in crore) | For the year ended 31.03.2009 (Rs. in crore) |
|--|--------------|--|--|
| INCOME | | | |
| Operating and chartering earnings | | 1,335.69 | 1,492.59 |
| Surface transport services income | | 736.15 | 501.04 |
| Port and terminal services income | | 412.55 | 386.73 |
| Oilfields services income | | 515.05 | 193.83 |
| Profit on sale of fleet | | 1.01 | 28.67 |
| Other income | 10 | 91.69 | 42.93 |
| Extinguishment of liability on cancellation of finance lease | | – | 17.48 |
| Currency exchange gain, net | | – | 13.30 |
| | | 3,092.14 | 2,676.57 |
| EXPENDITURE | | | |
| Operating expenses | 11 | 1,784.59 | 1,577.63 |
| Establishment and other expenses | 12 | 164.13 | 162.07 |
| Loss on sale of investments | | 2.02 | – |
| Currency exchange loss, net | | 34.90 | – |
| | | 1,985.64 | 1,739.70 |
| PROFIT BEFORE INTEREST, DEPRECIATION AND TAX | | | |
| Interest and finance expenses | 13 | 537.35 | 434.80 |
| PROFIT BEFORE DEPRECIATION AND TAX | | | |
| Depreciation / impairment | | 485.22 | 656.53 |
| Less: Transfer from fixed assets revaluation reserve | | (38.28) | (278.71) |
| | | 446.94 | 377.82 |
| PROFIT BEFORE TAX | | | |
| Less: Provision for taxation | | 122.21 | 124.25 |
| – Current tax (including tonnage tax) | | (39.06) | (35.20) |
| – Adjustment for MAT credit entitlement | | (3.22) | (0.53) |
| – Fringe benefit tax | | – | (4.31) |
| – Deferred tax credit / (liability) | | 10.32 | (14.30) |
| – Tax adjustments for earlier years | | 4.95 | 7.29 |
| | | (27.01) | (47.05) |
| PROFIT BEFORE SHARE OF MINORITY'S INTEREST | | | |
| Less: Share of minority's interest | | 95.20 | 77.20 |
| | | (1.43) | – |
| PROFIT FOR THE YEAR | | | |
| Balance brought forward from previous year | | 93.77 | 77.20 |
| Add: Balance of profit of erstwhile amalgamating companies (refer note no.B (12) of schedule 14) | | 1,328.14 | 1,258.24 |
| | | – | 10.72 |
| | | 1,421.91 | 1,346.16 |
| AMOUNT AVAILABLE FOR APPROPRIATION | | | |
| APPROPRIATIONS | | | |
| Less: Transferred to tonnage tax reserve | | 25.00 | 18.00 |
| Less: Transferred to debenture redemption reserve | | 25.00 | – |
| Less: Dividend on preference shares | | 8.65 | 0.02 |
| Balance carried to balance sheet | | 1,363.26 | 1,328.14 |
| Basic and diluted earnings per equity share (Rs.) (face value of Rs.10/- per share) [refer note no. B (7) of schedule 14] | | 1.38 | 1.25 |

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

14

In terms of our report attached

For and on behalf of the board

For **Deloitte Haskins & Sells**
Chartered Accountants

Sanjay Mehta
Managing Director

R. N. Bansal
Director

Khurshed Pastakia
Partner

V. Ashok
Wholtime Director

Manoj Contractor
Company Secretary

Mumbai
May 27, 2010

Mumbai
May 27, 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| | Year ended 31.03.2010 (Rs. in crore) | Year ended 31.03.2009 (Rs. in crore) |
|--|--|--|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 122.21 | 124.25 |
| Adjustments for : | | |
| Depreciation / amortisation / impairment | 446.94 | 377.82 |
| Interest and finance expenses | 537.35 | 434.80 |
| Interest income | (79.15) | (31.87) |
| Income from long term investment | (3.62) | – |
| Profit on sale of assets (net) | 0.18 | (32.12) |
| Extinguishment of liability on cancellation of finance lease | – | (17.48) |
| Provision for employee benefits (non-funded) | 6.11 | 2.01 |
| Profit on sale of investments (net) | (0.06) | (1.09) |
| Dividend on current investments | (0.53) | (1.08) |
| Bad debt written off | 18.49 | – |
| Foreign exchange gain | 9.91 | (1.08) |
| Currency alignment on conversion of non-integral foreign subsidiaries and translation adjustment (net) | (45.52) | 162.14 |
| Operating profit before working capital changes | 1,012.31 | 1,016.30 |
| Adjustments for: | | |
| Trade and other receivables | (138.27) | (360.09) |
| Inventories | 4.17 | (114.59) |
| Trade payables | (48.13) | 2.70 |
| Cash generated from operations | 830.08 | 544.32 |
| Income taxes paid (net of refund) | (14.99) | (46.03) |
| Fringe benefit tax paid | (0.02) | (4.59) |
| Net cash from operating activities | 815.07 | 493.70 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets including capital work in progress / advances | (1,893.22) | (1,866.21) |
| Sale of fixed assets | 167.63 | 220.12 |
| Advance given towards purchase of investments | – | (0.42) |
| Purchase of non current investments | (1.12) | (836.02) |
| Purchase of current investments | (296.46) | 343.14 |
| Proceeds from sale of current investments | 719.78 | 153.00 |
| Proceeds from sale of non current investments | 0.08 | – |
| Investment in shares of subsidiaries | – | (17.45) |
| Loans and advances given to body corporates | (908.71) | 1.08 |
| Loans and advances repaid to body corporates | 117.54 | 31.23 |
| Fixed deposits placed for a period of more than three months | (120.01) | – |
| Dividend on current investment | 0.53 | – |
| Income from long term investment | 3.62 | – |
| Interest received | 75.25 | – |
| Net cash flow from investing activities | (2,135.09) | (1,971.53) |

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010 (Contd.)

| | Year ended 31.03.2010 (Rs. in crore) | Year ended 31.03.2009 (Rs. in crore) |
|--|--|--|
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Interest and finance expenses paid | (630.18) | (357.63) |
| Proceeds from term loans | 3,620.98 | 912.19 |
| Proceeds from commercial paper | 160.00 | 290.00 |
| Proceeds from debenture | 700.00 | - |
| Additional lease obligations | - | 761.50 |
| Proceeds from unsecured loans | 1,180.61 | 801.74 |
| Repayment of term loans | (3,192.40) | (296.17) |
| Repayment of commercial paper | (160.00) | (290.00) |
| Repayment of finance lease obligation | (80.06) | (68.49) |
| Repayment of unsecured loans | (918.68) | (437.33) |
| Payment of unclaimed debentures and interest thereon | - | (0.40) |
| Advance towards allotment of shares | 17.42 | 0.50 |
| Proceeds from issue of Preference Share | 731.53 | - |
| Repayment of share application money received | - | (47.14) |
| Net cash flow from financing activities | 1,429.22 | 1,268.77 |
| INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | 109.20 | (209.06) |
| Cash and cash equivalents at beginning of the year | 51.29 | 260.35 |
| Cash and cash equivalents at the end of year | 160.49 | 51.29 |
| Notes | | |
| 1. Cash and cash equivalents include | | |
| Cash and bank balances | 92.99 | 50.24 |
| Balances in fixed deposits (maturity period of less than 3 months) | 67.64 | 0.87 |
| Unrealised gain on foreign currency on cash and cash equivalents | (0.14) | 0.18 |
| Total cash and cash equivalents | 160.49 | 51.29 |
| Balances in fixed deposits (maturity period of more than 3 months) | 120.01 | 66.01 |
| CASH AND BANK BALANCES | 280.50 | 117.30 |

2. Non cash transactions

- a) During the year, Essar Steel Limited has transferred Unsecured Non Convertible Debentures of Essar Holdings Limited to Essar Shipping Ports & Logistics Limited in lieu of loan given to Essar Steel Limited amounting to Rs.315.54 crore.
 - b) During the year, Essar Oilfields Services Limited has made provision amounting to Rs.67.28 crore which has been capitalised as plant and equipment during the year.
 - c) During the year 2008-09, Essar Oilfields Services Limited has issued Preference Shares amounting to Rs. 383.69 crore to Essar Shipping & Logistics Limited, Cyprus against the share application money received in advance in previous year.
 - d) During the year 2008-09, Arya Infrastructure Holdings Limited has assigned its receivable from Essar Oilfields Services Limited to Essar Global Limited, amounting to Rs. 14.73 crore.
 - e) During the year 2008-09, pursuant to Scheme of Amalgamation of India Shipping, Mauritius (IS) and Essar Sisco Ship Management Company Limited, India (ESSMC):
 - (i) The Company has allotted 364,905,489 equity shares of Rs. 10 each fully paid up, at a premium of Rs. 210/- per share to Essar Shipping & Logistics Limited, Cyprus (ESLL) (immediate holding Company and sole shareholder of erstwhile IS) and;
 - (ii) 175,299,376 equity shares (including 376,000 GDS represented by 124,456,000 equity shares) of the Company held by IS have been cancelled.
 - (iii) The net excess value of additional shares (shares allotted to the shareholder of IS reduced by the shares already held by IS and cancelled by the Company) issued over net assets of the IS acquired by the Company amounting to Rs. 3,712.43 crore has been deducted from the securities premium account of the Company.
 - (iv) The difference of Rs. 4.33 crore, between Company's investment value in equity shares and equity share capital of ESSMC, has also been deducted from securities premium account of the Company.
3. Cash flow statement has been prepared under the indirect method as set out in Accounting Standard-3 'Cash Flow statement' as notified under the Companies (Accounting Standards) Rules, 2006.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 27, 2010

For and on behalf of the board

Sanjay Mehta
Managing Director

V. Ashok
Wholetime Director

Mumbai
May 27, 2010

R. N. Bansal
Director

Manoj Contractor
Company Secretary

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|---------------------------------------|--|---------------------------------------|
| SCHEDULE 1 | | |
| SHARE CAPITAL | | |
| Authorised | | |
| 1,500,000,000 | Equity Shares of Rs.10/- each | 1,500.00 |
| 1,050,000 | Redeemable Cumulative Preference Shares of Rs.100/- each | 10.50 |
| | | <u>1,510.50</u> |
| Issued, subscribed and paid up | | |
| 61,56,83,320 | Equity Shares of Rs.10/- each fully paid up.* (of the above 25,78,30,773 equity shares were allotted as fully paid up equity shares for consideration other than cash) (refer note no. B (12) of schedule 14) | 615.68 |
| 244,648 | Forfeited Shares | 0.13 |
| | | <u>615.81</u> |

[*of the above, 426,705,480 (previous year 426,705,480) equity shares are held by Essar Shipping & Logistics Limited, immediate holding Company, 100 (previous year 100) equity shares are held by Essar Global Limited, ultimate holding Company, 65,108,095 (previous year 87,608,867) equity shares are held by Teletech Investments (India) Limited, 1,067,072 held by Essar Investments Limited and 22,500,000 (previous year nil) equity shares are held by Essar Steel Limited, subsidiaries of Essar Global Limited]

SCHEDULE 2
RESERVES AND SURPLUS
Fixed Assets Revaluation Reserve

| | | |
|--|---------------|----------|
| As per last balance sheet | 151.09 | 538.01 |
| Add: Exchange difference adjustment (refer note no. B (2) of schedule 14) | - | 38.62 |
| Less: Depreciation on enhanced value of fixed assets | (38.28) | (144.73) |
| Less: Impairment of assets (refer note no. C of schedule 5) | - | (133.97) |
| Less: Transferred to general reserve on disposal of assets | - | (146.84) |
| | <u>112.81</u> | 151.09 |

Capital Redemption Reserve

| | | |
|---------------------------|-------|-------|
| As per last balance sheet | 10.50 | 10.50 |
|---------------------------|-------|-------|

Debenture Redemption Reserve

| | | |
|---|-------|---|
| Transferred from Statement of Profit and Loss Account | 25.00 | - |
|---|-------|---|

Securities Premium Account

| | | |
|--------------------------------------|-----------------|------------|
| As per last balance sheet | 4,242.86 | 296.60 |
| Add: Additions during the year | - | 7,663.02 |
| Less: Goodwill written off on merger | - | (3,716.76) |
| | <u>4,242.86</u> | 4,242.86 |

Ship Acquisition Utilised Reserve

(in terms of Section 33 AC of the Income Tax Act, 1961)

| | | |
|--------------------------------------|----------|--------|
| As per last balance sheet | 505.50 | 505.50 |
| Less: Transferred to General Reserve | (505.50) | - |
| | <u>-</u> | 505.50 |

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|---|---------------------------------------|---------------------------------------|
| SCHEDULE 1 (Contd.) | | |
| Tonnage Tax Reserve (In terms of Section 115 VT of the Income Tax Act, 1961) | | |
| As per last balance sheet | 180.50 | 162.50 |
| Add: Transferred from Statement of Profit and Loss Account | 25.00 | 18.00 |
| | 205.50 | 180.50 |
| General Reserve | | |
| As per last balance sheet | 402.49 | 328.53 |
| Add: Transferred from Fixed Assets Revaluation Reserve on disposal of assets | - | 146.84 |
| Add: Transferred from Ship Acquisition Utilised Reserve | 505.50 | - |
| Less: Exchange difference adjustment | - | (72.88) |
| | 907.99 | 402.49 |
| Foreign Currency Translation Reserve | | |
| As per last balance sheet | 56.70 | (105.45) |
| Add: Additions /(deletion) during the year | (93.97) | 162.15 |
| | (37.27) | 56.70 |
| Balance in Statement of Profit and Loss | 1,363.26 | 1,328.14 |
| | 6,830.65 | 6,877.78 |
| SCHEDULE 3 | | |
| SECURED LOANS | | |
| SEA TRANSPORTATION BUSINESS: | | |
| Debentures | | |
| 11.35% Secured Redeemable Non-Convertible | 700.00 | - |
| 7,000 Debentures of Rs.10,00,000 each, secured by mortgage on immovable property, first charge on three bulk carriers, two tugs of the Company and six land rigs of a subsidiary | | |
| Of the above,5000 debentures were issued on 22.06.09 is redeemable on 22.06.19 with put and call option after five years from the date of issue, and 2000 debentures were issued on 25.03.10 is redeemable on 25.03.20 with put and call option after five years. | | |
| Loans from banks | | |
| Foreign currency term loan secured by first charge on a capesize bulk carrier and its receivables | - | 46.82 |
| Rupee term loans [converted into FCNR(B) facility], secured by first charge on a very large crude carrier and its receivables | 349.18 | 421.41 |
| Rupee term loans [converted into FCNR(B) facility], secured by first charge on two tugs and its receivables | - | 44.46 |
| Rupee term loan [converted into FCNR(B) facility], secured by first charge on two bulk carriers | - | 39.20 |

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|---|---------------------------------------|---------------------------------------|
| SCHEDULE 3 (Contd.) | | |
| Rupee term loan, secured by second charge on four bulk carriers | 56.00 | 63.75 |
| Rupee term loan secured by second charge on a very large crude carrier | — | 500.00 |
| Loan from financial institution | 405.18 | 1,115.64 |
| Rupee term loan, secured by first charge on eight mini bulkers and four tugs | 125.00 | — |
| LOGISTICS BUSINESS: | | |
| Loans from banks | | |
| Foreign currency term loan secured by first charge on six tugs and two floating cranes | 159.53 | 180.08 |
| Rupee term loan [converted into FCNR(B) facility], secured by first charge on a barge unloader | 5.94 | 9.14 |
| Rupee term loan secured by first charge on cargo handling equipment | 33.55 | — |
| Cash credit facility from bank secured by first charge on current assets | 2.62 | — |
| Interest accrued and due on foreign currency loan | 0.03 | 2.14 |
| | 201.67 | 191.36 |
| OIL FIELDS SERVICES BUSINESS: | | |
| Loans from banks | | |
| Foreign currency term loan secured by first charge on a rig and corporate guarantees by the Company and Essar Shipping & Logistics Limited | 839.75 | 576.29 |
| Foreign currency term loan secured by first charge on part of inventories and corporate guarantees by the Company and Essar Shipping & Logistics Limited | 67.71 | 247.62 |
| Foreign currency term loan secured by second charge on a rig | — | 407.60 |
| Rupee term loan secured by charge on six land rigs and receivable thereon and corporate guarantee by the Company. | 27.50 | — |
| Rupee term loan secured by charge on Jack up rigs and receivable thereon and corporate guarantee by the Company and Essar Oilfields Services Limited | 274.12 | — |
| Loan from financial institution | | |
| Rupee loan secured by charge on Jack Up rigs and receivable thereon and corporate guarantees by the Company and Essar Oilfields Services Limited | 35.88 | — |
| Rupee term loan secured by charges on six land rigs | — | 23.29 |
| | 1,244.97 | 1,254.80 |
| | 2,676.82 | 2,561.80 |
| FROM OTHERS | | |
| Loan for purchase of vehicles under hire purchase agreements [Principal amount due within one year Rs.1.89] (previous year Rs.0.86) crore (refer note no. B (5) of schedule 14) | 4.39 | 1.76 |
| TOTAL (A) | 2,681.21 | 2,563.56 |

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|---|---------------------------------------|---------------------------------------|
| SCHEDULE 3 (Contd.) | | |
| PORTS AND TERMINALS BUSINESS: | | |
| Loans from banks (refer note A below) | | |
| Rupee term loans | 309.04 | 309.04 |
| Funded interest facilities (including funding of interest for the period October 1998 to December 2003) | 698.08 | 684.93 |
| Less: Amount not payable if relevant funded interest is paid on or before 31 st March, 2010 (refer note no B (3) of schedule 14) | (359.53) | (368.30) |
| | 338.55 | 316.63 |
| Rupee term loans (refer note no. (C) below) | 727.76 | 91.16 |
| Loan from financial / Investment institutions (refer note A and B below) | | |
| Rupee term loans | 1,002.90 | 1,147.19 |
| Funded interest facilities (including funding of interest for the period October 1998 to December 2003) | 924.61 | 838.54 |
| Less : Amount not payable if relevant funded interest is paid on or before 31 st March, 2010 (refer note no. B (3) of schedule 14) | (341.15) | (338.66) |
| | 583.46 | 499.88 |
| TOTAL (B) | 2,961.72 | 2,363.90 |
| GRAND TOTAL | 5,642.92 | 4,927.46 |

Notes

- A.** Term loans and funded interest facilities from banks and financial institutions (other than (B) below) are secured / to be secured by first ranking security interests on all movable and immovable assets, present and future, pledge of shares of VOTL held by the promoters and persons associated with the promoters/VOTL, security interest on rights, titles and interests under each of the project documents, trust and retention accounts/sub-accounts, insurance policies related to the terminal project, immovable properties of Essar Oil Limited (EOL) pertaining to terminal project, guarantee by the promoters and guarantee of the Company for Rs. 250 (previous year Rs. 50) crore and pledge of shares of VOTL held by the Company.
- B.** The facilities provided by a financial institution upto Rs. 200 (previous year Rs. 200) crore and interest and other charges thereon are secured by a Guarantee of EOL for Rs.200 crore. To secure obligation of EOL pursuant to the said guarantee, security is created by first mortgage and charge on immovable and movable properties pertaining to the EOL refinery project, pledge over shares of EOL and an assignment of the project contracts relating to EOL refinery project, the trust and retention accounts pertaining thereto.
- C.** The term loan of Rs. 727.76 (previous year Rs.91.16) crore is secured by first pari passu charge on all the present and future movable / immovable assets / properties, insurance contracts, accounts receivables and all other assets of EBTL and VPTL including but not limited to goodwill, trademarks and patents and is guaranteed by a corporate guarantee of Rs. 512 crore by Essar Shipping & Logistics Limited.

SCHEDULE 4

UNSECURED LOANS

| | | |
|--|---------------|--------|
| Short term loans and advances from banks | 773.67 | – |
| Short term loans and advances from others | | |
| – Commercial paper [maximum balance Rs.160 (Previous year Rs.160) crore, repayable within one year | 160.00 | 160.00 |
| – From others | 4.80 | 516.53 |
| | 938.47 | 676.53 |

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010
**SCHEDULE 5
FIXED ASSETS**

(Rs. in crore)

| Particulars | GROSS BLOCK AT COST / VALUATION | | | DEPRECIATION / IMPAIRMENT | | | NET BLOCK | | |
|---|---------------------------------|---------------------------|-------------------|---------------------------|------------------|---------------|--------------|------------------|------------------|
| | As at 01.04.2009 | Additions during the year | Sale / deductions | As at 31.03.2010 | As at 01.04.2009 | For the year | Deduct-ions | As at 31.03.2010 | As at 31.03.2009 |
| Tangible fixed assets | | | *A | *B | | *C | | | |
| Land - freehold | 0.14 | - | - | 0.14 | - | - | - | 0.14 | 0.14 |
| Buildings | 68.68 | 0.27 | - | 68.95 | 5.43 | 2.54 | - | 60.99 | 63.25 |
| Fleet - | | | | | | | | | |
| - Owned | 1,770.37 | - | 87.93 | 1,682.44 | 643.41 | 119.72 | - | 919.31 | 1,126.93 |
| - Leased *D | 1,127.72 | - | 118.32 | 1,009.40 | 102.72 | 57.29 | - | 849.39 | 1,025.01 |
| Plant and machinery *E | 5,455.38 | 342.41 | 471.76 | 5,326.04 | 345.91 | 303.88 | 37.02 | 4,713.26 | 5,109.48 |
| Aircraft - Gulfstream - taken on lease *D | 91.76 | - | 7.77 | 83.99 | 12.56 | 4.45 | - | 66.98 | 79.19 |
| Furniture, fixture, air-conditioners, refrigerators and office equipments | 11.32 | 1.78 | 1.21 | 11.89 | 4.67 | 1.32 | 0.99 | 6.89 | 6.66 |
| Vehicles *F | 19.05 | 6.61 | 0.03 | 25.62 | 7.24 | 3.54 | 0.03 | 14.87 | 11.82 |
| Total tangible fixed assets (A) | 8,544.42 | 351.07 | 687.02 | 8,208.47 | 1,121.94 | 492.74 | 38.04 | 1,576.64 | 7,422.48 |
| Intangible fixed assets | | | | | | | | | |
| Software | 0.32 | - | - | 0.32 | 0.04 | 0.08 | - | 0.12 | 0.28 |
| Total intangible fixed assets (B) | 0.32 | - | - | 0.32 | 0.04 | 0.08 | - | 0.12 | 0.28 |
| Total (A+B) | 8,544.74 | 351.07 | 687.02 | 8,208.79 | 1,121.98 | 492.82 | 38.04 | 1,576.76 | 7,422.76 |
| Capital work-in-progress (including capital advances) | - | - | - | - | - | - | - | - | 979.20 |
| Grand total | 8,544.74 | 351.07 | 687.02 | 8,208.79 | 1,121.98 | 492.82 | 38.04 | 1,576.76 | 8,401.96 |
| As at 31.03.2009 | 6,035.18 | 3,499.31 | 989.75 | 8,544.74 | 703.58 | 667.18 | 248.78 | 1,121.98 | 7,422.76 |

NOTES

- *A Pursuant to the notification of Ministry of Ministry of Affairs relating to the effects of changes in foreign exchange rates, the resultant gain of Rs.204.66 (previous year loss of Rs. 501.46) crore arising on conversion/translation/settlement of long term foreign currency items has been adjusted in the current year deductions to fleet and an aircraft. (refer note no B (2) of schedule 14).
- *B The Company has revalued its fleet on 1st April, 2004 and on 31st March, 2008 on the basis of valuation done by approved valuers. The net difference between book value and revalued value on 1st April, 2004 amounting to Rs. 669.52 crore and on 31st March, 2008 amounting to Rs. 491.31 crore had been added to the book value of the fleet and corresponding credit was given to the fixed assets revaluation reserve. Gross block as on 31st March 2010 includes Rs. 448.45 crore being amount added on revaluation of fleet.
- *C Out of the depreciation for the year, a sum of Rs.38.28 (previous year Rs. 144.73) crore and Rs. Nil (previous year Rs. 133.97) crore relating to depreciation and impairment respectively, to the extent it is charged on the increased value has been recouped from Fixed Assets Revaluation Reserve Rs. 7.60 (previous year Rs. 7.55) crore has been charged to expenditure during construction and Rs. 446.94 crore (previous year Rs. 377.82 crore) has been debited to the Statement of Profit and Loss. (refer note no B (2) of schedule 14).
- *D The Company has taken three vessels and one aircraft on finance lease
- *E Gross block of plant and machinery includes Rs. 38.84 crore leased out, W.D.V on 1st April, 2009 Rs. nil. Plant and Machinery includes Essar Wildcat Rig having gross amount of Rs. 2,086.46 (previous year Rs. 1,993.37) crore is charged by the Company as security against the syndicated term loan of Rs. 839.75 (previous year Rs. 510.57) crore and also carries second preferred mortgage against bridge loan amounting to Rs. nil (previous year Rs. 361.12 crore).
- *F Vehicles gross book value of Rs. 7.39 crore (previous year Rs. 3.16 crore) have been taken under hire purchase agreement from India Securities Limited and hypothecated to it.

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

| | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|---|---------------------------------------|---------------------------------------|
| SCHEDULE 6 A | | |
| CAPITAL WORK-IN-PROGRESS (INCLUDING CAPITAL ADVANCES) | | |
| Project management consultancy, technical advisory fees, etc. | 7.15 | 5.25 |
| Equipments / materials | 426.61 | 12.85 |
| Jetty construction expenses | 157.21 | 99.63 |
| Dredging expenses | 459.29 | 97.12 |
| Construction / supply / labour / engineering works | 577.34 | 457.38 |
| Rigs under refurbishment | – | 547.84 |
| Others (assets lying in stock) | 1.62 | 1.16 |
| Capital advances | <u>1,250.77</u> | <u>52.35</u> |
| | 2,879.99 | 1,273.58 |
| Add: Additions of subsidiary | | 1,581.84 |
| Add: Foreign currency alignment | – | 39.70 |
| Less: Capitalised during the year | – | <u>(1,915.92)</u> |
| | <u>2,879.99</u> | <u>979.20</u> |

| | As at 01.04.2009 (Rs. in crore) | Incurred during the year (Rs. in crore) | As at 31.03.2010 (Rs. in crore) |
|--|---------------------------------------|---|---------------------------------------|
| SCHEDULE 6 B | | | |
| EXPENDITURE DURING CONSTRUCTION | | | |
| Certification and survey charges | 1.09 | 0.07 | 1.16 |
| Salary expenses | 16.32 | 4.28 | 20.60 |
| Legal and professional charges | 7.54 | 31.48 | 39.02 |
| Insurance | 1.49 | 0.48 | 1.97 |
| Interest and finance cost | 29.61 | 114.09 | 143.70 |
| Agency fee | 0.45 | 0.31 | 0.76 |
| Depreciation | 11.90 | 7.60 | 19.50 |
| Taxes and dues | 2.24 | 4.12 | 6.36 |
| Traveling expenses | 3.49 | (2.01) | 1.48 |
| Port and hiring charges | 3.34 | 5.53 | 8.87 |
| General expenses | 0.64 | 2.06 | 2.70 |
| Total (A) | <u>78.11</u> | <u>168.00</u> | <u>246.11</u> |
| Less : Interest on term deposits and others [tax deducted at source Rs. 0.05 (previous year Rs. 0.09) crore] | (1.10) | (1.43) | (2.53) |
| Income during trial operation | – | (7.59) | (7.59) |
| Miscellaneous receipts | (5.00) | (0.65) | (5.65) |
| Total (B) | <u>(6.10)</u> | <u>(9.67)</u> | <u>(15.77)</u> |
| Total (A+B) | <u>72.01</u> | <u>158.33</u> | <u>230.34</u> |

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|---|---------------------------------------|---------------------------------------|
| SCHEDULE 7 | | |
| INVESTMENTS | | |
| LONG TERM INVESTMENTS | | |
| Investments in debentures - Unquoted (fully paid up, at cost net of other than temporary decline) | | |
| 3,15,54,000 (previous year nil) 13.5% Unsecured Non Convertible Debentures of Rs.100 each of Essar Holdings Limited | 315.55 | – |
| Other investments (non trade) | | |
| Equity shares (fully paid up, at cost, net of other than temporary decline) | | |
| – Quoted | | |
| 38,38,104 equity shares of Rs. 10/- each of Essar Oil Limited @ | 2.27 | 2.27 |
| – Unquoted | | |
| 3,86,000 (previous year nil) equity Shares of Rs.10 each of Bhandar Power Limited | 1.05 | – |
| 22,000 (previous year nil) equity shares of Rs.10/- each of Essar Bulk Terminal Paradip Limited | 0.02 | – |
| CURRENT INVESTMENTS (non trade) | | |
| Mutual funds (at lower of cost and fair value) | | |
| – Unquoted | | |
| 5,10,47,360.195 (previous year 45,55,34,096.52) units of LIC MF Liquid Fund (NAV as on 31.03.10 Rs.10.9801 each) | 56.05 | 500.18 |
| 47,84,008 (previous year 41,100.80) units of LIC MF Income Plus Fund - Growth Plan (NAV as on 31.03.10 Rs. 10 each) | 7.00 | 0.04 |
| 781,883.49 (previous year 31,10,729.53) units of LIC MF Liquid Fund Growth Plan (NAV as on 31.03.10 Rs.14.64 each) | 1.14 | 5.00 |
| Nil (previous year 9,53,312.46) units of AI Waseela Mutual Fund | – | 12.74 |
| 2,07,46,386 (previous year Nil) units of SBI Premier Liquid Fund of Rs.14.46 each (NAV as on 31.03.10 Rs.14.466 each) | 30.00 | – |
| | 413.08 | 520.23 |
| @ pledged in favour of lenders for loans availed by Essar Oil Limited | | |
| NOTES | | |
| Aggregate cost of unquoted investments | 410.81 | 517.96 |
| Aggregate cost / book value of quoted investments [net of other than temporary decline Rs.15.97 (previous year Rs.15.97) crore] | 2.27 | 2.27 |
| Aggregate market value of quoted investments | 53.10 | 27.85 |

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|---|---------------------------------------|---------------------------------------|
| SCHEDULE 8 | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | |
| CURRENT ASSETS | | |
| Inventories (at cost or net realisable value whichever is lower) | | |
| Fuel, oil and lubes | 19.73 | 15.98 |
| Stores and spares | 126.31 | 134.22 |
| | 146.03 | 150.20 |
| Sundry debtors (unsecured) (refer note no B (13) of schedule 14) | | |
| Debts outstanding for a period exceeding six months | | |
| (a) Considered good | 10.91 | 172.60 |
| (b) Considered doubtful | 0.51 | 0.58 |
| | 11.41 | 173.18 |
| Less: provision for doubtful debts | (0.51) | (0.58) |
| | 10.91 | 172.60 |
| Other debts - considered good | 508.26 | 332.32 |
| | 519.16 | 504.92 |
| Cash and bank balances | | |
| Cash on hand | 0.02 | 6.22 |
| Balance with scheduled banks | | |
| In current accounts | 68.95 | 22.12 |
| In deposits [including margin money and restricted deposits Rs.186.39 (previous year Rs. 66.01) crore] | 187.51 | 66.89 |
| | 256.47 | 89.01 |
| Balance with other banks in current accounts | | |
| With HSH Nord Bank, Hamburg [maximum amount outstanding at any time during the year Rs. 0.22 (previous year Rs. 0.22) crore] | 0.19 | 0.22 |
| Berenberg Bank, Hamburg USD current account [maximum amount outstanding at any time during the year Rs. 2.17 (previous year Rs. 2.55) crore] | 0.02 | - |
| Berenberg Bank, Hamburg Euro current account [maximum amount outstanding at any time during the year Rs. 0.14 (previous year Rs. 0.20) crore] | 0.01 | - |
| Commercial Bank of Qatar [maximum amount outstanding at any time during the year Rs. 82.28 (previous year Rs. 27.91) crore] | 23.26 | 20.37 |
| Standard Chartered Bank [maximum amount outstanding at any time during the year Rs. 10.95 (previous year Rs. 41.97) crore] | 0.55 | 1.48 |
| | 24.02 | 22.07 |
| | 280.50 | 117.30 |
| Other current assets | | |
| Interest accrued on debentures | 3.26 | - |
| Interest accrued on bank deposits | 3.06 | 2.41 |
| TOTAL (A) | 952.01 | 774.83 |

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|---|---------------------------------------|---------------------------------------|
| SCHEDULE 8 (Contd.) | | |
| LOANS AND ADVANCES (unsecured, considered good) | | |
| Loans to body corporates | 872.59 | 445.43 |
| Advance towards allotment of shares | – | 0.42 |
| Advances recoverable in cash or in kind or for value to be received | 79.05 | 45.17 |
| Rental and other deposits | 52.34 | 63.44 |
| Cenvat receivables | 73.01 | 22.53 |
| Advance tax and tax deducted at source (net of provision for tax) | 41.29 | 58.00 |
| MAT credit entitlement | 0.12 | 3.22 |
| Prepaid expenses | 61.28 | 9.21 |
| Insurance claims receivable | 1.01 | 1.90 |
| TOTAL (B) | 1,180.70 | 649.32 |
| TOTAL (A)+(B) | 2,132.70 | 1,424.15 |
| SCHEDULE 9 | | |
| CURRENT LIABILITIES AND PROVISIONS | | |
| 1. CURRENT LIABILITIES | | |
| Bills payable | 428.23 | – |
| Sundry creditors | | |
| – Due to micro and small enterprises (refer note no. B (17) of schedule 14) | 0.14 | 0.03 |
| – Others | 304.43 | 295.34 |
| – Sundry creditors (for capital goods) | 277.52 | 368.89 |
| Deferred profit on sale and lease back | 6.67 | 7.68 |
| Other liabilities | 36.69 | 30.09 |
| Interest accrued, but not due on loans | 12.39 | 12.24 |
| Freight / hire amount received in advance | 5.08 | 5.22 |
| Deposits including security deposit | 1.67 | 1.47 |
| | 1,072.81 | 720.96 |
| 2. PROVISIONS | | |
| Provision for income tax (net of advance tax paid) | 10.05 | 7.52 |
| Provision for fringe benefit tax (net of advance tax paid) | – | 0.02 |
| Provision for gratuity | 2.51 | 3.63 |
| Provision for compensated absences | 6.73 | 3.41 |
| Proposed dividend on preference shares | 8.24 | 0.02 |
| | 27.52 | 14.60 |
| | 1,100.33 | 735.56 |

**SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED STATEMENT
OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010**

| Particulars | For the year ended 31.03.2010 (Rs. in crore) | For the year ended 31.03.2009 (Rs. in crore) |
|---|---|---|
| SCHEDULE 10 | | |
| OTHER INCOME | | |
| Interest income from banks [inclusive of tax deducted at source Rs. 0.63 (previous year Rs. 1.36) crore] | 6.51 | 8.35 |
| Interest income from others [inclusive of tax deducted at source Rs. 4.60 (previous year Rs. 0.15) crore] | 72.64 | 23.52 |
| Income from long term investments [inclusive of tax deducted at source Rs. 0.36 (previous year nil) crore] | 3.62 | – |
| Profit on sale of Investments | 0.06 | 1.09 |
| Profit on sale of other assets | 0.00 | 3.45 |
| Miscellaneous receipts | 8.33 | 5.44 |
| Dividend on non trade current investments | 0.53 | 1.08 |
| | <u>91.69</u> | <u>42.93</u> |
| SCHEDULE 11 | | |
| OPERATING EXPENSES | | |
| Consumption of fuel, oil and water | 164.54 | 230.62 |
| Direct voyage / surface logistics services | 1,254.61 | 1,073.41 |
| Commission, brokerage and agency fees | 7.58 | 7.35 |
| Employee expenses on offshore staff | | |
| – Salaries, wages and bonus | 129.24 | 83.14 |
| – Contribution to staff provident and other funds | 0.58 | 0.63 |
| – Staff welfare expenses | 7.62 | 7.98 |
| Consumption of stores and spares | 53.70 | 23.36 |
| Standing costs | 68.11 | 37.62 |
| Operating expenses-port and terminal | 56.56 | 65.48 |
| Dry docking expenses | 12.16 | 28.89 |
| Insurance, protection and indemnity club fees | 29.89 | 19.15 |
| | <u>1,784.59</u> | <u>1,577.63</u> |

**SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED STATEMENT
OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010**

| Particulars | For the year ended 31.03.2010 (Rs. in crore) | For the year ended 31.03.2009 (Rs. in crore) |
|--|---|---|
| SCHEDULE 12 | | |
| ESTABLISHMENT AND OTHER EXPENSES | | |
| Salaries, wages and bonus | 42.72 | 46.17 |
| Contribution to staff provident and other funds | 2.96 | 2.73 |
| Staff welfare expenses | 3.70 | 7.35 |
| Rent charges | 6.94 | 8.84 |
| Rates and taxes | 0.86 | 0.19 |
| Repairs and maintenance-buildings | 0.77 | 1.69 |
| Repairs and maintenance-others | 13.85 | 19.70 |
| Legal, professional fees and services charges | 47.80 | 27.75 |
| Travelling and conveyance | 8.25 | 12.48 |
| Auditor's remuneration (refer note no. B (14) of schedule 14) | 1.53 | 0.85 |
| Loss on sale / disposal of assets | 0.18 | - |
| Business centre fees | 5.30 | 13.56 |
| Bad debts written off | 18.49 | 0.08 |
| Miscellaneous expenses | 10.79 | 20.68 |
| | <u>164.13</u> | <u>162.07</u> |
| SCHEDULE 13 | | |
| INTEREST AND FINANCE EXPENSES | | |
| Interest on secured loans: (refer note no. B (3) of schedule 14) | | |
| To banks | 206.47 | 133.92 |
| To others | 183.68 | 179.13 |
| Interest on debentures | 27.32 | 26.13 |
| Interest on finance lease obligations | 50.98 | 79.76 |
| Interest on others | 54.24 | - |
| Guarantee fees, processing and other charges | 3.72 | 3.71 |
| Loan arrangement expenses / prepayment charges | 10.94 | 12.15 |
| | <u>537.35</u> | <u>434.80</u> |

SCHEDULE 14

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2010

A. SIGNIFICANT ACCOUNTING POLICIES:

1. BASIS OF ACCOUNTING

These financial statements are prepared under the historical cost convention, except for the revaluation of fleet, on accrual basis of accounting and are in accordance with generally accepted accounting principles and in compliance with the applicable Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.

2. USE OF ESTIMATES

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the reporting date and the reported amount of income and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. BASIS OF CONSOLIDATION

- a) The financial statements of Essar Shipping Ports & Logistics Limited (the Company) and its subsidiaries (together "Group") are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating all material intra-group balances and intra-group transactions.
- b) The difference between the costs of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as goodwill or capital reserve, as the case may be.
- c) The minority's share in the net profit of the consolidated subsidiaries for the year is identified and adjusted against the income of the Group in order to arrive at the net income attributable to shareholders of the Company.
- d) The minority's share in the net assets of the consolidated subsidiaries is identified and presented in the Consolidated Balance Sheet separate from liabilities and equity of the Company's shareholders.
- e) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and where divergent, appropriate adjustments are made.
- f) The accounts of overseas subsidiaries denominated in U.S. dollars are converted as explained in A-16 below and regrouped.

4. FIXED ASSETS

- a) Fixed assets are recorded at cost of acquisition or at revalued amounts less accumulated depreciation and impairment loss, if any.

Cost of acquisition of fleet includes brokerage, start up costs and cost of major improvements / up gradation.

Cost of acquisition is inclusive of cost of construction including erection, installation and commissioning expenses, expenditure during construction, inseparable know-how costs, gains or losses earned / incurred during the trial run, non-refundable duties and taxes, borrowing costs and other incidental costs, where applicable.

- b) Assets acquired on hire purchase, being in the nature of finance lease, are capitalised as fixed assets at lower of fair value at inception of the lease and the present value of minimum lease payments and corresponding liability is recognised. The lease rentals paid (excluding operating expenses) are bifurcated into principal and interest components by applying an implicit rate of return. The interest is charged against income as a period cost and the principal amount is adjusted against the liability recognised in respect of assets taken on finance lease.
- c) Foreign exchange differences on conversion/translation/settlement in respect of long term monetary items used for acquisition of depreciable fixed assets are adjusted to the cost of fixed assets in terms of notification

issued by Central Government under the Companies (Accounting Standard) Amendment Rules, 2009 dated 31st March 2009.

5. INTANGIBLE ASSETS

Intangible assets are recognised only when it is probable that future economic benefits attributable to the asset will flow to the Group and the cost of such assets can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. All costs relating to the acquisition are capitalised. Intangible assets are amortised over the useful life of the asset, subject to a rebuttable presumption that such useful lives will not exceed ten years.

6. CAPITAL WORK-IN-PROGRESS, EXPENDITURE DURING CONSTRUCTION AND CAPITAL ADVANCES

Direct expenditure on projects or assets under construction or development is shown under capital work-in-progress.

Expenditure incidental to the construction of the projects or assets that take substantial period of time to get ready for their intended use is accumulated as expenditure during construction pending allocation to fixed assets and other accounts, as applicable, on completion of construction.

Advances on capital account include progress/milestone based payments made under the contracts for projects/ assets under construction and other capital advances until the same are allocated to fixed assets and other accounts, as applicable.

7. DEPRECIATION

Depreciation for fleet including second hand fleet and rigs are provided by using the straight-line method based on a technical evaluation of the economic useful life of respective assets or at the rates prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher as follows:

| Class of assets | Method of depreciation | Estimated useful life |
|------------------------|--|-----------------------|
| Fleet | | |
| - tankers | SLM over balance useful life or 5% whichever is higher. | 14-20 years |
| - bulk carriers | | 3-26 years |
| - mini bulk carriers | | 20 years |
| - tugs and barges | SLM over balance useful life or 7% whichever is higher. | 20 years |
| - dredgers | | 14 years |
| Rigs | | |
| - semi submersible rig | SLM over balance useful life or 4.75% whichever is higher. | 15 years |
| - land rig | | 10 years |

- Depreciation on water circulation treatment plant, aircraft, forklifts, cranes, impact hammer, turning plates, clamps, pipelines, vehicles (other than motor car and two wheelers), tankages and other heavy plant and machinery and building is provided on straight line method at the rate prescribed in Schedule XIV to the Companies Act, 1956.
- All other assets are depreciated by using the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Assets costing less than Rs. 5,000/- are depreciated at 100% in the year of acquisition.
- Depreciation on the incremental value of fixed assets upon revaluation is recouped proportionately from fixed assets revaluation reserve.
- Depreciation on additions/deductions to fixed assets made during the year is provided on a pro-rata basis from/ up to the date of such additions / deductions, as the case may be.
- Profit or loss on disposal of revalued fixed assets is recognised with reference to their revalued carrying values. The balance, if any, in the fixed assets revaluation reserve relating to revalued fixed assets that are sold / disposed is transferred to general reserve.

8. IMPAIRMENT OF ASSETS

The Group assesses on each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The amount so

reduced is treated as an impairment loss and is recognised in the Statement of Profit and Loss, except in case of revalued assets, where it is first adjusted against the related balance in fixed assets revaluation reserve.

If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is carried at the recoverable amount subject to a maximum of depreciated historical cost, except for revalued assets which are subject to a maximum of depreciated revalued cost.

9. BORROWING COST

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue. The borrowing cost pertaining to qualifying assets under construction are shown as expenditure during construction to be capitalised as part of such assets on completion / commissioning.

10. INVESTMENTS

- a) Long term investments are carried at cost less provision for other than temporary diminution, in the fair value of these investments.
- b) Current investments are carried at the lower of cost and fair value.

11. INVENTORY

Inventory is valued at the lower of cost and net realisable value. Cost is determined on first-in first-out basis.

12. REVENUE RECOGNITION

- a) Operating and chartering earnings represent the value of charter hire earnings, demurrage, freight earnings, fleet management fees, road freight income and stevedoring and lighterage earnings, and are accounted on accrual basis.

Freight earnings, stevedoring and lighterage are recognised on a pro-rata basis for voyages in progress at balance sheet date after loading / unloading of the cargo is completed; revenues and related expenses for voyages where cargo has not been loaded / unloaded as on the balance sheet date are deferred and recognised in the following year.

- b) Revenue on sale of products is recognised when the seller has transferred to buyer the property in the goods for a price or when all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership and no significant uncertainty exists regarding the amount of consideration that will be derived from the sale of goods.
- c) Revenue on transactions of rendering services is recognised either under the completed service contract method or under the proportionate completion method, as appropriate. Performance is regarded as achieved when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.
- d) Interest income is recognised using the time proportion method based on the rates implicit in the transactions.
- e) Insurance claims are recorded based on reasonable certainty of their settlement.
- f) Other income is recognised on accrual basis.

13. OPERATING EXPENSES

All expenses relating to road freight, interacting and the operation of fleet, including crewing, insurance, stores, bunkers, charter hire, special survey costs and other expenses are expensed under operating expenses on accrual basis.

Dry-docking expenses are recognised under operating expenses in the period to which it relates.

14. OPERATING LEASE

Rentals are expensed with reference to the terms of the lease agreement and other considerations in respect of operating leases.

15. EMPLOYEE BENEFITS

- a) The Company (employer) and the employees contribute a specified percentage of eligible employees' salary - currently 12%, to the employer established provident fund "Essar Staff Provident Fund" set up as an irrevocable Trust by the Company. The Company is generally liable for annual contributions and any shortfall in the fund assets based on government specified minimum rates of return – currently @ 8.5%, and recognises such provident fund liability, considering fund as the defined benefit plan, based on an independent actuarial valuation carried out at every statutory year end.
- b) Provision for gratuity for floating staff is made as under:
 - i) For officers on actuarial valuation.
 - ii) For crew on accrual basis as per rules of the National Maritime Board and is charged to Statement of Profit and Loss.

Contribution in respect of gratuity for onshore staff is made to Life Insurance Corporation of India based on demands made. The Company also accounts for gratuity liability based on an independent actuary valuation carried out at every statutory year end.

- c) Contribution for superannuation, funded by payments to Life Insurance Corporation of India, is a fixed percentage of the salary of eligible employees under a defined contribution plan is charged to Statement of Profit and Loss / expenditure during construction as applicable.
- d) Provision for all accumulated compensated absences of eligible employees is made based on independent actuarial valuation.

16. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are recorded at standard exchange rates determined monthly which approximates the actual rate on the date of transaction. The difference between the standard rate and the actual rate of settlement is accounted in the Statement of Profit and Loss.

Monetary items denominated in foreign currency are translated at the rate prevailing at the end of the year. Gains / losses arising on conversion / translation / settlement of foreign currency transactions are recognised in the Statement of Profit and Loss, except gains / losses on conversion/translation/settlement of long term foreign currency monetary items related to acquisition of a depreciable fixed asset are adjusted to the carrying amount to those depreciable assets.

Gains/losses arising on conversion/translation/settlement of long term foreign currency items relates to other than an acquisition of depreciable assets are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance period of such long term foreign currency item but not beyond 31st March, 2011.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. The resultant exchange differences are classified as foreign currency translation reserve under reserves and surplus.

The exchange difference arising on account of investments made during the year in foreign subsidiaries by holding Company compared with related share capital of subsidiaries is adjusted in foreign currency translation reserve.

17. TAXATION

- a) Income tax on income from qualifying fleet is provided on the basis of the Tonnage Tax Scheme whereas income tax on non-tonnage income and fringe benefit tax are provided as per the other provisions of the Income Tax Act, 1961. Taxes on income earned by foreign subsidiaries are provided based on tax laws of its domicile country.
- b) The tax effect of timing differences relating to non-tonnage tax activities that occur between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations as of the balance sheet date.

Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation under tax laws are recognised, only if there is a virtual certainty of realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised to the extent there is reasonable certainty of realisation.

18. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised for present obligations arising out of past events if it is probable that an outflow of economic resources, the amount of which can be reliably estimated, will be required to settle the obligation.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or the likelihood of an outflow of economic resources is remote.

Contingent assets are not recognised in the financial statements.

19. SEGMENT ACCOUNTING POLICIES:

a) Segment assets and segment liabilities:

Segment assets include all operating assets used by the segment and consist principally of fixed assets, inventories, sundry debtors, cash and bank balances. Segment assets and liabilities do not include share capital, reserves and surplus, income tax (both current and deferred) and unallocable assets and liabilities.

b) Segment revenue and segment expenses:

Segment revenue and expenses are directly attributable to segment. It does not include interest income on investments, inter-corporate deposits, interest expense and provision for taxes.

B. NOTES TO THE FINANCIAL STATEMENTS

1) Subsidiaries

The reporting date of all the subsidiaries is 31st March, 2010. The list of the subsidiaries of the Company which are included in the consolidation and the Group's holding therein are as under:

| Name of companies | Country of incorporation | Immediate holding Company | | Relationship | Immediate holding % | |
|--|--------------------------|---------------------------|-------|--------------|---------------------|--------|
| | | 2010 | 2009 | | 2010 | 2009 |
| Essar Logistics Limited ("ELL") | India | ESPLL | ESPLL | Subsidiary | 100% | 100% |
| Essar Ports & Terminals Limited ("EPTL") | Mauritius | ESPLL | ESPLL | Subsidiary | 100% | 100% |
| Essar Paradip Terminals Limited ("EPaTL") ¹ | India | ESPLL | NA | Subsidiary | 75% | NA |
| Essar Oilfields Services Limited ("EOSL") | Mauritius | ESPLL | ESPLL | Subsidiary | 100% | 100% |
| Essar Oilfield Services India Limited ("EOSIL") ² | India | EOSL | NA | Subsidiary | 100% | NA |
| Essar Oilfields Services FZE ("EOSL FZE") ⁴ | Dubai | EOSL | EOSL | Subsidiary | 100% | 100% |
| Essar International Limited ("EIL") | Guernsey | ESPLL | ESPLL | Subsidiary | 100% | 100% |
| Energy Transportation International Limited ("ETIL") | Bermuda | EIL | EIL | Subsidiary | 100% | 100% |
| Energy II Limited ("EII") | Bermuda | EIL | EIL | Subsidiary | 100% | 100% |
| Essar Bulk Terminal Limited ("EBTL") | India | EPTL | EPTL | Subsidiary | 65.06% | 99.98% |
| Vadinar Oil Terminal Limited ("VOTL") | India | EPTL | EPTL | Subsidiary | 100% | 100% |
| Essar Bulk Terminal (Salaya) Limited ("EBTSL") | India | EPTL | EPTL | Subsidiary | 100% | 100% |
| Essar Dredging Limited ("EDL") | India | EBTL | EBTL | Subsidiary | 100% | 100% |
| Vadinar Ports & Terminals Limited ("VPTL") ³ | Mauritius | VOTL | NA | Subsidiary | 97% | NA |

1. Incorporated on 4th November, 2009

2. Subsidiary w.e.f. 4th April, 2009

3. Incorporated on 21st April, 2009

4. Liquidated w.e.f. 14th April, 2010

2) Fixed assets

a) Pursuant to notification issued by the Central Government under Companies (Accounting Standard) Amendment Rules, 2009 dated 31st March, 2009; the Company has chosen an option with effect from 1st April, 2007 to adjust the gains/losses arising on conversion/translation/settlement of long term foreign currency items into the corresponding costs of fixed assets to the extent it is related to acquisition of depreciable fixed

assets and the balance gains/losses has been accumulated in "Foreign Currency Monetary Item Translation Difference Account" (FCMITDA).

During the year, exchange difference on long term foreign currency items relating to fixed assets amounting to Rs. 204.66 (previous year loss - Rs. 501.48) crore has been adjusted in costs of corresponding fixed assets and the balance exchange difference of Rs. 4.10 (previous year Rs. 5.79 crore [net of Rs.4.10 (previous year Rs. 5.79) crore amortised in the Statement of Profit and Loss] outstanding under FCMITDA as on the balance sheet date has been charged to the Statement of Profit and Loss as the only general purpose loan on which the FCMITDA was created has been repaid during the year.

The compounding effect of this treatment has resulted into a decrease in the profit for the year by an amount of Rs. 190.96 crore (previous year increase – Rs. 489.32 crore)

b) The Group is disputing a claim of Rs. 67.28 crore towards supply of equipments and other support services during the trial run period of rig. However pending settlement, during the year, the Company has made provision for the entire claim towards cost of rig. The Company is expecting the settlement in near future.

- 3) The Master Restructuring Agreement ("MRA") dated 17th December, 2004 entered pursuant o Corporate Debt Restructuring Scheme, subject to concurrence of lenders, gives an option to VOTL to prepay certain funded interest loans of Rs. 869.08 (previous year Rs. 869.08) crore arising from funding of interest for the period 1st October 1998 to 29th December 2003 at any point in time during their term at a reduced amount computed in accordance with mechanism provided in the MRA or in full by one bullet payment in March, 2026. During the year VOTL has agreed to pay a claim of Rs. 12.07 crore of a lender by bullet payment in 2031 with an option to prepay this amount as per agreed terms at a reduced rate at any point of time during its term.

In order to give accounting effect to reflect the substance of the transaction and considering the intention of the management to prepay funded interest loans under the option aforementioned, in the absence of guidance available under the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, the principles laid down in International Financial Reporting Standard (IFRS) 39 (Revised) – Financial Instruments – Recognition and Measurement, Statement of Financial Accounting Standard (SFAS) 15 – Accounting by Debtors and Creditors for Troubled Debt Restructuring under United States Generally Accepted Accounting Principles (US-GAAP), and Accounting Standard (AS 30) Financial Instruments – Recognition and Measurement issued by the Institute of Chartered Accountants of India, have been followed.

In view of the above, an amount of Rs. 700.69 (previous year Rs. 706.96) crore shown under secured loans being the amount not payable as at balance sheet date, has been shown as deduction from the funded interest facilities of the financial institutions and banks to reflect in substance the present obligation under the mechanism as on the balance sheet date with consequential deduction from "Expenditure during construction" till date of capitalisation of terminal project. The changes in the present obligation of the said loans subsequent to capitalisation of terminal project is treated as finance cost in the Statement of Profit and Loss.

The Company has plans of prepaying the loans (including funded interest loans) in accordance with the option to prepayment available under MRA.

4) a) **Contingent liabilities**

(Rs. in crore)

| Particulars | As on 31.03.2010 | As on 31.03.2009 |
|--|------------------|------------------|
| Claims against the Group not acknowledged as debt | 5.13 | 132.41 |
| Guarantees given by banks | 77.16 | 84.98 |
| Performance guarantees given under contracts | 62.74 | 111.39 |
| Dividend on optionally convertible cumulative redeemable preference shares | 0.02 | 0.02 |
| Guarantee on behalf of others | 104.00 | 104.00 |
| Disputed sales tax demand under appeal with the Honorable High Court of Madras | 52.20 | 58.10 |
| Income tax appeals before ITAT | 117.97 | 117.97 |
| Bills discounted with banks | 94.56 | 86.79 |
| Interest on facility E on principal amount of facility stoppage as per MRA | 136.57 | 87.82 |

- b) Guarantee given by others on behalf of VOTL in respect of loan liability already existing in the books of account Rs. 204.44 (previous year Rs.200) crore.
- c) Estimated amount of contract remaining to be executed on capital account not provided for is Rs. 2,470.98 (previous year Rs. 5,132.38) crore.

5) Finance lease obligations

(a) Finance leases

(i) The minimum lease rentals outstanding at the year-end are as under: (Rs. in crore)

| Particulars | As on 31.03.2010 | | | As on 31.03.2009 | | |
|---|------------------------|---------------|---|------------------------|---------------|---|
| | Minimum lease payments | Interest | Present value of minimum lease payments | Minimum lease payments | Interest | Present value of minimum lease payments |
| Future lease rental obligation payable : | | | | | | |
| – Not later than one year | 143.95 | 57.90 | 86.05 | 163.33 | 72.23 | 91.10 |
| – Later than one year but not later than five years | 695.42 | 198.10 | 497.32 | 802.56 | 259.36 | 543.20 |
| – Later than five years | 372.47 | 25.33 | 347.14 | 560.46 | 58.10 | 502.36 |
| Total | 1,211.84 | 281.33 | 930.51 | 1,526.35 | 389.69 | 1,136.66 |

(b) Operating leases

VOTL has a committed liability of Rs. 152.31 (previous year Rs. 75.41) crore for future lease rental charges in respect of land taken on lease which is owned by Essar Oil Limited.

6) Business segment and geographical segment

a) Business segment

(Rs. in crore)

| Particulars | Year ended | |
|----------------------------------|-----------------|-----------------|
| | 31.03.2010 | 31.03.2009 |
| Segment revenue | | |
| Operating Income | | |
| Fleet operating and chartering | 1,434.27 | 1,716.58 |
| Surface transport services | 737.38 | 500.89 |
| Port and terminal services | 420.74 | 386.73 |
| Oilfields services | 515.05 | 193.83 |
| Unallocated | 177.96 | 73.71 |
| Total | 3,285.40 | 2,871.74 |
| Less: Inter segment revenue | (193.26) | (195.17) |
| Net Income from operation | 3,092.14 | 2,676.57 |
| Segment results | | |
| Fleet operating and chartering | 222.75 | 221.18 |
| Surface transport services | 15.47 | 17.30 |
| Port and terminal services | 185.51 | 160.93 |

(Rs. in crore)

| Particulars | Year ended | |
|--|-------------------|-------------------|
| | 31.03.2010 | 31.03.2009 |
| Oilfields services | 179.05 | 85.93 |
| Unallocated | 56.78 | 73.71 |
| Profit from operation before interest and finance charges | 659.56 | 559.05 |
| Less: Unallocable Interest and finance expense | (537.35) | (434.80) |
| Profit before Tax | 122.21 | 124.25 |
| Less: Income tax | (27.01) | (47.05) |
| Profit before share of minority's interest | 95.20 | 77.20 |
| Share of minority's interest | (1.43) | – |
| Profit for the year | 93.77 | 77.20 |
| Segment assets | | |
| Fleet operating and chartering | 2,789.62 | 2,775.05 |
| Surface transport services | 258.06 | 112.76 |
| Port and terminal services | 4,410.41 | 3,724.41 |
| Oilfields services | 3,651.97 | 3,059.09 |
| Unallocated | 1,180.69 | 747.06 |
| Total assets | 12,290.75 | 10,418.37 |
| Segment liabilities | | |
| Fleet operating and chartering | (143.01) | (2,680.54) |
| Surface transport services | (115.43) | (49.15) |
| Port and terminal services | (576.59) | (2,767.02) |
| Oilfields services | (249.31) | (1,969.24) |
| Unallocated | (16.30) | (8.55) |
| Total liabilities | (1,100.64) | (7,474.49) |
| Fixed assets acquired during the year | | |
| Fleet operating and chartering | 0.44 | 1,126.55 |
| Surface transport services | 33.54 | 0.13 |
| Port and terminal services | 6.02 | 21.29 |
| Oilfields services | 311.05 | 2,256.84 |
| Total | 351.05 | 3,404.81 |
| Depreciation * | | |
| Fleet operating and chartering | 187.88 | 186.76 |
| Surface transport services | 3.36 | 2.15 |
| Port and terminal services | 145.11 | 136.97 |
| Oilfields services | 156.47 | 51.93 |
| Total | 492.82 | 377.82 |

* Excludes depreciation of Rs. 7.60 (previous year Rs. 7.54) crore transferred to expenditure during construction and Rs. 38.28 (previous year Rs. 278.71) crore recouped from fixed assets revaluation reserve.

b) Geographical segment

The Group's fleet operations are managed on a worldwide basis from India. Fleet operating and chartering earnings are based on the geographical location of customers.

(Rs. in crore)

| Segment revenue | Year ended 31.03.2010 | Year ended 31.03.2009 |
|-------------------|--------------------------|--------------------------|
| India | 2,778.04 | 2,127.42 |
| China | 87.63 | 92.74 |
| U.S.A | 29.85 | – |
| U.K. | 65.59 | 116.57 |
| U.A.E | 0.63 | 30.40 |
| Brazil | – | 46.45 |
| Rest of the world | 130.40 | 262.99 |
| Total | 3,092.14 | 2,676.57 |

The main operating assets represent floating fleet, which is not identifiable to any geographical location.

7) Earnings per share

The calculation of basic and diluted earnings per share is based on the following data: (Rs. in crore)

| Particulars | Year ended 31.03.2010 | Year ended 31.03.2009 |
|---|--------------------------|--------------------------|
| Earnings for the purpose of basic and diluted earnings per share (net profit for the year) (Rs. in crore) | 93.77 | 77.20 |
| Less: Preference dividend to minority shares held in EOSL (Rs. in crore) | 8.65 | 0.02 |
| Adjusted net earnings for the purpose of basic and diluted earnings per share (Rs. in crore) | 85.12 | 77.18 |
| Equity shares at the beginning of the year (nos.) | 615,683,320 | 426,077,207 |
| Equity shares issued pursuant to merger of India Shipping (nos.) – refer note no. B (12) on schedule 14 | – | 364,905,489 |
| Equity shares held by India Shipping in the Company cancelled upon merger (nos.) | – | (175,299,376) |
| Equity shares at the end of the year (nos.) | 615,683,320 | 615,683,320 |
| Weighted average equity shares for the purpose of calculating basic and diluted earnings per share (nos.) | 615,683,320 | 615,683,320 |
| Earnings per share - basic and diluted (face value of Rs. 10/- each) (Rs.) | 1.38 | 1.25 |

8) Foreign currency exposure

- i) There were no forward/options contracts entered in to by the Group during the financial year to hedge its foreign currency exposures.
- ii) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

(A) Amount receivable in foreign currency on account of the following:

| Particulars | Rs. in crore | | Currency | In million | |
|---|--------------|--------------|----------|-------------|-------------|
| | 2009-10 | 2008-09 | | 2009-10 | 2008-09 |
| i. Export of goods and services | 23.12 | 14.79 | USD | 5.14 | 2.84 |
| ii. Sale of assets | – | 13.64 | USD | – | 2.70 |
| iii. Sale of current investments | – | 9.72 | AED | – | 1.91 |
| iv. Advance to vendors | 5.66 | 7.20 | USD | 1.22 | 1.40 |
| | 0.02 | 0.02 | AED | 0.00 | 0.00 |
| | 0.02 | – | GBP | 0.00 | – |
| | 0.51 | 11.30 | EUR | 0.10 | 1.71 |
| | 6.21 | 18.52 | – | 1.32 | 3.11 |
| v. Dues from holding Company | 21.30 | – | USD | 4.77 | – |
| vi. Bank balances and fixed deposits including interest accrued thereon | 1.82 | 0.32 | USD | 0.41 | 0.06 |

(B) Amount payable in foreign currency on account of the following:

| Particulars | Rs. in crore | | Currency | In million | |
|--|---------------|---------------|----------|--------------|--------------|
| | 2009-10 | 2008-09 | | 2009-10 | 2008-09 |
| i) Import of goods and services | 12.93 | 16.11 | USD | 2.86 | 3.00 |
| | 49.93 | 38.85 | INR | 11.06 | 7.63 |
| | 7.14 | 3.42 | GBP | 1.05 | 0.66 |
| | – | – | DKK | – | – |
| | 0.91 | 7.61 | EUR | 0.15 | 1.19 |
| | 0.56 | 0.78 | JPY | 11.28 | 16.51 |
| | 7.78 | 10.75 | OMR | 0.67 | 2.11 |
| | 6.87 | 18.35 | SGD | 2.13 | 3.67 |
| | 0.26 | 1.28 | NOK | 0.35 | 0.29 |
| | – | 0.02 | HKD | – | 0.05 |
| | – | 0.01 | AUD | – | – |
| | 0.00 | 0.17 | ZAR | 0.00 | 0.06 |
| | 30.69 | 14.44 | AED | 19.26 | 2.83 |
| | 117.08 | 117.79 | – | 48.80 | 38.00 |
| ii) Secured loans payable (including interest accrued) | 522.21 | 744.12 | USD | 114.57 | 111.01 |
| iii) Advance from customers | 0.83 | 1.00 | USD | 0.18 | 0.02 |
| iv) Lease loans obligation | 926.12 | 1,134.90 | USD | 203.19 | 221.70 |

9) Taxation

Income tax on income from qualifying fleet is provided on the basis of Tonnage Tax Scheme. Income tax on other income is provided as per other provisions of Income Tax Act, 1961. Taxes on income earned by foreign subsidiaries are provided based on tax laws of its domicile country.

10) Deferred tax liability

The components of net deferred tax liability are as follows:

(Rs. in crore)

| Details | As at 31 st March, 2010 | As at 31 st March, 2009 |
|---|---------------------------------------|---------------------------------------|
| Deferred tax liability | | |
| Depreciation on fixed assets | 120.54 | 34.46 |
| (A) | 120.54 | 34.46 |
| Deferred tax assets | | |
| Disallowance u/s 40(a) | 3.40 | 1.18 |
| Unabsorbed Depreciation | 94.29 | – |
| Employee benefits liability | 0.66 | 0.76 |
| (B) | 98.35 | 1.94 |
| Net deferred tax liability (A-B) | 22.19 | 32.52 |

11) Employee benefits

The Group has adopted Accounting Standard (AS) 15 (Revised) 'Employee Benefits' as notified under the Companies (Accounting Standard) Rules, 2006, with effect from 1st April, 2007. The Group has classified the various benefits provided to employees as under:

I. Defined contribution plans

The Group has recognised the following amounts in the Statement of Profit and Loss during the year:

(Rs. in crore)

| Particulars | ESPLL – Total | |
|---|---------------|---------|
| | 2009-10 | 2008-09 |
| a) Employer's contribution to gratuity fund (offshore crew staff) | 0.77 | 0.68 |
| b) Group accident policy cover (all employees) | 3.87 | 3.67 |
| c) Contribution to pension fund (offshore crew staff) | 0.22 | 0.23 |
| d) Employer's contribution to superannuation Fund | 0.36 | 0.18 |
| e) Employer's contribution to Provident Fund | 1.23 | 1.88 |

The above amounts are included in 'Contribution to staff provident and other funds' (Schedule 11).

II. Defined benefit plans

- a. Contribution to provident fund.
- b. Contribution to gratuity fund.
- c. Provision for Compensated Absences (CA)

In accordance with AS-15, relevant disclosures are as under:

(A) Changes in present value of defined benefit obligation

(Rs. in crore)

| Particulars | Provident fund (funded) | | | Gratuity-shore officers (funded) | | | Gratuity-off shore officers (non-funded) | | | CA-paid leave (non-funded) | | |
|---|----------------------------|--------------|--------------|-------------------------------------|-------------|-------------|---|-------------|-------------|-------------------------------|-------------|-------------|
| | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.3.08 |
| Present value of defined benefit obligation at the beginning of the year | 17.40 | 18.58 | 16.88 | 2.10 | 3.59 | 2.48 | 2.80 | 3.50 | 3.34 | 2.40 | 4.76 | 2.45 |
| Current service cost | 1.21 | 1.24 | 1.26 | 0.25 | 0.34 | 0.72 | 0.43 | 0.51 | 0.64 | 0.78 | 0.68 | 3.01 |
| Current service contribution - employee | - | 1.31 | 1.37 | - | - | - | - | - | - | - | - | - |
| Interest cost | 0.07 | 1.39 | 1.37 | 0.15 | 0.28 | 0.19 | 0.20 | 0.27 | 0.26 | 0.16 | 0.36 | 0.18 |
| Acquisitions | 0.30 | 0.16 | - | (0.12) | - | - | - | - | - | - | (0.21) | - |
| Benefits paid | (2.22) | (5.28) | (2.64) | (0.13) | (0.20) | (0.08) | (0.26) | (0.23) | (0.13) | (0.17) | (0.22) | (0.09) |
| Actuarial (gain) / loss on obligations | (1.31) | - | 0.34 | 0.12 | (2.03) | 0.27 | (1.23) | (1.15) | (0.61) | 0.66 | (3.31) | (0.80) |
| Present value of defined benefit obligation at the end of the year | 16.69 | 17.40 | 18.58 | 2.57 | 1.87 | 3.59 | 1.95 | 2.91 | 3.50 | 3.84 | 2.06 | 4.76 |

(B) Changes in the fair value of plan assets

(Rs. in crore)

| Particulars | Provident fund (funded) | | | Gratuity-shore officers (funded) | | | Gratuity-off shore officers (non-funded) | | | CA-paid leave (non-funded) | | |
|---|----------------------------|--------------|--------------|-------------------------------------|-------------|-------------|---|----------|----------|-------------------------------|----------|----------|
| | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.3.08 |
| Fair value of plan assets at the beginning of the year | 17.40 | 18.58 | 16.88 | 1.82 | 1.34 | 0.88 | - | - | - | - | - | - |
| Expected return on plan assets | - | - | - | 0.19 | 0.13 | 0.11 | - | - | - | - | - | - |
| Actual return on plan assets | (1.23) | 1.39 | 1.37 | - | - | - | - | - | - | - | - | - |
| Actuarial gains / (losses) | - | - | - | (0.09) | 0.01 | - | - | - | - | - | - | - |
| Contributions by the employer / employees | 2.75 | 2.71 | 2.97 | 0.92 | 0.57 | 0.43 | 0.26 | 0.23 | 0.13 | 0.17 | 0.21 | 0.09 |
| Benefits paid | (2.23) | (5.28) | (2.64) | (0.13) | (0.24) | (0.08) | (0.26) | (0.23) | (0.13) | (0.17) | (0.21) | (0.09) |
| Fair value of plan assets at the end of the year | 16.69 | 17.40 | 18.58 | 2.70 | 1.82 | 1.34 | - | - | - | - | - | - |

(C) Amount recognised in the Balance Sheet

(Rs. in crore)

| Particulars | Provident fund (funded) | | | Gratuity-shore officers (funded) | | | Gratuity-off shore officers (non-funded) | | | CA-paid leave (non-funded) | | |
|---|----------------------------|----------|----------|-------------------------------------|-------------|-------------|---|-------------|-------------|-------------------------------|---------------|---------------|
| | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.3.08 |
| Present value of defined benefit obligation at the end of the year | 16.69 | 17.40 | 18.58 | 2.57 | 1.86 | 3.59 | 1.95 | 2.91 | 3.48 | 3.84 | 2.05 | 4.76 |
| Fair value of plan assets at the end of the year | (16.69) | (17.40) | (18.58) | (2.50) | (1.82) | (1.34) | - | - | - | - | - | - |
| Liability/(asset) recognised in the Balance Sheet (included in current liabilities and provisions) (schedule 9) | - | - | - | (0.17) | 0.04 | 2.25 | 1.95 | 2.91 | 3.48 | 3.84 | (2.05) | (4.76) |

(D) Expenses recognised in the Statement of Profit and Loss

(Rs. in crore)

| Particulars | Provident fund (funded) | | | Gratuity-shore officers (funded) | | | Gratuity-off shore officers (non-funded) | | | CA-paid leave (non-funded) | | |
|---|-------------------------|----------|---------|----------------------------------|----------|----------|--|----------|---------|----------------------------|----------|---------|
| | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.3.08 |
| Current service cost | 1.21 | 1.24 | 1.26 | 0.34 | 0.23 | 0.72 | 0.43 | 0.51 | 0.65 | 0.78 | 0.68 | 3.01 |
| Interest cost | 0.07 | 1.39 | 1.37 | 0.15 | 0.28 | 0.19 | 0.20 | 0.27 | 0.26 | 0.16 | 0.36 | 0.19 |
| Expected return on plan assets | (0.07) | (1.39) | (1.37) | (0.06) | (0.07) | (0.08) | - | - | - | - | - | - |
| Net actuarial (gain) / loss recognised in the period | - | - | - | 0.21 | (0.60) | 0.28 | (1.23) | (1.12) | (0.63) | 0.66 | (1.68) | (0.83) |
| Total expenses recognised in the Statement of Profit and Loss [(Included in Contribution to provident and other funds (Schedule 10)] | 1.21 | 1.24 | 1.26 | 0.51 | (0.22) | 1.07 | (0.59) | (0.34) | 0.28 | 1.61 | (0.64) | 2.37 |

(E) Experience history

(Rs in crore)

| Particulars | Provident fund (funded) | | Gratuity-shore officers (funded) | | Gratuity-off shore officers (non-funded) | | CA-paid leave (non-funded) | |
|--|-------------------------|----------|----------------------------------|----------|--|----------|----------------------------|----------|
| | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 |
| Defined benefit obligation at the end of the year | - | - | (2.03) | (1.86) | (3.01) | (2.92) | (3.84) | (1.89) |
| Plan assets at the end of the period | - | - | 2.49 | 1.82 | 0.21 | - | - | - |
| Funded status | - | - | 0.47 | (0.04) | (2.29) | (2.92) | (3.84) | (1.88) |
| Experience gain / (loss) adjustments on plan liabilities | - | - | (0.03) | 1.12 | 0.58 | 0.60 | (1.08) | 1.48 |
| Experience gain / (loss) adjustments on plan assets | - | - | (0.09) | 0.01 | - | - | - | - |
| Actuarial gain / (loss) due to change on assumptions | - | - | 0.13 | - | 0.43 | 0.52 | 0.43 | (0.54) |

(F) Category of plan assets

(Rs. in crore)

| Percentage of each category of plan assets to total fair value of plan assets | Provident fund (funded) | | | Gratuity-shore officers (funded) | | | Gratuity-off shore officers (non-funded) | | | CA-paid leave (non-funded) | | |
|---|-------------------------|----------|---------|----------------------------------|----------|----------|--|----------|---------|----------------------------|----------|---------|
| | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.3.08 |
| Administered by Life Insurance Corporation of India | - | - | - | 100% | 100% | 100% | - | - | - | - | - | - |
| Government of India security | 32% | 32% | 36% | - | - | - | - | - | - | - | - | - |
| Public sector bonds / TDRs | 48% | 48% | 44% | - | - | - | - | - | - | - | - | - |
| State government securities | 20% | 20% | 20% | - | - | - | - | - | - | - | - | - |

(G) Actuarial assumptions

In accordance with Accounting Standard (AS) 15 (Revised), actuarial valuation as at the year end in respect of the aforesaid defined benefit plans is based on the following assumptions:

i) General assumptions

Essar Shipping Ports & Logistics Limited

(Rs. in crore)

| Particulars | Provident fund (funded) | | | Gratuity-shore officers (funded) | | | Gratuity-off shore officers (non-funded) | | | CA-paid leave (non-funded) | | |
|---|-------------------------|----------|---------|----------------------------------|----------|----------|--|----------|---------|----------------------------|----------|---------|
| | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.3.08 | 31.03.10 | 31.03.09 | 31.3.08 |
| Discount rate (per annum) | 7.80% | 7.60% | 8.00% | 7.80% | 7.60% | 8.00% | 7.80% | 7.60% | 8.00% | 7.80% | 7.60% | 8.00% |
| Rate of return on plan assets (for funded scheme) | 8.50% | 8.50% | 8.50% | 8.50% | 8.50% | 9.25% | N.A | N.A | N.A | N.A | N.A | N.A |
| Expected retirement age of employees (years) | 58 | 58 | 58 | 58 | 58 | 58 | 60 | 60 | 60 | 58 | 58 | 58 |
| Separation rate of employees | - | - | - | 10.00% | 16.00% | 16.00% | 7.00% | 7.00% | 2.00% | 10.00% | 16.00% | 16.00% |
| Rate of increase in compensation | - | - | - | 9.00% | 15.00% | 15.00% | 9.00% | 9.00% | 9.00% | 9.00% | 15.00% | 15.00% |

Vadinar Oil Terminal Limited

(Rs. in crore)

| Particulars | Gratuity (funded) | | | CA (non-funded) | | |
|---|-------------------|------------|------------|-----------------|------------|------------|
| | Year ended | | | Year ended | | |
| | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2010 | 31.03.2009 | 31.03.2008 |
| Discount rate (per annum) | 7.80% | 7.60% | 8.00% | 7.80% | 7.60% | 8.00% |
| Rate of return on plan assets (for funded scheme) | 8.50% | 8.00% | 8.00% | N.A | N.A | N.A |
| Expected retirement age of employees (years) | 58 | 58 | 58 | 58 | 58 | 58 |
| Withdrawal rate of employees | 5.00% | 11.00% | 11.00% | 5.00% | 11.00% | 11.00% |
| Rate of increase in compensation | 9.00% | 8.00% | 8.00% | 9.00% | 8.00% | 8.00% |

Essar Logistics Limited

(Rs. in crore)

| Particulars | Gratuity (funded) | | | CA (non-funded) | | |
|---|-------------------|------------|------------|-----------------|------------|------------|
| | Year ended | | | Year ended | | |
| | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2010 | 31.03.2009 | 31.03.2008 |
| Discount rate (per annum) | 7.80% | 7.60% | 8.00% | 7.80% | 7.60% | 8.00% |
| Rate of return on plan assets (for funded scheme) | 8.50% | 8.50% | 8.70% | N.A | N.A | N.A |
| Expected retirement age of employees (years) | 58 | 58 | 58 | 58 | 58 | 58 |
| Withdrawal rate of employees | 16.00% | 16.00% | 16.00% | 16.00% | 16.00% | 16.00% |
| Rate of increase in compensation | 10.00% | 10.00% | 15.00% | 9.00% | 10.00% | 15.00% |

Essar Bulk Terminal Limited

(Rs. in crore)

| Particulars | Gratuity (funded) | | | CA (non-funded) | | |
|---|-------------------|------------|------------|-----------------|------------|------------|
| | Year ended | | | Year ended | | |
| | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2010 | 31.03.2009 | 31.03.2008 |
| Discount rate (per annum) | 7.80% | 7.60% | 8.00% | 7.80% | 7.60% | 8.00% |
| Rate of return on plan assets (for funded scheme) | 8.50% | N.A | N.A | N.A | N.A | N.A |
| Expected retirement age of employees (years) | 58 | 58 | 58 | 58 | 58 | 58 |
| Withdrawal rate of employees | 8.00% | 11.00% | 11.00% | 8.00% | 11.00% | 11.00% |
| Rate of increase in compensation | 9.00% | 8.00% | 8.00% | 9.00% | 8.00% | 8.00% |

Essar Oilfields Services Limited

(Rs. in crore)

| Particulars | Gratuity (funded) | | | CA (non-funded) | | |
|---|-------------------|------------|------------|-----------------|------------|------------|
| | Year ended | | | Year ended | | |
| | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2010 | 31.03.2009 | 31.03.2008 |
| Discount rate (per annum) | 7.80% | – | N.A | 7.80% | – | N.A |
| Rate of return on plan assets (for funded scheme) | N.A | – | N.A | N.A. | – | N.A |
| Expected retirement age of employees (years) | 58 | – | N.A | 58 | – | N.A |
| Withdrawal rate of employees | 12.00% | – | N.A | 12.00% | – | N.A |
| Rate of increase in compensation | 9.00% | – | N.A | 9.00% | – | N.A |

Essar Oilfield Services India Limited

(Rs. in crore)

| Particulars | Gratuity (funded) | | | CA (non-funded) | | |
|---|-------------------|------------|------------|-----------------|------------|------------|
| | Year ended | | | Year ended | | |
| | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2010 | 31.03.2009 | 31.03.2008 |
| Discount rate (per annum) | 7.80% | – | N.A | 7.80% | – | N.A |
| Rate of return on plan assets (for funded scheme) | N.A | – | N.A | N.A. | – | N.A |
| Expected retirement age of employees (years) | 58 | – | N.A | 58 | – | N.A |
| Withdrawal rate of employees | 12.00% | – | N.A | 12.00% | – | N.A |
| Rate of increase in compensation | 9.00% | – | N.A | 9.00% | – | N.A |

- ii) Mortality rates considered are as per the published rates in the Life Insurance Corporation (1994-96) Mortality table.
- iii) Leave policy
- Sick leave balance as at the valuation date and each subsequent year following the valuation date will be availed by the employee against future sick leave; the sick leave balance is not available for encashment.
 - Leave balance as at the valuation date and each subsequent year following the valuation date to the extent not availed by the employee is available for encashment on separation from the Company up to a maximum of 120 days.
 - The contribution to be made by the Company for funding its liability for gratuity during the financial year 2009–10 will be made as per demand raised by the fund administrator Life Insurance Corporation of India.
- iv) As this is the third year of implementation of Accounting Standard (AS) –15 (Revised 2005), only corresponding previous two year figure have been furnished.

12) Related party transactions
(a) Holding companies

- Essar Global Limited, Cayman Islands (ultimate holding company) (w.e.f 1st April, 2008)
- Essar Shipping & Logistics Limited, Cyprus (immediate holding Company) (w.e.f 1st April, 2008)

(b) Key Management Personnel

- Mr. Sanjay Mehta, Managing Director (Essar Shipping Ports & Logistics Limited)
- Mr. A. R. Ramakrishnan, Wholetime Director (Essar Shipping Ports & Logistics Limited)
- Mr. V. Ashok, Wholetime Director (Essar Shipping Ports & Logistics Limited)
- Mr. K. K. Sinha, Wholetime Director (Vadinar Oil Terminal Limited)
- Mr. A. K. Musaddy, Wholetime Director (Essar Logistics Limited)
- Mr. Subhas Das, Wholetime Director (Essar Bulk Terminal Limited) - w.e.f. 15th May, 2009
- Mr. Shishir Agrawal, Wholetime Director (Essar Oilfield Services Limited) - upto 24th July, 2009

(c) Other related parties where there have been transactions

Enterprises commonly controlled or influenced by major shareholders / directors / relatives of directors of the Group:

1. Aegis Limited
2. Bhandar Power Limited
3. Essar Agrotech Limited
4. Essar Bulk Terminal Paradip Limited
5. Essar Energy Services Limited
6. Essar Engineering Services Limited
7. Essar Exploration & Production India Limited
8. Essar Exploration & Production South East Asia Limited
9. Essar Gulf FZE
10. Essar Heavy Engineering Services Limited
11. Essar Holdings Limited
12. Essar House Limited
13. Essar Information Technology Limited
14. Essar Infrastructure Holdings Limited
15. Essar Infrastructure Services Limited
16. Essar Investments Limited
17. Essar Logistics Holdings Limited
18. Essar Oil Limited
19. Essar Power Gujarat Limited
20. Essar Power Limited
21. Essar Power M.P. Limited
22. Essar Project Management Consultancy Limited
23. Essar Projects (India) Limited
24. Essar Properties Limited
25. Essar Shipping & Logistics (Panama) Inc.
26. Essar Steel (Hazira) Limited
27. Essar Steel Algoma Inc.
28. Essar Steel Holdings Limited
29. Essar Steel Limited
30. Essar Steel Orissa Limited
31. Essar Steel Sharjah FZE
32. Essar Telecom Retail Limited
33. Futura Travels Limited
34. Global Supplies FZE
35. Hazira Pipe Mills Limited
36. Hazira Plate Limited
37. India Securities Limited
38. Paprika Properties Dubai Limited
39. Vadinar Power Company Limited

The details of transactions with related parties

(Rs. in crore)

| Nature of transactions | Holding companies | | Other related parties | | Key Management Personnel | | Total | |
|---|-------------------|-------------|-----------------------|-----------------|--------------------------|----------|-----------------|-----------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| INCOME | | | | | | | | |
| Operating income | | | | | | | | |
| Essar Steel Limited | – | – | 1,168.91 | 1,195.21 | – | – | 1,168.91 | 1,195.21 |
| Essar Steel (Hazira) Limited | – | – | 76.01 | 73.82 | – | – | 76.01 | 73.82 |
| Essar Steel Algoma Inc. | – | – | – | 30.59 | – | – | – | 30.59 |
| Essar Projects (India) Limited | – | – | 30.56 | 16.88 | – | – | 30.56 | 16.88 |
| Essar Oil Limited | – | – | 517.54 | 469.60 | – | – | 517.54 | 469.60 |
| Essar Exploration South East Asia Limited | – | – | 0.06 | – | – | – | 0.06 | – |
| Hazira Plate Limited | – | – | 4.07 | 4.86 | – | – | 4.07 | 4.86 |
| Essar Steel Orissa Limited | – | – | 6.35 | 0.56 | – | – | 6.35 | 0.56 |
| Hazira Pipe Mills Limited | – | – | 13.31 | 4.26 | – | – | 13.31 | 4.26 |
| Essar Heavy Engineering Services Limited | – | – | – | 0.11 | – | – | – | 0.11 |
| Essar Power Gujarat Limited | – | – | 41.91 | 3.69 | – | – | 41.91 | 3.69 |
| Essar Power M.P. Limited | – | – | 40.41 | 4.44 | – | – | 40.41 | 4.44 |
| Essar Shipping & Logistics Limited | 9.09 | – | – | – | – | – | 9.09 | – |
| Essar Power Limited | – | – | 0.04 | 0.04 | – | – | 0.04 | 0.04 |
| Vadinar Power Company Limited | – | – | 0.07 | – | – | – | 0.07 | – |
| Essar Shipping & Logistics (Panama) Inc. | – | – | 0.16 | 0.47 | – | – | 0.16 | 0.47 |
| Others | – | – | 0.86 | – | – | – | 0.86 | – |
| Total | 9.09 | – | 1,900.26 | 1,804.53 | – | – | 1,909.35 | 1,804.53 |
| Equipment lease rental income | | | | | | | | |
| Essar Steel Limited | – | – | 0.02 | 0.02 | – | – | 0.02 | 0.02 |
| Rental income on building | | | | | | | | |
| Essar Steel Limited | – | – | 0.01 | 0.01 | – | – | 0.01 | 0.01 |
| Interest income | | | | | | | | |
| Essar Shipping & Logistics Limited | 24.71 | 5.16 | – | – | – | – | 24.71 | 5.16 |
| Essar Oil Limited | – | – | 11.03 | 11.38 | – | – | 11.03 | 11.38 |
| Essar Steel Limited | – | – | 8.01 | – | – | – | 8.01 | – |
| Essar Investments Limited | – | – | 11.24 | – | – | – | 11.24 | – |
| Essar Bulk Terminal Paradip Limited | – | – | 0.06 | – | – | – | 0.06 | – |
| Total | 24.71 | 5.16 | 30.34 | 11.38 | – | – | 55.05 | 16.54 |
| Interest income on debenture | | | | | | | | |
| Essar Holdings Limited | – | – | 3.62 | – | – | – | 3.62 | – |
| Expenditure during construction – | | | | | | | | |
| Essar Projects (India) Limited | – | – | – | 7.14 | – | – | – | 7.14 |
| Essar Steel (Hazira) Limited | – | – | – | 1.20 | – | – | – | 1.20 |
| Total | – | – | – | 8.34 | – | – | – | 8.34 |
| Agency and management fees | | | | | | | | |
| Essar Investments Limited | – | – | 13.33 | 11.54 | – | – | 13.33 | 11.54 |
| Hire / demurrage charges | | | | | | | | |
| Essar Shipping & Logistics Limited | 43.79 | – | – | – | – | – | 43.79 | – |
| Essar Shipping & Logistics (Panama) Inc. | – | – | 5.71 | – | – | – | 5.71 | – |
| Essar Projects (India) Limited | – | – | 3.44 | – | – | – | 3.44 | – |
| Essar Infrastructure Services Limited | – | – | 1.04 | – | – | – | 1.04 | – |
| Total | 43.79 | – | 10.19 | – | – | – | 53.98 | – |

The details of transactions with related parties (Contd.)

(Rs. in crore)

| Nature of transactions | Holding companies | | Other related parties | | Key Management Personnel | | Total | |
|--|-------------------|-------------|-----------------------|--------------|--------------------------|-------------|--------------|--------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Freight / lease hire charges | | | | | | | | |
| Essar Shipping & Logistics (Panama) Inc. | – | – | 4.98 | 8.20 | – | – | 4.98 | 8.20 |
| Essar Oil Limited | – | – | 2.68 | 0.25 | – | – | 2.68 | 0.25 |
| Essar House Limited | – | – | 0.76 | – | – | – | 0.76 | – |
| Essar Infrastructure Services Limited | – | – | 2.50 | – | – | – | 2.50 | – |
| Essar Projects (India) Limited | – | – | 2.39 | 20.11 | – | – | 2.39 | 20.11 |
| Total | – | – | 13.31 | 28.56 | – | – | 13.31 | 28.56 |
| Fuel oil purchase | | | | | | | | |
| Essar Oil Limited | – | – | 26.90 | 9.32 | – | – | 26.90 | 9.32 |
| Purchase of power | | | | | | | | |
| Bhander Power Limited | – | – | 0.92 | – | – | – | 0.92 | – |
| Dredging expense | | | | | | | | |
| Essar Projects (India) Limited | – | – | – | 0.11 | – | – | – | 0.11 |
| Stores and spares | | | | | | | | |
| Essar Projects (India) Limited | – | – | 0.37 | – | – | – | 0.37 | – |
| Essar Steel Limited | – | – | 0.99 | – | – | – | 0.99 | – |
| Total | – | – | 1.36 | – | – | – | 1.36 | – |
| Manning charges | | | | | | | | |
| Essar Information Technology Limited | – | – | 0.23 | – | – | – | 0.23 | – |
| Direct voyage expenses | | | | | | | | |
| Essar Steel Limited | – | – | 3.99 | – | – | – | 3.99 | – |
| Essar Steel Hazira Limited | – | – | 0.13 | – | – | – | 0.13 | – |
| Total | – | – | 4.12 | – | – | – | 4.12 | – |
| Remuneration | | | | | | | | |
| Sanjay Mehta | – | – | – | – | 0.64 | 0.64 | 0.64 | 0.64 |
| A. R. Ramkrishnan | – | – | – | – | 1.18 | 0.89 | 1.18 | 0.89 |
| V. Ashok | – | – | – | – | 1.08 | 0.92 | 1.08 | 0.92 |
| K. K. Sinha | – | – | – | – | 1.05 | 0.84 | 1.05 | 0.84 |
| Rajen Sachar | – | – | – | – | – | 0.48 | – | 0.48 |
| A. K. Musaddy | – | – | – | – | 0.89 | 0.77 | 0.89 | 0.77 |
| Sampath Gopal | – | – | – | – | – | 0.26 | – | 0.26 |
| Subhas Das | – | – | – | – | 0.68 | – | 0.68 | – |
| Narasimhan Ramesh | – | – | – | – | – | 0.72 | – | 0.72 |
| Total | – | – | – | – | 5.52 | 5.52 | 5.52 | 5.52 |
| Business center fees | | | | | | | | |
| Essar Infrastructure Services Limited | – | – | 7.76 | 13.56 | – | – | 7.76 | 13.56 |
| Rent charges | | | | | | | | |
| Essar Steel Limited | – | – | 0.16 | 0.27 | – | – | 0.16 | 0.27 |
| Essar Global Limited | – | 0.80 | – | – | – | – | – | 0.80 |
| Essar House Limited | – | – | 2.94 | 4.20 | – | – | 2.94 | 4.20 |
| Paprika Properties Dubai Limited | – | – | 2.91 | – | – | – | 2.91 | – |
| Essar Infrastructure Services Limited | – | – | – | 0.24 | – | – | – | 0.24 |
| Total | – | 0.80 | 6.01 | 4.71 | – | – | 6.01 | 5.51 |

The details of transactions with related parties (Contd.)

(Rs. in crore)

| Nature of transactions | Holding companies | | Other related parties | | Key Management Personnel | | Total | |
|--|-------------------|-------------|-----------------------|--------------|--------------------------|----------|--------------|--------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Repair and maintenance | | | | | | | | |
| Essar Steel Limited | – | – | 0.12 | 0.05 | – | – | 0.12 | 0.05 |
| Essar Projects (India) Limited | – | – | 3.75 | 5.75 | – | – | 3.75 | 5.75 |
| Essar Agrotech Limited | – | – | 0.30 | 0.30 | – | – | 0.30 | 0.30 |
| Essar Information Technology Limited | – | – | 0.47 | – | – | – | 0.47 | – |
| Essar Engineering Services Limited | – | – | 0.07 | – | – | – | 0.07 | – |
| Total | – | – | 4.71 | 6.10 | – | – | 4.71 | 6.10 |
| Cargo handling expenses | | | | | | | | |
| Essar Projects (India) Limited | – | – | 4.64 | – | – | – | 4.64 | – |
| Travelling / lodging expenses | | | | | | | | |
| Futura Travels Limited | – | – | 6.18 | 13.19 | – | – | 6.18 | 13.19 |
| Essar Properties Limited | – | – | – | 0.08 | – | – | – | 0.08 |
| Essar Oil Limited | – | – | 0.10 | – | – | – | 0.10 | – |
| Essar Infrastructure Services Limited | – | – | 0.02 | – | – | – | 0.02 | – |
| Essar Steel Limited | – | – | 0.13 | 0.06 | – | – | 0.13 | 0.06 |
| Total | – | – | 6.43 | 13.33 | – | – | 6.43 | 13.33 |
| Professional /advisory fees / agency fees | | | | | | | | |
| India Securities Limited | – | – | 0.20 | 0.22 | – | – | 0.20 | 0.22 |
| Essar Investment Limited | – | – | 12.79 | – | – | – | 12.79 | – |
| Aegis Limited | – | – | 0.22 | – | – | – | 0.22 | – |
| Essar Energy Services Limited | – | – | 2.69 | – | – | – | 2.69 | – |
| Essar Infrastructure Services Limited | – | – | 0.34 | – | – | – | 0.34 | – |
| Essar Oil Limited | – | – | 6.22 | 6.25 | – | – | 6.22 | 6.25 |
| Essar Information Technology Limited | – | – | 0.80 | 0.75 | – | – | 0.80 | 0.75 |
| Total | – | – | 23.26 | 7.22 | – | – | 23.26 | 7.22 |
| Construction of building | | | | | | | | |
| Essar Projects (India) Limited | – | – | – | 0.23 | – | – | – | 0.23 |
| Aircraft usage charges reimbursed | | | | | | | | |
| Essar Oil Limited | – | – | 9.95 | – | – | – | 9.95 | – |
| Reimbursement of expenses | | | | | | | | |
| Aegis Limited | – | – | 0.06 | – | – | – | 0.06 | – |
| Futura Travels Limited | – | – | 16.03 | 21.38 | – | – | 16.03 | 21.38 |
| Essar Investment Limited | – | – | 0.95 | 0.91 | – | – | 0.95 | 0.91 |
| Essar Oil Limited | – | – | 6.19 | 37.21 | – | – | 6.19 | 37.21 |
| Essar Global Limited | 0.03 | – | – | – | – | – | 0.03 | – |
| Essar Power Gujarat Limited | – | – | 1.48 | 0.05 | – | – | 1.48 | 0.05 |
| Essar Steel Limited | – | – | 34.83 | 0.02 | – | – | 34.83 | 0.02 |
| Essar Shipping & Logistics Limited | – | 0.28 | – | – | – | – | – | 0.28 |
| Essar Infrastructure Services Limited | – | – | – | 0.06 | – | – | – | 0.06 |
| Essar Shipping & Logistics (Panama) Inc. | – | – | 6.49 | 0.32 | – | – | 6.49 | 0.32 |
| Others | – | – | 1.74 | – | – | – | 1.74 | – |
| Total | 0.03 | 0.28 | 67.77 | 59.95 | – | – | 67.80 | 60.23 |

The details of transactions with related parties (Contd.)

(Rs. in crore)

| Nature of transactions | Holding companies | | Other related parties | | Key Management Personnel | | Total | |
|---|-------------------|---------------|-----------------------|--------------|--------------------------|----------|---------------|---------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Jetty constructions and project management expenses | | | | | | | | |
| Essar Projects (India) Limited | – | – | 63.15 | 53.93 | – | – | 63.15 | 53.93 |
| Essar Engineering Services Limited | – | – | 0.20 | 0.45 | – | – | 0.20 | 0.45 |
| Essar Project Management Consultants Limited | – | – | 1.12 | 2.55 | – | – | 1.12 | 2.55 |
| Total | – | – | 64.47 | 56.93 | – | – | 64.47 | 56.93 |
| Jetty construction expenses – procurement | | | | | | | | |
| Essar Steel Limited | – | – | 40.00 | 0.47 | – | – | 40.00 | 0.47 |
| Essar Heavy Engineering Services Limited | – | – | 0.05 | 0.30 | – | – | 0.05 | 0.30 |
| Total | – | – | 40.05 | 0.77 | – | – | 40.05 | 0.77 |
| Purchase of materials | | | | | | | | |
| Essar Projects (India) Limited | – | – | 0.01 | 0.05 | – | – | 0.01 | 0.05 |
| Hazira Pipe Mills Limited | – | – | 0.05 | 1.28 | – | – | 0.05 | 1.28 |
| Essar Steel Limited | – | – | – | 1.35 | – | – | – | 1.35 |
| Total | – | – | 0.06 | 2.68 | – | – | 0.06 | 2.68 |
| Interest on loan / deposit | | | | | | | | |
| Essar Steel Limited | – | – | 9.89 | – | – | – | 9.89 | – |
| Essar Shipping & Logistics Limited | – | 54.11 | – | – | – | – | – | 54.11 |
| Essar Global Limited | 0.21 | 36.17 | – | – | – | – | 0.21 | 36.17 |
| India Securities Limited | – | – | 0.62 | 0.30 | – | – | 0.62 | 0.30 |
| Essar Investment Limited | – | – | 0.80 | – | – | – | 0.80 | – |
| Essar Projects (India) Limited | – | – | 0.30 | 0.46 | – | – | 0.30 | 0.46 |
| Total | 0.21 | 90.28 | 11.61 | 0.76 | – | – | 11.82 | 91.04 |
| Interest on lease loan | | | | | | | | |
| Essar Shipping & Logistics limited | 39.18 | – | – | – | – | – | 39.18 | – |
| Fixed assets sold | | | | | | | | |
| Essar Shipping & Logistics (Panama) Inc. | – | – | – | 13.16 | – | – | – | 13.16 |
| Extinguishment of liability on cancellation of finance lease | | | | | | | | |
| Essar Shipping & Logistics Limited | – | 548.53 | – | – | – | – | – | 548.53 |
| Balance taken over pursuant to merger of India Shipping with ESPLL | | | | | | | | |
| Essar Infrastructure Holdings Limited | – | – | – | 92.57 | – | – | – | 92.57 |
| Essar Logistics Holdings Limited | – | – | – | 1.46 | – | – | – | 1.46 |
| Total | – | – | – | 94.03 | – | – | – | 94.03 |
| Assignment of receivables | | | | | | | | |
| Essar Global Limited | – | 92.57 | – | – | – | – | – | 92.57 |
| Essar Shipping & Logistics Limited | – | 94.03 | – | – | – | – | – | 94.03 |
| Total | – | 186.60 | – | – | – | – | – | 186.60 |
| Assignment of payables | | | | | | | | |
| Essar Global Limited | 0.15 | – | – | – | – | – | 0.15 | – |
| Essar Shipping & Logistics Limited | 131.43 | – | – | – | – | – | 131.43 | – |
| Total | 131.58 | – | – | – | – | – | 131.58 | – |

The details of transactions with related parties (Contd.)

(Rs. in crore)

| Nature of transactions | Holding companies | | Other related parties | | Key Management Personnel | | Total | |
|--|-------------------|----------|-----------------------|---------------|--------------------------|----------|---------------|---------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Settlement of payables through assignment | | | | | | | | |
| Essar Global Limited | 95.53 | – | – | – | – | – | 95.53 | – |
| Essar Gulf FZE | – | – | 0.15 | – | – | – | 0.15 | – |
| Essar Infrastructure Holdings Limited | – | – | – | 15.88 | – | – | – | 15.88 |
| Total | 95.53 | – | 0.15 | 15.88 | – | – | 95.68 | 15.88 |
| Purchase of shares | | | | | | | | |
| Essar Bulk Terminal Paradip Limited | – | – | 0.01 | – | – | – | 0.01 | – |
| Essar Steel Limited | – | – | 1.04 | – | – | – | 1.04 | – |
| Essar Investments Limited | – | – | 0.05 | – | – | – | 0.05 | – |
| Total | – | – | 1.10 | – | – | – | 1.10 | – |
| Share Subscription | | | | | | | | |
| Essar Bulk Terminal Paradip Limited | – | – | 0.05 | – | – | – | 0.05 | – |
| Sale of shares | | | | | | | | |
| Essar Steel Orissa Limited | – | – | 0.03 | – | – | – | 0.03 | – |
| Sale of stores and spares | | | | | | | | |
| Essar Shipping & Logistics (Panama) Inc. | – | – | 0.27 | – | – | – | 0.27 | – |
| Advance towards purchase of shares | | | | | | | | |
| Essar Steel Limited | – | – | – | 0.42 | – | – | – | 0.42 |
| Purchase of fixed assets | | | | | | | | |
| Essar Projects (India) Limited | – | – | 29.25 | 1.58 | – | – | 29.25 | 1.58 |
| Essar Information Technology Limited | – | – | – | 0.17 | – | – | – | 0.17 |
| Essar Telecom Retail Limited | – | – | – | 0.01 | – | – | – | 0.01 |
| Total | – | – | 29.25 | 1.76 | – | – | 29.25 | 1.76 |
| Share application money received | | | | | | | | |
| Essar Steel Limited | – | – | 52.50 | 0.50 | – | – | 52.50 | 0.50 |
| Fixed assets acquired under finance lease | | | | | | | | |
| Essar Shipping & Logistics Limited | – | 632.85 | – | – | – | – | – | 632.85 |
| Allotment of Equity shares | | | | | | | | |
| Essar Steel Limited | – | – | 35.08 | – | – | – | 35.08 | – |
| Allotment of preference shares | | | | | | | | |
| Essar Shipping & Logistics Limited | – | 433.07 | – | – | – | – | – | 433.07 |
| Investments in debentures | | | | | | | | |
| Essar Holdings Limited | – | – | 315.54 | – | – | – | 315.54 | – |
| CWIP – expansion expenses | | | | | | | | |
| Essar Engineering Services Limited | – | – | 7.19 | 20.30 | – | – | 7.19 | 20.30 |
| Essar Projects (India) Limited | – | – | 237.78 | 4.02 | – | – | 237.78 | 4.02 |
| Essar Project Management Consultants Limited | – | – | 1.05 | 1.17 | – | – | 1.05 | 1.17 |
| Global Supplies FZE | – | – | 0.67 | 6.67 | – | – | 0.67 | 6.67 |
| Total | – | – | 246.69 | 32.16 | – | – | 246.69 | 32.16 |
| Capital advances given | | | | | | | | |
| Essar Shipping & Logistics Limited | 301.19 | – | – | – | – | – | 301.19 | – |
| Essar Project Management Consultants Limited | – | – | – | 0.50 | – | – | – | 0.50 |
| Essar Projects (India) Limited | – | – | – | 283.41 | – | – | – | 283.41 |
| Global Supplies FZE | – | – | – | 5.19 | – | – | – | 5.19 |
| Total | 301.19 | – | – | 289.10 | – | – | 301.19 | 289.10 |

The details of transactions with related parties (Contd.)

(Rs. in crore)

| Nature of transactions | Holding companies | | Other related parties | | Key Management Personnel | | Total | |
|--|-------------------|---------------|-----------------------|--------------|--------------------------|----------|-----------------|---------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Loans and advances including deposits given | | | | | | | | |
| Essar Shipping & Logistics Limited | 180.32 | 263.04 | – | – | – | – | 180.32 | 263.04 |
| Essar Bulk Terminal (Paradip) Limited | – | – | 5.42 | – | – | – | 5.42 | – |
| Essar Projects (India) Limited | – | – | – | 0.19 | – | – | – | 0.19 |
| Essar Steel Limited | – | – | 314.00 | 21.09 | – | – | 314.00 | 21.09 |
| Essar Investments Limited | – | – | 358.97 | – | – | – | 358.97 | – |
| Essar Power Gujarat Limited | – | – | – | 0.18 | – | – | – | 0.18 |
| Essar Shipping & Logistics (Panama) Inc. | – | – | – | 0.09 | – | – | – | 0.09 |
| Hazira Plate Limited | – | – | – | 0.01 | – | – | – | 0.01 |
| Hazira Pipe Mills Limited | – | – | – | 0.01 | – | – | – | 0.01 |
| Essar Heavy Engineering Services Limited | – | – | – | 0.01 | – | – | – | 0.01 |
| Essar Oil Limited | – | – | 50.00 | – | – | – | 50.00 | – |
| Total | 180.32 | 263.04 | 728.39 | 21.58 | – | – | 908.71 | 284.62 |
| Loans and advances received | | | | | | | | |
| Essar Shipping & Logistics Limited | 717.57 | – | – | – | – | – | 717.57 | – |
| Essar Steel Limited | – | – | 167.37 | 4.67 | – | – | 167.37 | 4.67 |
| Essar Steel (Hazira) Limited | – | – | – | 0.22 | – | – | – | 0.22 |
| Essar Global Limited | 256.07 | 365.58 | – | – | – | – | 256.07 | 365.58 |
| Essar Projects (India) Limited | – | – | – | 10.00 | – | – | – | 10.00 |
| Essar Gulf FZE | – | – | – | 0.46 | – | – | – | 0.46 |
| Essar Oil Limited | – | – | 28.00 | 4.20 | – | – | 28.00 | 4.20 |
| Essar Power M.P. Limited | – | – | – | 5.93 | – | – | – | 5.93 |
| India Securities Limited | – | – | 4.23 | – | – | – | 4.23 | – |
| Essar Investments Limited | – | – | 15.00 | – | – | – | 15.00 | – |
| Total | 973.64 | 365.58 | 214.60 | 25.48 | – | – | 1,187.87 | 391.06 |
| Guarantees given by others on behalf of Company | | | | | | | | |
| Essar Shipping & Logistics Limited | 100.00 | – | – | – | – | – | 100.00 | – |

The outstanding balances as on 31.03.2010

(Rs. in crore)

| Nature of balances | Holding companies | | Other related parties | | Key Management Personnel | | Total | |
|--|-------------------|---------|-----------------------|---------|--------------------------|---------|---------|---------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Sundry debtors | | | | | | | | |
| Essar Steel Limited | – | – | 89.27 | 190.44 | – | – | 89.27 | 190.44 |
| Essar Steel Hazira Limited | – | – | 13.87 | 8.13 | – | – | 13.87 | 8.13 |
| Essar Shipping & Logistics (Panama) Inc. | – | – | – | 13.64 | – | – | – | 13.64 |
| Essar Oil Limited | – | – | 95.73 | 41.84 | – | – | 95.73 | 41.84 |
| Essar Shipping & Logistics Limited | – | 64.52 | – | – | – | – | – | 64.52 |
| Essar Steel Sharjah FZE | – | – | – | 0.15 | – | – | – | 0.15 |
| Essar Steel Orissa Limited | – | – | 1.50 | 0.40 | – | – | 1.50 | 0.40 |

The outstanding balances as on 31.03.2010 (Contd.)

(Rs. in crore)

| Nature of balances | Holding companies | | Other related parties | | Key Management Personnel | | Total | |
|--|-------------------|---------------|-----------------------|---------------|--------------------------|----------|---------------|---------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Essar Projects (India) Limited | – | – | 10.46 | 2.46 | – | – | 10.46 | 2.46 |
| Hazira Plate Limited | – | – | 1.10 | 2.42 | – | – | 1.10 | 2.42 |
| Hazira Pipe Mills Limited | – | – | 4.02 | 1.00 | – | – | 4.02 | 1.00 |
| Essar Power Gujarat Limited | – | – | 8.33 | 3.48 | – | – | 8.33 | 3.48 |
| Essar Power M.P. Limited | – | – | 9.47 | – | – | – | 9.47 | – |
| Essar Oil Exploration South East Asia Limited | – | – | 0.05 | – | – | – | 0.05 | – |
| Vadinar Power Company Limited | – | – | – | 0.48 | – | – | – | 0.48 |
| Others | – | – | 0.17 | – | – | – | 0.17 | – |
| Total | – | 64.52 | 233.97 | 264.44 | – | – | 233.97 | 328.96 |
| Interest receivable on loan | | | | | | | | |
| Essar Shipping & Logistics Limited | – | 5.02 | – | – | – | – | – | 5.02 |
| Interest accrued on debentures | | | | | | | | |
| Essar Holdings Limited | – | – | 3.26 | – | – | – | 3.26 | – |
| Lease loan obligation | | | | | | | | |
| Essar Shipping & Logistics Limited | 599.23 | 733.95 | – | – | – | – | 599.23 | 733.95 |
| Unsecured loans | | | | | | | | |
| Essar Projects (India) Limited | – | – | – | – | 10.00 | – | – | 10.00 |
| Capital advances | | | | | | | | |
| Essar Shipping & Logistics Limited | 301.19 | – | – | – | – | – | 301.19 | – |
| Essar Project Management Consultants Limited | – | – | 0.72 | – | – | – | 0.72 | – |
| Essar Engineering Services Limited | – | – | 2.37 | – | – | – | 2.37 | – |
| Essar Projects (India) Limited | – | – | 5.43 | – | – | – | 5.43 | – |
| Global Supplies FZE | – | – | 4.67 | – | – | – | 4.67 | – |
| Essar Steel Limited | – | – | 10.00 | – | – | – | 10.00 | – |
| Total | 301.19 | – | 23.19 | – | – | – | 324.38 | – |
| Loans and advances including deposits given | | | | | | | | |
| Essar House Limited | – | – | 31.00 | 31.00 | – | – | 31.00 | 31.00 |
| Futura Travels Limited | – | – | 6.25 | 6.25 | – | – | 6.25 | 6.25 |
| Essar Oil Limited | – | – | 106.80 | 122.85 | – | – | 106.80 | 122.85 |
| Essar Engineering Services Limited | – | – | 0.87 | – | – | – | 0.87 | – |
| Essar Information Technology Limited | – | – | 0.46 | 0.46 | – | – | 0.46 | 0.46 |
| Essar Infrastructure Services Limited | – | – | – | 0.75 | – | – | – | 0.75 |
| Essar Steel Holdings Limited | – | – | 0.14 | – | – | – | 0.14 | – |
| Essar Steel Limited | – | – | 10.47 | – | – | – | 10.47 | – |
| Essar Investments Limited | – | – | 363.09 | – | – | – | 363.09 | – |
| Essar Bulk Terminal Paradip Limited | – | – | 5.20 | – | – | – | 5.20 | – |
| Essar Shipping & Logistics Limited | 407.57 | 263.05 | – | – | – | – | 407.57 | 263.05 |
| Total | 407.57 | 263.05 | 524.28 | 161.31 | – | – | 931.85 | 424.36 |
| Loans and advances received | | | | | | | | |
| Essar Steel Limited | – | – | 7.54 | – | – | – | 7.54 | – |
| Essar Power M.P. Limited | – | – | – | 1.49 | – | – | – | 1.49 |
| India Securities Limited | – | – | 4.41 | 1.76 | – | – | 4.41 | 1.76 |

The outstanding balances as on 31.03.2010 (Contd.)

(Rs. in crore)

| Nature of balances | Holding companies | | Other related parties | | Key Management Personnel | | Total | |
|--|-------------------|---------------|-----------------------|--------------|--------------------------|----------|--------------|---------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Essar Engineering Services Limited | - | - | - | 1.33 | - | - | - | 1.33 |
| Essar Project Management Consultancy Limited | - | - | - | 1.07 | - | - | - | 1.07 |
| Essar Projects (India) Limited | - | - | - | 3.80 | - | - | - | 3.80 |
| Essar Exploration & Production India Limited | - | - | - | 6.69 | - | - | - | 6.69 |
| Essar Global Limited | - | 499.84 | - | - | - | - | - | 499.84 |
| Global Supplies FZE | - | - | - | 5.05 | - | - | - | 5.05 |
| Total | - | 499.84 | 11.95 | 21.19 | - | - | 11.95 | 521.03 |
| Share application money received | | | | | | | | |
| Essar Steel Limited | - | - | 17.42 | - | - | - | 17.42 | - |
| Security deposit received | | | | | | | | |
| Essar Steel Limited | - | - | - | 0.04 | - | - | - | 0.04 |
| Interest accrued but not due on loan | | | | | | | | |
| Essar Shipping & Logistics Limited | 19.82 | 8.13 | - | - | - | - | 19.82 | 8.13 |
| Sundry creditors | | | | | | | | |
| Aegis Limited | - | - | 0.03 | - | - | - | 0.03 | - |
| Bhander Power Limited | - | - | 0.48 | - | - | - | 0.48 | - |
| Futura Travels Limited | - | - | 20.48 | 13.20 | - | - | 20.48 | 13.20 |
| Essar Telecom Retail Limited | - | - | - | 0.01 | - | - | - | 0.01 |
| Essar Information Technology Limited | - | - | 0.20 | 0.17 | - | - | 0.20 | 0.17 |
| Essar Properties Limited | - | - | - | 0.03 | - | - | - | 0.03 |
| Essar Oil Limited | - | - | 11.30 | 4.66 | - | - | 11.30 | 4.66 |
| Essar Exploration & Production Limited | - | - | 5.93 | - | - | - | 5.93 | - |
| Essar Exploration & Production India Limited | - | - | 0.08 | 0.08 | - | - | 0.08 | 0.08 |
| Essar Projects (India) Limited | - | - | 56.33 | 218.53 | - | - | 56.33 | 218.53 |
| Hazira Pipe Mills Limited | - | - | - | 1.28 | - | - | - | 1.28 |
| Essar Engineering Services Limited | - | - | 1.42 | 21.08 | - | - | 1.42 | 21.08 |
| Essar Heavy Engineering Services Limited | - | - | 0.02 | 0.20 | - | - | 0.02 | 0.20 |
| Essar Project Management Consultants Limited | - | - | 1.07 | 0.37 | - | - | 1.07 | 0.37 |
| Essar House Limited | - | - | 0.26 | - | - | - | 0.26 | - |
| Essar Energy Services Limited | - | - | 2.03 | 2.35 | - | - | 2.03 | 2.35 |
| Essar Gulf FZE | - | - | - | 0.17 | - | - | - | 0.17 |
| Essar Global Limited | 0.15 | 18.47 | - | - | - | - | 0.15 | 18.47 |
| Global Supplies FZE | - | - | 1.09 | 6.90 | - | - | 1.09 | 6.90 |
| Essar Investments Limited | - | - | 8.15 | 14.93 | - | - | 8.15 | 14.93 |
| Essar Infrastructure Services Limited | - | - | 0.94 | - | - | - | 0.94 | - |
| Essar Steel Limited | - | - | 2.08 | 0.42 | - | - | 2.08 | 0.42 |
| Essar Steel Hazira Limited | - | - | 0.79 | - | - | - | 0.79 | - |

The outstanding balances as on 31.03.2010 (Contd.)

(Rs. in crore)

| Nature of balances | Holding companies | | Other related parties | | Key Management Personnel | | Total | |
|---|-------------------|-----------------|-----------------------|---------------|--------------------------|----------|---------------|-----------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Essar Shipping & Logistics Limited | 4.58 | 4.81 | – | – | – | – | 4.58 | 4.81 |
| Essar Agrotech Limited | – | – | 0.03 | – | – | – | 0.03 | – |
| Essar Shipping & Logistics (Panama) Inc. | – | – | 0.81 | 0.52 | – | – | 0.81 | 0.52 |
| Total | 4.73 | 23.28 | 113.52 | 284.90 | – | – | 118.25 | 308.18 |
| Guarantee given on behalf of others | | | | | | | | |
| Essar Oil Limited | – | – | 104.00 | 104.00 | – | – | 104.00 | 104.00 |
| Guarantee given by others on behalf of the Company | | | | | | | | |
| Essar Shipping & Logistics Limited | 612.00 | 983.89 | – | – | – | – | 612.00 | 983.89 |
| Essar Global Limited | – | 318.44 | – | – | – | – | – | 318.44 |
| Essar Oil Limited | – | – | 200.00 | 200.00 | – | – | 200.00 | 200.00 |
| Total | 612.00 | 1,302.33 | 200.00 | 200.00 | – | – | 812.00 | 1,502.33 |

Note: The Company has paid sitting fees to group of individuals having significant influence: Rs. 0.04 (previous year Rs. 0.01) crore.

- 13) Receivable from Essar Shipping & Logistics (Panama) Inc., Company under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956, is Rs. nil (previous year Rs. 13.64 crore)

14) Auditor's remuneration

(Rs. in crore)

| Particulars | Year ended | |
|-------------------------|-------------|-------------|
| | 31.3.2010 | 31.03.2009 |
| Audit fees | 1.28 | 0.81 |
| Other matters | 0.14 | – |
| Out of pocket expenses* | – | – |
| Service tax on above | 0.08 | 0.05 |
| Total | 1.50 | 0.86 |

*Amount is less than Rs. 1 lakh.

15) Remuneration to Wholetime Directors and Managing Directors

(Rs. in crore)

| Particulars | Year ended | |
|--|-------------|-------------|
| | 31.3.2010 | 31.03.2009 |
| Basic Salary | 1.59 | 2.18 |
| Allowance and other benefits / perquisites | 3.62 | 2.90 |
| Contribution to provident fund | 0.31 | 0.18 |
| Others | – | 0.26 |
| Total | 5.52 | 5.52 |

- 16) Preference share capital represents 258,000,000 preference shares of US\$ 1/- each held by Essar Shipping & Logistics Limited, Cyprus, the immediate holding Company.
- 17) The Group has received intimations from certain suppliers regarding status under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act). Amounts due to such suppliers at the end of the accounting year have been given in Schedule 9 under sundry creditors. There were no: a) interest paid during the year; b) interest payable at the end of the accounting year; and c) interest accrued and unpaid at the end of the accounting year, in respect of such suppliers.
- 18) (i) The Company has entered into Memorandum of Agreement (MOA) for acquisition of two 13,000 dwt dry bulk carriers, (built in 1998 and 1999) with a German seller. The purchase consideration is US\$ 11.70 million each with deliveries scheduled in July 2010. The vessels will be utilized for transportation of finished steel along the Indian coast.
- (ii) Essar Oilfields Services FZE, 100% subsidiary of the Company has been liquidated w.e.f. 14th April, 2010.
- 19) Previous year's figures have been regrouped/reclassified wherever necessary.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 27, 2010

For and on behalf of the board

Sanjay Mehta
Managing Director

V. Ashok
Wholetime Director

Mumbai
May 27, 2010

R. N. Bansal
Director

Manoj Contractor
Company Secretary

ESSAR LOGISTICS LIMITED

BOARD OF DIRECTORS

A. K. Musaddy

Wholetime Director

Sanjay Mehta

Director

R. N. Bansal

Director

V. Ashok

Director

AUDITORS

Deloitte Haskins & Sells

REGISTERED & CORPORATE OFFICE

Essar House
11, K. K. Marg,
Mahalaxmi,
Mumbai 400 034

DIRECTORS' REPORT

Your Directors are pleased to present the Sixth Annual Report along with the audited Statement of Accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

The summary of the financial results of your Company for the year ended 31st March, 2010 is furnished below:

(Rs. in crore)

| Particulars | For the year ended 31.03.2010 | For the year ended 31.03.2009 |
|--|----------------------------------|----------------------------------|
| Total Income | 1,080.82 | 965.99 |
| Total Expenditure | 1,000.16 | 857.78 |
| Profit before Interest, Depreciation and Tax | 80.66 | 108.21 |
| Interest and Finance Expenses | 10.18 | 12.90 |
| Profit before Depreciation and Tax | 70.48 | 95.31 |
| Depreciation | 33.44 | 29.47 |
| Profit / (loss) before Tax | 37.04 | 65.84 |
| Provision for Taxation | 13.22 | 22.51 |
| Profit / (loss) after Tax | 23.81 | 43.33 |
| Balance brought forward from previous year | 84.61 | 42.61 |
| Balance carried forward to Balance Sheet | 108.42 | 84.61 |

FINANCIAL ANALYSIS

During the year under review, your Company earned a Total Income of Rs. 1,080.82 crore as compared to Rs.965.99 crore during the previous year, representing an increase of 11.89%. The increase in Total Income has been on account of increase in the revenue from surface logistics during the year.

The Net Profit for the year decreased to Rs.23.81 crore as compared to Rs. 43.33 crore in the previous year.

Your Directors are of the view that considering the requirement of capital for growth in a highly competitive industry and also the need to plough back the resources for expansion, no dividend is recommended.

OPERATIONS

The Company has been providing wet bulk and dry bulk logistics services in the areas of stevedoring, lighterage, trans-shipment, sea and land transportation and project cargo handling to various clients.

During the year under review, your Company handled about 22 mmt (million metric tonne) of cargoes. This was possible due to effective utilisation of the assets and by using systems which helped in vehicle planning, placement and movement.

Your Company has entered into contracts for movement of several heavy equipment over the next two years which include power plants to Mahan and Salaya, expansion of oil refinery at Vadinar, pipe and plate mills and blast furnaces for the steel plants at Hazira. These assignments include undertaking the movement of the project equipment from manufacturers worldwide to the project sites by land and sea.

During the year, your Company has drawn out a plan to purchase 150 trailer trucks to cater to door to door delivery needs of the customers at Essar Steel's hypermarkets.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACIES

Your Company has in place adequate internal control systems commensurate with the nature of its business and size of its operations. The Audit process is conducted under the direction, guidance and supervision of the Audit Committee. All internal audit reports and significant observations and follow up actions thereon are reported to the Audit Committee.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri. A.K. Musaddy and Shri. R.N. Bansal retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

AUDIT COMMITTEE

The Audit Committee comprises of the following directors:

1. Shri. A. K. Musaddy
2. Shri. Sanjay Mehta
3. Shri. V. Ashok

AUDITORS

Your Company's Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting. It is proposed to re-appoint M/s. Deloitte Haskins & Sells, Chartered Accountants as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

HOLDING COMPANY

Your Company continues to be the 100% subsidiary of Essar Shipping Ports & Logistics Limited.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 the Board of Directors hereby state that:

- (a) in preparation of the annual accounts, the applicable accounting standards have been followed and there have been no material departures;
- (b) 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 or loss of the Company for that period; and
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (d) the Directors have prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given as Annexure to this report.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The information required under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors), Rules 1988, relating to Energy Conservation, Technology Absorption is not applicable since your Company is not a manufacturing Company.

Foreign Exchange Earnings and Outgo

| | (Rs. in crore) |
|--|----------------|
| Foreign Exchange earned during the year: | 0.50 |
| Foreign Exchange outgo during the year: | 142.58 |

ACKNOWLEDGEMENT

Your Directors thank its bankers, charterers, business associates, members and employees for their continued support and co-operation.

By Order of the Board

Mumbai
May 26, 2010

A.K. Musaddy
Director

V. Ashok
Director

AUDITORS' REPORT

TO THE MEMBERS OF ESSAR LOGISTICS LIMITED

1. We have audited the attached Balance Sheet of ESSAR LOGISTICS LIMITED ("the Company") as at 31st March, 2010, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give 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:
 - (i) 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;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (iii) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai
May 26, 2010

Annexure to the Auditor's Report to the members of Essar Logistics Limited

(referred to in paragraph 3 of our report of even date)

In our opinion and according to the information and explanations given to us, the nature of the Company's business/activities during the year are such that clauses (vi), (viii), (xiii), (xiv), (xviii), (xix) and (xx) of Para 4 of the Order are not applicable to the Company.

1. In respect of fixed assets:
 - a. The Company has maintained proper records showing 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 in our opinion, is largely reasonable having regard to the size of the Company and the nature of its assets. As per the information given to us by the management, no material discrepancies as compared to book records were noticed in respect of fixed assets verified during the year.
 - c. In our opinion and according to the information and explanations given to us, the Company has not made substantial disposals of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of inventories:
 - a. As explained to us, inventories were physically verified by the management during the year at reasonable intervals.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
 - c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification as compared to book records.
3. In our opinion and according to the information and explanations given to us, there are no companies, firms or parties required to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (a) to (g) of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and for sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal controls. The nature of the Company's business does not involve sale of goods.

5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956.
6. In our opinion, the internal audit system of the Company commensurate with the size of the Company and the nature of its business.
7. According to the information and explanations given to us, in respect of statutory dues:
 - a. The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Income Tax, Sales Tax, Value Added Tax, Service Tax, Custom Duty, Cess and any other material statutory dues, as applicable, with the appropriate authorities during the year. As explained to us, the provisions for Investor Education and Protection Fund, Employees' State Insurance Scheme, Wealth Tax and Excise Duty were not applicable to the Company during the year.

There are no material undisputed amounts payable in respect of above statutory dues outstanding as at 31st March, 2010 for a period exceeding six months from the date they became payable.
 - b. According to information and explanations given to us, there were no dues pending to be deposited on account of any dispute in respect of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess as on 31st March, 2010.
8. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
9. In our opinion, and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company has not borrowed any sums from financial institutions or through debentures.
10. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
12. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
13. According to the information and explanations given to us, and on an overall examination of the Balance sheet of the Company, we report that the funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
14. To the best of our knowledge and belief and according to the information and explanation given to us, no material fraud on or by the Company was noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No. 31544)

Mumbai
May 26, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | Schedule No. | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|--|--------------|------------------------------------|------------------------------------|
| I. SOURCES OF FUNDS | | | |
| Shareholders' funds | | | |
| Capital | 1 | 73.00 | 73.00 |
| Reserves and surplus | 2 | 108.43 | 84.61 |
| | | 181.43 | 157.61 |
| Loan funds | | | |
| Secured loans | 3 | 206.06 | 193.11 |
| Deferred tax liability (net) | | 25.27 | 32.52 |
| Total | | 412.76 | 383.24 |
| II. APPLICATION OF FUNDS | | | |
| Fixed assets | 4 | | |
| Gross block | | 343.74 | 332.02 |
| Less: Depreciation | | 114.26 | 80.95 |
| Net block | | 229.48 | 251.07 |
| Capital work in process (including capital advances) | | 15.00 | — |
| | | 244.48 | 251.07 |
| Investment | 5 | 0.01 | — |
| Current assets, loans and advances | 6 | | |
| Inventories | | 12.24 | 9.77 |
| Sundry debtors | | 146.14 | 119.38 |
| Cash and bank balances | | 98.30 | 75.40 |
| Other current assets | | 2.91 | 2.33 |
| Loans and advances | | 111.38 | 10.30 |
| | | 370.97 | 217.18 |
| Less: Current liabilities and provisions | 7 | | |
| Liabilities | | 194.97 | 82.76 |
| Provisions | | 7.73 | 2.25 |
| | | 202.70 | 85.01 |
| Net current assets | | 168.27 | 132.17 |
| Total | | 412.76 | 383.24 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS | 13 | | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants**Khurshed Pastakia**
PartnerMumbai
May 26, 2010

For and on behalf of the Board

A. K. Musaddy
DirectorMumbai
May 26, 2010**V. Ashok**
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | Schedule No. | Year ended 31.03.2010 (Rs. in crore) | Year ended 31.03.2009 (Rs. in crore) |
|---|--------------|---|---|
| Income | | | |
| Operating income | 8 | 1,070.10 | 957.98 |
| Other income | 9 | 10.73 | 8.01 |
| | | 1,080.83 | 965.99 |
| Expenditure | | | |
| Operating expenses | 10 | 979.57 | 830.55 |
| Establishment and other expenses | 11 | 20.45 | 27.23 |
| Loss in sale of fixed assets | | 0.15 | – |
| | | 1,000.17 | 857.78 |
| Profit before interest, depreciation and tax | | 80.66 | 108.21 |
| Interest and finance expenses | 12 | 10.18 | 12.90 |
| Profit before depreciation and tax | | 70.48 | 95.31 |
| Depreciation (refer note B (3) of schedule13) | | 33.44 | 29.47 |
| Profit before tax | | 37.04 | 65.84 |
| Less: provision for taxation | | | |
| – Current tax | | 17.28 | 7.46 |
| – MAT credit utilised / (entitlement) | | 3.22 | 0.53 |
| – Deferred tax liability | | (7.24) | 14.29 |
| – Fringe benefit tax | | – | 0.23 |
| – Excess tax provisions for previous year reversed | | (0.04) | – |
| | | 13.22 | 22.51 |
| Profit after tax | | 23.82 | 43.33 |
| Balance brought forward from previous year | | 84.61 | 42.61 |
| Less : Exchange difference adjustment (net of deferred tax Rs. nil (previous year Rs. 0.68 crore)) | | – | 1.33 |
| Balance carried forward to balance sheet | | 108.43 | 84.61 |
| Earnings per share - basic and diluted (Rs.) (face value of Rs.10/- per share) (refer note B(7) of schedule 13) | | 3.26 | 5.94 |

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

13

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

A. K. Musaddy
Director

Mumbai
May 26, 2010

V. Ashok
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | Year ended 31.03.2010 (Rs. in crore) | Year ended 31.03.2009 (Rs. in crore) |
|--|--|--|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net profit before taxes | 37.04 | 65.84 |
| Adjustments for : | | |
| Depreciation | 33.44 | 29.47 |
| Provision for compensated basences | 0.21 | 0.60 |
| Interest and finance expenses | 10.18 | 12.90 |
| Provision for gratuity | (0.50) | (0.20) |
| Interest income | (9.27) | (3.97) |
| Loss on sale of assets (net) | 0.15 | - |
| Excess provision written back | (0.07) | (0.08) |
| Unrealised foreign exchange loss | - | - |
| Operating profit before working capital changes | 71.18 | 104.56 |
| Adjustments for : | | |
| Trade and other receivables | (52.97) | (28.78) |
| Inventories | (2.46) | 1.61 |
| Trade payables | 105.10 | (9.43) |
| Cash generated from operations | 120.85 | 67.96 |
| Income taxes paid (net of refund) | (4.08) | (5.78) |
| Fringe benefits tax paid | - | (0.20) |
| Net cash from operating activities | 116.77 | 61.98 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (33.71) | (2.53) |
| Sale of fixed assets | 0.20 | - |
| Capital work in progress, expenditure during construction and capital advance | (15.00) | - |
| Purchase of investments | (0.05) | - |
| Proceeds from sale of investments | 0.04 | - |
| Fixed deposit placed / encashed | (25.08) | (41.49) |
| Intercompany deposit given | (81.00) | - |
| Interest received | 8.69 | 2.27 |
| Net cash used in investing activities | (145.90) | (41.75) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Interest and finance expenses paid | (12.63) | (10.82) |
| Proceeds from unsecured loans | 15.00 | - |
| Proceeds from Lease loan | 4.23 | - |
| Proceeds from term loans | 35.22 | - |
| Repayments of lease loans | (1.60) | (0.75) |
| Repayment of term loans | (3.89) | - |
| Repayment of unsecured loans | (12.00) | (1.73) |
| Net cash generated from / (used in) financing activities | 24.33 | (13.30) |
| (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | (4.81) | 6.93 |
| Cash and cash equivalents as at beginning of the year | 12.41 | 5.48 |
| Cash and cash equivalents as at end of the year | 7.60 | 12.41 |
| Notes | | |
| 1. Cash and cash equivalents include | As at 31.03.2010 | As at 31.03.2009 |
| Cash and bank balances | 7.60 | 12.41 |
| Balances in fixed deposits (having maturity period of more than 3 months) | 90.70 | 62.99 |
| Cash and bank balances (Refer schedule 6) | 98.30 | 75.40 |
| 2. Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) - 3 'Cash flow statement' as notified under the Company's (Accounting Standard) Rules, 2006. | | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

A. K. Musaddy
Director

Mumbai
May 26, 2010

V. Ashok
Director

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|--|---------------------------------------|---------------------------------------|
| SCHEDULE 1 | | |
| SHARE CAPITAL | | |
| Authorised | | |
| 75000000 Equity shares of Rs.10/- each | <u>75.00</u> | <u>75.00</u> |
| Issued, subscribed and paid up | | |
| 73000000 Equity shares of Rs.10/- each fully paid up (The above shares are being held by Essar Shipping Ports & Logistics Limited, the holding Company) | <u>73.00</u> | <u>73.00</u> |
| | <u>73.00</u> | <u>73.00</u> |
| SCHEDULE 2 | | |
| RESERVES AND SURPLUS | | |
| Balance in Statement of Profit and Loss | <u>108.43</u> | <u>84.61</u> |
| | <u>108.43</u> | <u>84.61</u> |
| SCHEDULE 3 | | |
| SECURED LOANS | | |
| From banks | | |
| Foreign currency term loan, secured by first charge on vessels and floating cranes | 159.53 | 180.07 |
| Rupee term loan [converted into FCNR (B) facility] secured by first charge on barge unloader | 5.94 | 9.14 |
| Rupee term loan secured by first charge on cargo handling equipment | 33.55 | – |
| Interest accrued and due on foreign currency term loan | 0.03 | 2.14 |
| Cash credit facility from banks (first charge on current assets) | <u>2.62</u> | <u>–</u> |
| | 201.67 | 191.35 |
| From others | | |
| Loan for purchase of vehicles under hire purchase agreement (principal amount falling due within one year Rs.1.89 crore (previous year Rs.0.86 crore)) | 5.19 | 2.02 |
| Less: Unmatured interest charges (refer note B(2) of schedule 13) | <u>0.80</u> | <u>0.26</u> |
| | 4.39 | 1.76 |
| Total | <u>206.06</u> | <u>193.11</u> |

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

SCHEDULE - 4
FIXED ASSETS

(Rs. in crore)

| Description | Gross block (at cost) | | | Depreciation | | | Net block | | | |
|--|-----------------------|--------------------------------|----------------|---------------------|--------------------|-----------------|------------------|--------------------|---------------------|---------------------|
| | As at 01.04.2009 | Addition during the year | deletion | As at 31.03.2010 | Upto 01.04.2009 | For the year | Adjust- ments | Upto 31.03.2010 | As at 31.03.2010 | As at 01.04.2009 |
| Tangible fixed assets | | | | | | | | | | |
| Furniture and fixtures | 0.12 | 0.05 | - | 0.17 | 0.09 | 0.02 | - | 0.11 | 0.06 | 0.03 |
| Plant and machinery - A | 95.13 | 26.83 | (6.55) | 115.41 | 27.26 | 12.47 | (0.13) | 39.60 | 75.81 | 67.86 |
| Office equipment | 0.46 | 0.23 | - | 0.69 | 0.25 | 0.10 | - | 0.35 | 0.34 | 0.23 |
| Vessels - A | 223.62 | - | (15.44) | 208.18 | 49.42 | 18.11 | - | 67.53 | 140.65 | 174.20 |
| Vehicles | | | | | | | | | | |
| - owned | 9.53 | 2.65 | - | 12.18 | 3.30 | 1.77 | - | 5.07 | 7.11 | 6.23 |
| - leased - B | 3.16 | 3.95 | - | 7.11 | 0.63 | 0.97 | - | 1.60 | 5.51 | 2.52 |
| Total tangible fixed asset | 332.02 | 33.71 | (21.99) | 343.74 | 80.95 | 33.44 | (0.13) | 114.26 | 229.48 | 251.07 |
| Capital work in progress (including capital advances) | - | - | - | - | - | - | - | - | 15.00 | - |
| Grand total | 332.02 | 33.71 | (21.99) | 343.74 | 80.95 | 33.44 | (0.13) | 114.26 | 244.48 | 251.07 |
| As at 31/03/2009 | 277.94 | 54.08 | - | 332.02 | 51.68 | 29.27 | - | 80.95 | 251.07 | |

Notes

- A) Pursuant to the notification of Ministry of Company Affairs relating to the effects of changes in foreign exchange rates, the resultant gain of Rs. 21.52 crore for the current year (previous year loss Rs. 42.01 crore) arising on conversion / translation / settlement of long term foreign currency items has been adjusted in the current year deletion to plant and machinery and vessels. (refer note B(3) of schedule 13)
- B) Vehicles with gross book value of Rs. 7.39 crore (previous year Rs. 3.16 crore) have been taken under hire purchase agreement from India Securities Limited and are hypothecated to it.

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|---|---------------------------------------|---|
| SCHEDULE 5 | | |
| Long term investment (non trade) | | |
| Unquoted shares, fully paid up (at cost) | | |
| 9000 (previous year nil) equity shares of Rs.10/- each of Essar Bulk Terminal Paradip Limited | 0.01 | — |
| | <u>0.01</u> | <u>—</u> |
| Details of current investments purchased and sold during the year | | |
| SL. No. Description | No. of units purchased / (sold) | Value of Purchase / (Sale) (Rs. In crore) |
| 1 Essar Oilfield Services India Limited | 50,000 | 0.05 |
| 2 Essar Oilfield Services India Limited | (50,000) | (0.05) |
| 3 Essar Bulk Terminal Paradip Limited | 50,000 | 0.05 |
| 4 Essar Bulk Terminal Paradip Limited | (41,000) | (0.04) |
| SCHEDULE 6 | | |
| Current assets, loans and advances | | |
| Current assets | | |
| Inventories (at cost or net realisable value, whichever is less) Fuel Stores and spares (at cost) | 2.09 <u>10.14</u> | — <u>9.77</u> |
| | 12.24 | 9.77 |
| Sundry debtors (unsecured) | | |
| Debts outstanding for period exceeding six months | | |
| (a) Considered good | 3.21 | 0.56 |
| (b) Considered doubtful | <u>0.51</u> | <u>0.58</u> |
| | 3.72 | 1.14 |
| Less: provision for doubtful debts | <u>0.51</u> | <u>0.58</u> |
| | 3.21 | 0.56 |
| Other debts - considered good * | <u>142.93</u> | <u>118.82</u> |
| | 146.14 | 119.38 |
| *(refer note B(11) of schedule 13) | | |
| Cash and bank balances | | |
| Cash on hand | 0.01 | 0.01 |
| Cheques on hand | — | 2.52 |
| Balances with scheduled banks | | |
| In current accounts | 7.59 | 9.88 |
| In deposits (including margin money and restricted deposits Rs. 90.54 crore (previous year Rs.62.99 crore)) | <u>90.70</u> | <u>62.99</u> |
| | 98.30 | 75.40 |
| Other current assets | | |
| Interest accrued on bank deposits | <u>2.91</u> | <u>2.33</u> |
| Total (A) | <u>259.59</u> | <u>206.88</u> |
| Loans and advances (unsecured, considered good) | | |
| Advances recoverable in cash or in kind or for value to be received | 25.71 | 1.52 |
| Advance tax and tax deducted at source (net of provision for tax) | 1.81 | 2.04 |
| Cenvat receivable | 2.63 | 1.59 |
| Inter-corporate deposit | 78.00 | — |
| Interest accrued but not due on ICD | 2.08 | — |
| Prepaid expenses | 0.36 | 0.14 |
| Insurance claims receivable | 0.79 | 1.79 |
| Mat credit entitlement | — | 3.22 |
| Total (B) | <u>111.38</u> | <u>10.30</u> |
| Total (A) + (B) | <u>370.97</u> | <u>217.18</u> |

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs. in crore) | As at 31.03.2009 (Rs. in crore) |
|---|---------------------------------------|---------------------------------------|
| SCHEDULE 7 | | |
| Current liabilities and provisions | | |
| Current liabilities | | |
| Sundry creditors | | |
| – due to micro, small and medium enterprises (refer note B (13) of schedule 13) | – | – |
| – for expenses | 184.20 | 74.11 |
| – for capital expenses | – | 0.05 |
| Other liabilities | 8.57 | 6.30 |
| Interest accrued but not due | 0.53 | 0.87 |
| Deposits including security deposits | 1.67 | 1.43 |
| | <u>194.97</u> | <u>82.76</u> |
| Provisions | | |
| Provision for fringe benefits tax (net of advance tax Rs. nil crore (previous year Rs.0.20 crore)) | – | 0.02 |
| Provision for gratuity | 0.16 | 0.66 |
| Provision for compensated absences | 1.78 | 1.57 |
| Provision for taxation (net of advance tax and tax deducted at source) | 5.79 | – |
| | <u>7.73</u> | <u>2.25</u> |
| Total | <u><u>202.70</u></u> | <u><u>85.01</u></u> |

SCHEDULES ATTACHED TO AND FORMING PART OF THE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | Year ended 31.03.2010 (Rs. in crore) | Year ended 31.03.2009 (Rs. in crore) |
|--|--|--|
| SCHEDULE 8 | | |
| Operating income | | |
| Freight income | 672.75 | 746.50 |
| Charter hire income | 7.54 | 9.91 |
| Stevedoring and lighterage income | 121.37 | 138.52 |
| Cargo handling income | 246.25 | 37.14 |
| Management fees | 17.07 | 16.47 |
| Agency income | 2.17 | 3.34 |
| Demurrage income | 2.95 | 6.10 |
| | <u>1,070.10</u> | <u>957.98</u> |
| SCHEDULE 9 | | |
| Other income | | |
| Interest income from bank (Inclusive of tax deducted at source Rs.0.60 crore (previous year Rs.0.90 crore)) | 6.14 | 3.97 |
| Interest income from others (Inclusive of tax deducted at source Rs.0.34 crore (previous year Rs. nil crore)) | 3.14 | – |
| Foreign exchange gain (net) | 0.66 | – |
| Provision for doubtful debt reversed | 0.07 | 0.08 |
| Miscellaneous income | 0.72 | 3.96 |
| | <u>10.73</u> | <u>8.01</u> |

**SCHEDULES ATTACHED TO AND FORMING PART OF THE STATEMENT OF PROFIT AND LOSS FOR THE
YEAR ENDED 31ST MARCH, 2010**

| Particulars | Year ended 31.03.2010 (Rs. in crore) | Year ended 31.03.2009 (Rs. in crore) |
|---|--|--|
| SCHEDULE 10 | | |
| Operating expenses | | |
| Direct voyage expenses | 175.90 | 245.02 |
| Manning charges on floating staff | 12.62 | 23.14 |
| Standing costs | 1.24 | 1.20 |
| Vessel repairs | 3.90 | 6.71 |
| Insurance, protection and indemnity club fees | 1.83 | 2.14 |
| Commission, brokerage and agency fees | 0.48 | 0.83 |
| Freight charges | 624.45 | 458.32 |
| Hire charges | 31.37 | 25.22 |
| Stevedoring expenses | 1.54 | 1.64 |
| Consumption of stores and spares | 14.82 | 9.48 |
| Consumption of fuel | 26.44 | 14.41 |
| Cargo handling expenses | 61.57 | 25.09 |
| Other operating expenses | 1.92 | 0.85 |
| Manning charges on shore staff | 12.63 | 11.06 |
| Repairs to machinery | 8.56 | 5.30 |
| Repairs to others | 0.30 | 0.15 |
| | <u>979.57</u> | <u>830.55</u> |
| SCHEDULE 11 | | |
| Establishment and other expenses | | |
| Salaries, wages and bonus | 8.51 | 9.37 |
| Contribution to staff provident fund and other funds (refer note B(12) of schedule 13) | 0.42 | 0.52 |
| Staff welfare expenses | 0.81 | 0.65 |
| Rent | 0.84 | - |
| Rates and taxes | 0.75 | 0.10 |
| Repairs and maintenance-others | 0.06 | 0.07 |
| Legal, professional fees, registrar's charges and service charges | 0.71 | 1.17 |
| Travelling and conveyance | 1.57 | 2.30 |
| Managerial support services | 5.01 | 11.58 |
| Foreign exchange loss | - | 0.04 |
| Auditors' remuneration (refer note B(6(i)) of schedule 13) | 0.28 | 0.16 |
| Bad debts written-off | 0.07 | 0.08 |
| Communication expenses | 0.50 | 0.47 |
| Miscellaneous expenses | 0.92 | 0.72 |
| | <u>20.45</u> | <u>27.23</u> |
| SCHEDULE 12 | | |
| Interest and finance expenses | | |
| Interest and other financial charges | 8.22 | 11.83 |
| Loan arrangement expenses | 0.28 | - |
| Bank charges | 1.68 | 1.07 |
| | <u>10.18</u> | <u>12.90</u> |

SCHEDULE 13

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2010

A. SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention, on accrual basis of accounting, and are in accordance with generally accepted accounting principles and in compliance with the applicable Accounting Standards (AS) referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

2. USE OF ESTMATES

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported balances of assets, liabilities and disclosures relating to contingent liabilities as at the reporting date and the reported amount of income and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. FIXED ASSETS

- a) Fixed assets are recorded at cost of acquisition or at revalued amounts less accumulated depreciation and impairment loss, if any. Cost of acquisition of fleet includes brokerage; start up costs and major improvements / upgradations.
- b) Assets acquired on hire purchase, being in the nature of finance lease, are capitalised as fixed assets at fair value at inception of the lease and corresponding liability is recognised. The lease rental paid (excluding operating expenses) is bifurcated into principal and interest component by applying an implicit rate of return. The interest is charged against income as a period cost and the principal amount is adjusted against the liability recognised in respect of assets taken on finance lease.

4. INTANGIBLE ASSETS

Intangible assets are recognised only when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of such assets can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. All costs relating to the acquisition are capitalised. Intangible assets are amortised over the useful life of the asset.

5. CAPITAL WORK-IN-PROGRESS

Direct expenditure on assets under construction is shown under capital work in progress.

Expenditure incidental to the construction of an asset, incurred during the period till the asset is ready for its intended use is accumulated as expenditure during construction pending allocation to fixed assets and other accounts, as applicable, on completion of construction.

Advances on capital account include progress based payments made under the contracts for assets under construction and other capital advances until the same are allocated to fixed assets and other accounts, as applicable.

6. DEPRECIATION

- a) Depreciation on fleet is provided by using the straight-line method based on a technical evaluation of the economic useful life of 20 years or at a rate of 7% prescribed under Schedule XIV to the Companies Act, 1956, whichever is higher.
- b) Depreciation on cranes, forklifts and vehicles (excluding motor car and two wheelers) is provided by using the straight line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956
- c) All other assets are depreciated by using the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Fixed assets costing less than Rs. 5,000 are depreciated at 100% in the year of acquisition.
- d) Depreciation on additions / deductions to fixed assets made during the year is provided on a pro-rata basis from / upto the date of such additions / deductions, as the case may be.

7. IMPAIRMENT OF ASSETS

The Company assesses on each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The amount so reduced is treated as an impairment loss and is recognised in the Statement of Profit and Loss, except in case of revalued assets, where it is first adjusted against the related balance in fixed assets revaluation reserve. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is carried at the recoverable amount subject to a maximum of depreciated historical cost, except for revalued assets which are subject to a maximum of depreciated revalued cost.

8. BORROWING COST

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue. The borrowing cost pertaining to qualifying assets under construction are shown as "Capital Work in Progress" to be capitalised as part of such assets on completion / commissioning.

9. INVENTORY

Inventory is valued at lower of cost and net realisable value. Cost is determined on first in first out basis.

10. OPERATING INCOME

Operating income represents the value of charter hire income, sea freight income, road freight income, cargo handling income, stevedoring and lighterage income, management fee income, agency income and demurrage income and is accounted on accrual basis.

Sea freight income is recognised on a pro-rata basis for voyages in progress at balance sheet date after loading of the cargo is completed. Stevedoring and lighterage income is recognised on accrual basis to the extent of cargo loaded / unloaded as on the balance sheet date. Revenue and related expenses for voyages, stevedoring and lighterage where cargo has not been loaded as on the balance sheet date are deferred and recognised in the following year.

Other income is recognised on an accrual basis.

11. OPERATING EXPENSES

Operating expenses represents expenses relating to the operation of the fleet including crewing, insurance, stores, bunkers, dry docking, charter hire, special survey costs, expenses relating to road freight and inter-carting and other expenses and is accounted on accrual basis.

12. EMPLOYEE BENEFITS

- a) Contribution to recognised provident fund, which is a fixed percentage of eligible employees' salary is charged to the Statement of Profit and Loss.
- b) The liability for gratuity is actuarially determined at year end and funded to Life Insurance Corporation of India to the extent demanded by them and balance taken to provisions.
- c) The contribution towards superannuation, funded by payment to Life Insurance Corporation of India, is a fixed percentage of the salary of eligible employees under a defined contribution plan and is charged to Statement of Profit and Loss.
- d) Provision for all accumulated compensated absences of eligible employees is based on an independent actuarial valuation.

13. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are recorded at standard exchange rates determined fortnightly which approximates the actual rate on the date of the transaction. The difference between the standard rate and the actual rate of settlement is accounted in the Statement of Profit and Loss.

Monetary items denominated in foreign currency are translated at the rate prevailing at the end of the year. Gains/losses on conversion/ translation/settlement of foreign currency transactions are recognised in the Statement of Profit

and Loss, except gains / losses on conversion / translation / settlement / in respect of long term foreign currency monetary item related to acquisition of a depreciable asset is adjusted to the carrying amount to those depreciable assets.

Gain/losses on conversion / translation / settlement of long term foreign currency monetary items relates to other than an acquisition of depreciable assets are accumulated in a "Foreign currency monetary item translation difference account" and amortised over the balance period of such long term foreign currency monetary item but not beyond March 31, 2011.

14. INSURANCE CLAIMS

Insurance claims are recognised based on reasonable certainty of their settlement.

15. TAXATION

Current tax and fringe benefit tax are provided as per the provisions of the Income tax Act, 1961.

The tax effect of timing differences resulting between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations as at the balance sheet date.

Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation under tax laws are recognised, only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is reasonable certainty of its realisation.

16. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised for present obligations arising out of past events if it is probable that an outflow of economic resources, the amount of which can be reliably estimated, will be required to settle the obligation.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or the likelihood of an outflow of economic resources is remote.

Contingent assets are not recognised in the financial statements.

17. SEGMENT ACCOUNTING POLICIES

a) Segment assets and segment liabilities

Segment assets include all operating assets used by the segment and consist principally of fixed assets, inventories, sundry debtors, cash and bank balances. Segment assets and liabilities do not include share capital, reserves and surplus, income tax (both current and deferred) and unallocable assets and liabilities.

b) Segment revenue and segment expenses

Segment revenue and expenses have been identified to its segment on the basis of relationship to its operating activities. It does not include interest income on investment, inter corporate deposits, interest expense and provision for taxes.

B. NOTES TO FINANCIAL STATEMENTS

1. Contingent liabilities and capital commitment

a) Contingent liability

(Rs. in crore)

| Particulars | As on 31.03.2010 | As on 31.03.2009 |
|---|------------------|------------------|
| i) Bills discounted with banks / non banking financial institutions | 94.56 | 86.79 |
| ii) Guarantees given by banks | 0.61 | 0.60 |

b) Capital commitment

(Rs. in crore)

| Particulars | As on 31.03.2010 | As on 31.03.2009 |
|---|------------------|------------------|
| i) Outstanding capital commitment (net of advance paid Rs. 15 crore (previous year Rs. nil)) | 10.00 | Nil |

2. Finance leases

The Company has acquired vehicles under hire purchase arrangement which is in the nature of finance lease. The minimum lease rentals outstanding at year end are as under:

(Rs. in crore)

| Particulars | 31 st March, 2010 | | | 31 st March, 2009 | | |
|---|------------------------------|-------------|---|------------------------------|-------------|---|
| | Minimum lease payments | Interest | Present value of minimum lease payments | Minimum lease payments | Interest | Present value of minimum lease payments |
| Future lease rental obligation payable: | | | | | | |
| – Not later than one year | 1.89 | 0.45 | 2.34 | 1.05 | 0.19 | 0.86 |
| – Later than one year but not later than five years | 2.50 | 0.35 | 2.85 | 0.97 | 0.07 | 0.90 |
| – Later than five years | – | – | – | – | – | – |
| Total | 4.39 | 0.80 | 5.19 | 2.02 | 0.26 | 1.76 |

The Company has the option of purchasing the hired assets at any time during the currency of the hire purchase arrangement by paying in one lump sum the entire balance due including the finance charges due under the agreement. The said arrangement provides for revision of hire purchase installments in the event of a change occurring in the lending rate charged to the lessor.

3. Pursuant to notification dated 31st March, 2009 issued by Central Government under Companies (Accounting Standard) Amendment Rules, 2009; the Company has chosen an option with effect from April 1, 2007 to adjust the gains / losses arising on conversion / translation / settlement of long term foreign currency monetary items into the corresponding carrying value of fixed assets to the extent it is related to acquisition of depreciable fixed assets and the balance gains / losses (if any) has been accumulated in "Foreign currency monetary items translation difference account", consequently gain of Rs. 21.52 crore (previous year loss of Rs. 42.01 crore) has been adjusted into costs of corresponding fixed assets.

The cumulative effect of this treatment has resulted into decrease in profit for the year by an amount of Rs. 24.69 crore (previous year increase in profit of Rs. 39.23 crore) (net of depreciation Rs. 3.17 crore (previous year Rs. 2.27 crore)).

4. Segmental reporting

a) Business segment

The reportable segments are described below:

Surface segment includes logistics services rendered through road logistics and intercarting movements.

Sea segment includes logistics services rendered through hired mother vessels and mini bulk carriers. It also includes agency services, forklift services, stevedoring and lighterage services provided by the Company.

(Rs. in crore)

| Particulars | Year ended 31.03.2010 | Year ended 31.03.2009 |
|--|--------------------------|--------------------------|
| Segment revenue | | |
| Surface | 737.46 | 500.81 |
| Sea | 334.10 | 457.17 |
| Unallocated | 9.27 | 8.01 |
| Total | 1080.83 | 965.99 |
| Segments results | | |
| Surface | 16.78 | 17.22 |
| Sea | 21.17 | 53.52 |
| Unallocated | 9.27 | 8.01 |
| Profit from operation before interest and tax | 47.22 | 78.75 |
| Less: Unallocable interest and finance charges | 10.18 | 12.90 |
| Profit before tax | 37.04 | 65.84 |
| Less: Income tax | 13.22 | 22.51 |
| Profit after tax | 23.82 | 43.33 |
| Segment assets | | |
| Surface | 162.53 | 112.76 |
| Sea | 243.23 | 269.79 |
| Unallocated | 209.69 | 85.70 |
| Total | 615.45 | 468.25 |
| Segment liabilities | | |
| Surface | 135.30 | 47.39 |
| Sea | 51.09 | 29.07 |
| Unallocated | 222.36 | 201.66 |
| Total | 408.75 | 278.12 |
| Fixed assets acquired/constructed during the year | | |
| Surface | 33.55 | 0.13 |
| Sea | 0.16 | 56.15 |
| Total | 33.71 | 56.28* |
| Depreciation | | |
| Surface | 3.36 | 2.15 |
| Sea | 30.08 | 27.32 |
| Total | 33.44 | 29.47 |

* Does not include adjustment of Rs.2.21 crore relating to exchange gain of previous year.

Geographical segment

Services to major customers have been rendered in India only. Hence there is no distinguishable geographical segment for providing secondary segment information.

5. Remuneration to whole time director

(Rs. in crore)

| Particulars | Year ended | |
|--|-------------|-------------|
| | 31.03.2010 | 31.03.2009 |
| Basic salary | 0.33 | 0.33 |
| Allowances, other benefits and perquisites | 0.47 | 0.40 |
| Contribution to provident fund | 0.09 | 0.04 |
| Total | 0.89 | 0.77 |

Note: The above does not include the amount payable towards gratuity and compensated absences by the Company to the whole time director as the same is calculated for the Company as a whole on actuarial basis.

6. Additional information pursuant to the provisions of Paragraph 3, 4B and 4D Part II of Schedule VI to the Companies Act, 1956 to the extent applicable is given below:

(Rs. in crore)

| Particulars | Year ended | |
|---|---------------|---------------|
| | 31.03.2010 | 31.03.2009 |
| i) Auditor's remuneration | | |
| Audit fees | 0.16 | 0.16 |
| Other services | 0.10 | 0.00 |
| Out of pocket expenses* | 0.00 | 0.00 |
| Service Tax on above | 0.02 | 0.00 |
| Total | 0.28 | 0.16 |
| * Amount is less than Rs. 1.00 lakh | | |
| ii) Expenditure in foreign currency (on accrual basis) | | |
| Freight charges | 98.79 | 192.02 |
| Brokerage and commission | 0.04 | 0.50 |
| Professional charges | 0.16 | 0.01 |
| Communication expenses | 0.08 | 0.11 |
| Insurance – ships and vessels | 0.43 | 0.64 |
| Cargo handling expenses | 0.20 | 2.80 |
| Ship hire charges | 15.35 | 10.40 |
| Fuel charges | 2.45 | 4.82 |
| Interest | 3.68 | 11.14 |
| Travelling | 0.06 | 0.08 |
| Others | 2.29 | 0.53 |
| Total | 123.53 | 223.05 |
| iii) Earnings in foreign currency (on accrual basis) | | |
| Sea freight | 0.30 | 0.15 |
| Other income | 0.20 | 3.43 |
| Total | 0.50 | 3.58 |
| iv) C. I. F. value of imports | | |
| Components and spare parts | 3.62 | 5.33 |
| Capital goods | 15.43 | 0.00 |
| Total | 19.05 | 5.33 |

v) Consumption of imported and indigenous component and spare parts (Rs. in crore)

| Particulars | Year ended 31.03.2010 | | Year ended 31.03.2009 | |
|--------------|-----------------------|----------------|-----------------------|----------------|
| | Amount | % of Total | Amount | % of Total |
| Imported | 14.23 | 21.09% | 3.26 | 10.43% |
| Indigenous | 53.25 | 78.91% | 28.00 | 89.57% |
| Total | 67.48 | 100.00% | 31.26 | 100.00% |

7. Earnings per share

Earnings per share are calculated based on the following data:

| Particulars | Year ended 31.03.2010 | Year ended 31.03.2009 |
|---|-----------------------|-----------------------|
| Earnings for the purpose of earnings per share (net profit for the year) (Rs. in crore) | 23.82 | 43.33 |
| Equity shares at the beginning of the year (nos.) | 73,000,000 | 73,000,000 |
| Equity shares issued during the year (nos.) | – | – |
| Equity shares at the end of the year (nos.) | 73,000,000 | 73,000,000 |
| Weighted average number of equity shares outstanding during the year (nos.) | 73,000,000 | 73,000,000 |
| Earnings per share – basic and diluted (Rs.) | 3.26 | 5.94 |
| Face value per share (Rs.) | 10 | 10 |

8. Foreign currency exposure

- There were no forward / options contracts entered in to by the Company during the financial year to hedge its foreign currency exposures.
- The year-end currency exposures that have not been hedged by a derivative instrument or otherwise are given below.

Amount receivable in foreign currency on account of the following:

| Particulars | Rs. in crore | | Currency | Amount in foreign currency (in million) | |
|---------------------|--------------|---------|----------|---|---------|
| | 2009-10 | 2008-09 | | 2009-10 | 2008-09 |
| Services rendered | *0.00 | 0.51 | USD | *0.00 | 0.10 |
| Advances to vendors | 0.51 | 0.00 | EURO | 0.09 | 0.00 |
| | 0.94 | 0.56 | USD | 0.21 | 0.11 |
| | *0.00 | *0.00 | SGD | *0.00 | *0.00 |
| | 0.02 | 0.02 | AED | 0.01 | 0.02 |
| | 0.02 | 0.00 | GBP | *0.00 | 0.00 |

c) Amount payable in foreign currency on account of the following

| Particulars | Rs. in crore | | Currency | Amount in foreign currency (in crore) | |
|------------------------------|--------------|---------|----------|---------------------------------------|---------|
| | 2009-10 | 2008-09 | | 2009-10 | 2008-09 |
| Import of goods and services | 0.00 | 0.01 | EURO | 0.00 | *0.00 |
| | 0.24 | 0.00 | JPY | 4.83 | 0.00 |
| | 0.00 | 0.01 | SGD | 0.00 | *0.00 |
| | 1.40 | 0.71 | USD | 0.31 | 0.14 |
| Secured loan | 165.70 | 192.22 | USD | 36.35 | 37.36 |
| Advance from customers | 0.83 | 1.00 | USD | 0.18 | 0.19 |

* amount is less than 1 lakh.

9. Related party transactions

1. Holding companies

- i) Essar Global Limited, Cayman Island (ultimate holding Company)
- ii) Essar Shipping & Logistics Limited, Cyprus
- iii) Essar Shipping Ports & Logistics Limited, India, immediate holding Company

2. Other related parties / where there have been transactions

(a) Fellow subsidiaries

- i. Essar Ports & Terminals Limited
- ii. Essar Oilfields Services Limited
- iii. Essar International Limited

(b) Other related parties / affiliates

- i. Essar Steel Limited
- ii. Essar Steel (Hazira) Limited
- iii. Vadinar Oil Terminal Limited
- iv. Essar Bulk Terminal Limited
- v. Essar Shipping & Logistics (Panama) Inc.
- vi. Essar Oil Limited
- vii. Essar Projects (India) Limited
- viii. Futura Travels Limited
- ix. Essar Information Technology Limited
- x. India Securities Limited
- xi. Essar SEZ Hazira Limited
- xii. Essar House Services Limited
- xiii. Essar Agrotech Limited
- xiv. Essar Investments Limited
- xv. Essar Telecom Retail Limited
- xvi. Essar Power M.P. Limited
- xvii. Essar Power Gujarat Limited
- xviii. Hazira Plate Limited
- xix. Hazira Pipe Mill Limited
- xx. Essar Power Limited
- xxi. Essar Steel Orissa Limited
- xxii. Vadinar Power Company Limited
- xxiii. Essar House Limited
- xxiv. Essar Engineering Services Limited
- xxv. Essar Infrastructure Services Limited
- xxvi. Essar Oilfield Services India Limited
- xxvii. Essar Bulk Terminal Paradip Limited
- xxviii. Essar Dredging Limited
- xxix. Essar Offshore Sub Sea Limited

(c) Key management personnel

Mr. A. K. Musaddy (Wholetime Director and Chief Executive Officer)

The details of transactions with related parties

(Rs. in crore)

| Nature of transactions | Holding companies | | Key Management Personnel | | Other related parties | | Total | |
|--|-------------------|-------------|--------------------------|----------|-----------------------|---------------|---------------|---------------|
| | Mar-10 | Mar-09 | Mar-10 | Mar-09 | Mar-10 | Mar-09 | Mar-10 | Mar-09 |
| INCOME | | | | | | | | |
| Operating income | | | | | | | | |
| Essar Steel Limited | – | – | – | – | 686.78 | 724.87 | 686.78 | 724.87 |
| Essar Steel (Hazira) Limited | – | – | – | – | 50.61 | 73.82 | 50.61 | 73.82 |
| Essar Shipping Ports & Logistics Limited | 0.46 | 1.09 | – | – | – | – | 0.46 | 1.09 |
| Essar Oil Limited | – | – | – | – | 42.60 | 19.98 | 42.60 | 19.98 |
| Essar Bulk Terminal Limited | – | – | – | – | 0.77 | 0.50 | 0.77 | 0.50 |
| Essar Projects (India) Limited | – | – | – | – | 30.56 | 17.00 | 30.56 | 17.00 |
| Essar Oilfield Services India Limited | – | – | – | – | 0.25 | – | 0.25 | – |
| Essar Oilfields Services Limited | – | – | – | – | 10.14 | 19.39 | 10.14 | 19.39 |
| Hazira Pipe Mill Limited | – | – | – | – | 13.31 | 4.26 | 13.31 | 4.26 |
| Essar Steel Orissa Limited | – | – | – | – | 6.35 | 0.56 | 6.35 | 0.56 |
| Essar Power Gujarat Limited | – | – | – | – | 41.91 | 3.69 | 41.91 | 3.69 |
| Essar Power M.P. Limited | – | – | – | – | 40.41 | 4.44 | 40.41 | 4.44 |
| Hazira Plate Limited | – | – | – | – | 4.07 | 4.86 | 4.07 | 4.86 |
| Essar Shipping & Logistics (Panama) Inc. | – | – | – | – | 0.16 | 0.47 | 0.16 | 0.47 |
| Vadinar Power Company Limited | – | – | – | – | 0.07 | – | 0.07 | – |
| Vadinar Oil Terminal Limited | – | – | – | – | 0.01 | 0.00 | 0.01 | 0.00 |
| Essar Power Limited | – | – | – | – | 0.04 | 0.04 | 0.04 | 0.04 |
| Others | – | – | – | – | 0.86 | 0.07 | 0.86 | 0.07 |
| Total | 0.46 | 1.09 | – | – | 928.90 | 873.96 | 929.35 | 875.05 |
| Interest income | | | | | | | | |
| Essar Bulk Terminal Limited | – | – | – | – | 0.67 | – | 0.67 | – |
| Essar Investment Limited | – | – | – | – | 2.46 | – | 2.46 | – |
| EXPENSES | | | | | | | | |
| Freight charges | | | | | | | | |
| Essar Shipping & Logistics (Panama) Inc. | – | – | – | – | 4.98 | 8.20 | 4.98 | 8.20 |
| Hire / Demurrage charges | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | 15.35 | 13.57 | – | – | – | – | 15.35 | 13.57 |
| Essar Shipping & Logistics (Panama) Inc. | – | – | – | – | 5.71 | 6.36 | 5.71 | 6.36 |
| Essar Projects (India) Limited | – | – | – | – | 3.44 | 2.61 | 3.44 | 2.61 |
| Rent charges | | | | | | | | |
| Essar Steel Limited | – | – | – | – | 0.16 | 0.27 | 0.16 | 0.27 |
| Essar House Limited | – | – | – | – | 0.84 | – | 0.84 | – |
| Fuel charges | | | | | | | | |
| Essar Oil Limited | – | – | – | – | 19.54 | 0.02 | 19.54 | 0.02 |
| Repair and maintenance | | | | | | | | |
| Essar Steel Limited | – | – | – | – | 0.12 | 0.05 | 0.12 | 0.05 |
| Essar Projects (India) Limited | – | – | – | – | 3.68 | 5.12 | 3.68 | 5.12 |
| Essar Information Technology Limited | – | – | – | – | 0.25 | – | 0.25 | – |
| Essar Engineering Services Limited | – | – | – | – | 0.07 | – | 0.07 | – |

(Rs. in crore)

| Nature of transactions | Holding companies | | Key Management Personnel | | Other related parties | | Total | |
|--|-------------------|--------------|--------------------------|-------------|-----------------------|--------------|--------------|--------------|
| | Mar-10 | Mar-09 | Mar-10 | Mar-09 | Mar-10 | Mar-09 | Mar-10 | Mar-09 |
| Management fees | | | | | | | | |
| Essar Investment Limited | – | – | – | – | 5.01 | 11.54 | 5.01 | 11.54 |
| Dredging expenses | | | | | | | | |
| Essar Projects (India) Limited | – | – | – | – | – | 0.11 | – | 0.11 |
| Lodging and boarding | | | | | | | | |
| Essar Steel Limited | – | – | – | – | 0.03 | 0.01 | 0.03 | 0.01 |
| Essar Oil Limited | – | – | – | – | 0.00 | – | 0.00 | – |
| Remuneration | | | | | | | | |
| A. K. Musaddy | – | – | 0.89 | 0.77 | – | – | 0.89 | 0.77 |
| Travelling expenses | | | | | | | | |
| Futura Travels Limited | – | – | – | – | 0.14 | 0.23 | 0.14 | 0.23 |
| Manning charges | | | | | | | | |
| Essar Information Technology Limited | – | – | – | – | 0.06 | 0.05 | 0.06 | 0.05 |
| Cargo handling expenses | | | | | | | | |
| Essar Bulk Terminal Limited | – | – | – | – | 8.22 | – | 8.22 | – |
| Essar Projects (India) Limited | – | – | – | – | 4.64 | – | 4.64 | – |
| Business center fees | | | | | | | | |
| Essar Infrastructure Services Limited | – | – | – | – | 2.76 | – | 2.76 | – |
| Interest expenses | | | | | | | | |
| India Securities Limited | – | – | – | – | 0.62 | 0.30 | 0.62 | 0.30 |
| Essar Investment Limited | – | – | – | – | 0.80 | – | – | – |
| Total | 15.35 | 13.57 | 0.89 | 0.77 | 64.20 | 34.88 | 79.64 | 49.22 |
| Fixed Assets including capital advances | | | | | | | | |
| Essar Construction (India) Limited | – | – | – | – | – | 1.58 | – | 1.58 |
| Essar Telecom Retail Limited | – | – | – | – | 0.00 | 0.00 | 0.00 | 0.00 |
| Purchase of stores & spares | | | | | | | | |
| Essar Projects (India) Limited | – | – | – | – | 0.37 | 1.22 | 0.37 | 1.22 |
| Essar Steel Limited | – | – | – | – | 0.99 | 0.05 | 0.99 | 0.05 |
| Total | – | – | – | – | 1.36 | 2.85 | 1.36 | 2.85 |
| Reimbursement of expenses | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | 0.33 | 6.98 | – | – | – | – | 0.33 | 6.98 |
| Essar Bulk Terminal Limited | – | – | – | – | 0.01 | 0.05 | 0.01 | 0.05 |
| Essar Shipping & Logistics (Panama) Inc. | – | – | – | – | 6.49 | 0.41 | 6.49 | 0.41 |
| Essar Steel (Hazira) Limited | – | – | – | – | 0.74 | 0.22 | 0.74 | 0.22 |
| Essar International Limited | – | – | – | – | – | 1.15 | – | 1.15 |
| Essar Steel Limited | – | – | – | – | 34.80 | 16.42 | 34.80 | 16.42 |
| Essar Oil Limited | – | – | – | – | 1.03 | – | 1.03 | – |
| Essar Power Gujrat Limited | – | – | – | – | 1.48 | 0.18 | 1.48 | 0.18 |
| Essar Projects (India) Limited | – | – | – | – | 1.68 | 0.19 | 1.68 | 0.19 |
| Essar Oilfields Services Limited | – | – | – | – | 1.12 | 4.72 | 1.12 | 4.72 |
| Essar Power M. P. Limited | – | – | – | – | – | 5.93 | – | 5.93 |
| Others | – | – | – | – | 2.66 | 0.02 | 2.66 | 0.02 |
| Total | 0.33 | 6.98 | – | – | 50.01 | 29.29 | 50.34 | 36.27 |

(Rs. in crore)

| Nature of transactions | Holding companies | | Key Management Personnel | | Other related parties | | Total | |
|---|-------------------|--------|--------------------------|--------|-----------------------|--------|--------------|--------|
| | Mar-10 | Mar-09 | Mar-10 | Mar-09 | Mar-10 | Mar-09 | Mar-10 | Mar-09 |
| Loans and advances including deposits received | | | | | | | | |
| India Securities Limited | - | - | - | - | 4.23 | - | 4.23 | - |
| Essar Investment Limited | - | - | - | - | 15.00 | - | 15.00 | - |
| Total | - | - | - | - | 19.23 | - | 19.23 | - |
| Loans and advances including deposits given | | | | | | | | |
| Essar Bulk Terminal Limited | - | - | - | - | 6.06 | - | 6.06 | - |
| Essar Investments Limited | - | - | - | - | 75.00 | - | 75.00 | - |
| Total | - | - | - | - | 81.06 | - | 81.06 | - |
| Purchase of shares | | | | | | | | |
| Essar Investment Limited | - | - | - | - | 0.05 | - | 0.05 | - |
| Sale of shares | | | | | | | | |
| Essar Steel Limited | - | - | - | - | 0.00 | - | 0.00 | - |
| Essar Bulk Terminal Limited | - | - | - | - | 0.01 | - | 0.01 | - |
| Essar Steel Orissa Limite | - | - | - | - | 0.03 | - | 0.03 | - |
| Essar Shipping Ports & Logistics Limited | 0.05 | - | - | - | - | - | 0.05 | - |
| Share subscription | | | | | | | | |
| Essar Bulk Terminal Paradip Limited | - | - | - | - | 0.05 | - | 0.05 | - |
| Essar Bulk Terminal Limited | - | - | - | - | 0.03 | - | 0.03 | - |
| Essar Shipping & Logistics (Panama) Inc. | - | - | - | - | 0.27 | - | 0.27 | - |
| Total | - | - | - | - | 0.30 | - | 0.30 | - |

Outstanding balance as on 31st March, 2010

(Rs. in crore)

| Nature of transactions | Holding companies | | Key Management Personnel | | Other related parties | | Total | |
|--|-------------------|--------|--------------------------|--------|-----------------------|--------------|--------------|--------------|
| | Mar-10 | Mar-09 | Mar-10 | Mar-09 | Mar-10 | Mar-09 | Mar-10 | Mar-09 |
| Sundry debtors | | | | | | | | |
| Essar Steel Limited | - | - | - | - | - | 55.26 | - | 55.26 |
| Essar Oil Limited | - | - | - | - | 4.23 | 3.73 | 4.23 | 3.73 |
| Essar Steel (Hazira) Limited | - | - | - | - | 13.87 | 8.13 | 13.87 | 8.13 |
| Essar Projects (India) Limited | - | - | - | - | 10.46 | 2.45 | 10.46 | 2.45 |
| Essar Bulk Terminal Limited | - | - | - | - | - | 0.70 | - | 0.70 |
| Hazira Plate Limited | - | - | - | - | 1.10 | 2.42 | 1.10 | 2.42 |
| Hazira Pipe Mill Limited | - | - | - | - | 4.02 | 1.00 | 4.02 | 1.00 |
| Essar Power Gujarat Limited | - | - | - | - | 8.33 | 3.48 | 8.33 | 3.48 |
| Essar Oilfields Services India Limited | - | - | - | - | 0.25 | - | 0.25 | - |
| Essar Oilfields Services Limited | - | - | - | - | 2.53 | - | 2.53 | - |
| Essar Steel (Orissa) Limited | - | - | - | - | 1.50 | 0.40 | 1.50 | 0.40 |
| Essar Power MP Limited | - | - | - | - | 9.47 | - | 9.47 | - |
| Others | - | - | - | - | 0.17 | 0.02 | 0.17 | 0.02 |
| Total | - | - | - | - | 55.93 | 77.58 | 55.93 | 77.58 |
| Loans and advances including deposits given | | | | | | | | |
| Essar Bulk Terminal Limited | - | - | - | - | 6.58 | - | 6.58 | - |
| Essar Investment Limited | - | - | - | - | 73.50 | - | 73.50 | - |

(Rs. in crore)

| Nature of transactions | Holding companies | | Key Management Personnel | | Other related parties | | Total | |
|---|-------------------|-------------|--------------------------|----------|-----------------------|-------------|--------------|-------------|
| | Mar-10 | Mar-09 | Mar-10 | Mar-09 | Mar-10 | Mar-09 | Mar-10 | Mar-09 |
| Essar Shipping Ports & Logistics Limited | 18.93 | – | – | – | – | – | 18.96 | – |
| Total | 18.93 | – | – | – | 80.08 | – | 99.03 | – |
| Loans and advances including deposits received | | | | | | | | |
| Essar International Limited | – | – | – | – | – | 0.04 | – | 0.04 |
| Essar Steel Limited | – | – | – | – | 7.54 | – | 7.54 | – |
| Essar Power MP Limited | – | – | – | – | – | 1.49 | – | 1.49 |
| India Securities Limited | – | – | – | – | 4.41 | 1.76 | 4.41 | 1.76 |
| Total | – | – | – | – | 11.96 | 3.29 | 11.96 | 3.29 |
| Sundry Creditors | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | – | 4.76 | – | – | – | – | – | 4.76 |
| Essar Bulk Terminal Limited | – | – | – | – | 0.82 | – | 0.82 | – |
| Essar Investment Limited | – | – | – | – | 0.42 | 3.07 | 0.42 | 3.07 |
| Essar Shipping & Logistics (Panama) Inc | – | – | – | – | 0.81 | 0.52 | 0.81 | 0.52 |
| Others | – | – | – | – | 0.01 | 0.00 | 0.01 | 0.00 |
| Total | – | 4.76 | – | – | 2.06 | 3.59 | 2.06 | 8.36 |

10. Deferred tax liability net

The components of deferred tax liability are as follows:

(Rs. in crore)

| Particulars | As at 31 st March, 10 | As at 31 st March, 09 |
|---|----------------------------------|----------------------------------|
| Deferred tax liability | | |
| Depreciation on fixed assets | 26.55 | 34.46 |
| (A) | 26.55 | 34.46 |
| Deferred tax assets | | |
| Disallowance u/s 40(a) | 0.62 | 1.18 |
| Employee benefits liability | 0.66 | 0.76 |
| (B) | 1.28 | 1.94 |
| Net deferred tax liability (A-B) | 25.27 | 32.52 |

11. a) Details of amount due towards loans and advances under the same management within the meaning of Section 370(1B)

(Rs. in crore)

| Sr. No. | Name of companies | As at 31.03.2010 | Maximum amount outstanding during 2009-10 | As at 31.03.2009 | Maximum amount outstanding during 2008-09 |
|---------|---------------------------------|------------------|---|------------------|---|
| i) | Essar Oilfield Services Limited | 2.53 | 11.25 | – | – |

b) Details of amount due towards loans and advances under the same management within the meaning of Section 370(1B)

(Rs. in crore)

| Sr. No. | Name of companies | As at 31.03.2010 | Maximum amount outstanding during 2009-10 | As at 31.03.2009 | Maximum amount outstanding during 2008-09 |
|---------|-----------------------------|------------------|---|------------------|---|
| i) | Essar International Limited | – | 0.04 | 0.04 | 0.70 |

12. Employee benefits

The Company has various employee benefits as under:

I. Defined contribution plans

- a. Provident fund
- b. Superannuation fund
- c. Group accident policy cover

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

(Rs. in crore)

| Particulars | Year ended | |
|--|------------|------------|
| | 31.03.2010 | 31.03.2009 |
| – Employer's contribution to provident fund | 0.45 | 0.53 |
| – Employer's contribution to superannuation fund | 0.10 | 0.14 |
| – Group accident policy cover | 0.01 | 0.02 |

The above amounts are included in contribution to staff provident and other funds (Schedule 11).

II. Defined benefit plans

- a. Contribution to gratuity fund
- b. Provision for compensated absences (CA)

In accordance with Accounting Standard-15 (Revised 2005), relevant disclosures are as under:

(A) Changes in present value of defined benefit obligation

(Rs. in crore)

| Particulars | Gratuity (funded) year ended | | | CA (non-funded) year ended | | |
|---|---------------------------------|-------------|-------------|-------------------------------|-------------|-------------|
| | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.03.08 |
| Present value of defined benefit obligation at the beginning of the year | 1.08 | 1.15 | 0.71 | 0.76 | 0.82 | 0.41 |
| Current service cost | 0.12 | 0.11 | 0.18 | 0.14 | 0.13 | 0.38 |
| Interest cost | 0.08 | 0.09 | 0.05 | 0.06 | 0.06 | 0.03 |
| Benefits paid | (0.05) | 0.00 | 0.00 | (0.04) | (0.02) | (0.03) |
| Actuarial (gain)/loss on obligations | (0.34) | (0.27) | 0.21 | (0.15) | (0.23) | 0.03 |
| Present value of defined benefit obligation at the end of the year | 0.89 | 1.08 | 1.15 | 0.77 | 0.76 | 0.82 |

(B) Changes in the fair value of plan assets

(Rs. in crore)

| Particulars | Gratuity (funded) year ended | | | CA (non-funded) year ended | | |
|---|---------------------------------|-------------|-------------|-------------------------------|-------------|-------------|
| | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.03.08 |
| Fair value of plan assets at the beginning of the year | 0.42 | 0.29 | 0.01 | 0.00 | 0.00 | 0.00 |
| Expected return on plan assets | 0.05 | 0.03 | 0.02 | 0.00 | 0.00 | 0.00 |
| Actuarial gains / (losses) * | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 |
| Contributions by the employer | 0.31 | 0.09 | 0.26 | 0.04 | 0.02 | 0.03 |
| Benefits paid | (0.05) | 0.00 | 0.00 | (0.04) | (0.02) | (0.03) |
| Fair value of plan assets at the end of the year | 0.73 | 0.42 | 0.29 | 0.00 | 0.00 | 0.00 |

* Amount is less than Rs. 1 lakh.

(C) Amount recognised in the Balance Sheet

(Rs. in crore)

| Particulars | Gratuity (funded) As at | | | CA (non-funded) As at | | |
|--|----------------------------|-------------|-------------|--------------------------|-------------|-------------|
| | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.03.08 |
| Present value of defined benefit obligation at the end of the year | 0.89 | 1.08 | 1.15 | 0.77 | 0.76 | 0.82 |
| Fair value of plan assets at the end of the year | 0.73 | 0.42 | (0.29) | 0.00 | 0.00 | 0.00 |
| Liability/(asset) recognised in the balance sheet (Included in current liabilities and provisions schedule 7) | 0.16 | 0.66 | 0.86 | 0.77 | 0.76 | 0.82 |

(D) Expenses recognised in the Statement of Profit and Loss

(Rs. in crore)

| Particulars | Gratuity (funded) year ended | | | CA (non-funded) year ended | | |
|--|---------------------------------|---------------|-------------|-------------------------------|---------------|-------------|
| | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.03.08 |
| Current service cost | 0.12 | 0.11 | 0.18 | 0.14 | 0.13 | 0.38 |
| Interest cost | 0.08 | 0.09 | 0.05 | 0.06 | 0.06 | 0.03 |
| Expected return on plan assets | (0.05) | (0.03) | (0.02) | 0.00 | 0.00 | 0.00 |
| Net actuarial (gain)/loss recognised in the period | (0.34) | (0.28) | 0.22 | (0.15) | (0.23) | 0.03 |
| One year renewable term assurance (OYRTA) premium | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total expenses recognised in the Statement of Profit and Loss | (0.19) | (0.11) | 0.43 | 0.05 | (0.04) | 0.44 |
| Included in contribution to provident and other funds (schedule 11) | | | | | | |

(E) Experience history

(Rs. in crore)

| Particulars | Gratuity (funded) As at | | CA (non-funded) As at | |
|--|----------------------------|----------|--------------------------|----------|
| | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 |
| Defined Benefit Obligation at the end of the period | (0.89) | (1.08) | (0.77) | 0.77 |
| Plan assets at the end of the year | 0.73 | 0.42 | 0.00 | 0.00 |
| Funded Status | (0.16) | (0.66) | (0.77) | (0.76) |
| Experience Gain/(Loss) adjustments on plan liabilities | 0.25 | 0.27 | 0.16 | (0.23) |
| Experience Gain/(Loss) adjustments on plan assets | 0.00 | 0.01 | 0.00 | 0.00 |
| Actuarial Gain/(Loss) due to change on Assumptions | 0.09 | 0.00 | 0.00 | 0.00 |

(F) Category of plan assets

The Company's plan assets in respect of gratuity are funded through the group gratuity scheme administered by the Life Insurance Corporation of India.

(G) Actuarial assumptions

In accordance with Accounting Standard (AS)15 (Revised), actuarial valuation as at the year end was done in respect of the aforesaid defined benefit plans based on the following assumptions:

i) General assumptions

| Particulars | Gratuity (funded) year ended | | | CA (non-funded) year ended | | |
|--|---------------------------------|----------|----------|-------------------------------|----------|----------|
| | 31.03.10 | 31.03.09 | 31.03.08 | 31.03.10 | 31.03.09 | 31.03.08 |
| Discount rate (per annum) | 7.80% | 7.60% | 8.00% | 7.80% | 7.60% | 8.00% |
| Rate of return on plan assets (for funded scheme) | 8.50% | 8.50% | 8.70% | N.A. | N.A. | N.A. |
| Expected retirement age of employees (years) | 58 | 58 | 58 | 58 | 58 | 58 |
| Withdrawal rate of employees | 16.00% | 16.00% | 16.00% | 16.00% | 16.00% | 16.00% |
| Rate of increase in compensation. | 10.00% | 10.00% | 15.00% | 9.00% | 10.00% | 15.00% |

ii) Mortality rates considered are as per the published rates in the Life Insurance Corporation (1994-96) Mortality table.

iii) Leave availment pattern

a) Sick leave balance as at the valuation date and each subsequent year following the valuation date will be availed by the employee against future sick leave. The unavailed sick leave can be accumulated to the maximum of 6 days per annum. The sick leave balance is not available for encashment.

b) Leave balance as at the valuation date and each subsequent year following the valuation date to the extent not availed by the employee (maximum to the extent of 120 days) is available for encashment on separation from the Company

iv) As this is the third year of implementation of Accounting Standard (AS) –15 (Revised 2005), only corresponding previous two year figure have been furnished.

13. The Company has not received any intimation from the suppliers regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) and hence the disclosures required by the Act have not been made. The Company is making efforts to get confirmations from the suppliers as regards their status under the Act

14. Previous year's figures have been regrouped / reclassified wherever necessary to conform to figures of the current year.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

A. K. Musaddy
Director

Mumbai
May 26, 2010

V. Ashok
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
(As per Schedule VI, part (iv) of the Companies Act, 1956)

I. REGISTRATION DETAILS

Registration No.

| | | | | | | |
|--|---|---|---|---|---|---|
| | 1 | 4 | 9 | 2 | 1 | 4 |
|--|---|---|---|---|---|---|

State Code

| | |
|---|---|
| 1 | 1 |
|---|---|

Balance Sheet

| | |
|---|---|
| 3 | 1 |
|---|---|

| | |
|---|---|
| 0 | 3 |
|---|---|

| | | | |
|---|---|---|---|
| 2 | 0 | 1 | 0 |
|---|---|---|---|

Date Month Year

II. CAPITAL RAISED DURING THE YEAR (RS. IN THOUSANDS)

Public Issue

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Rights Issue

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Bonus Shares

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Private Placement

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

III. POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS. (RS. IN THOUSANDS)

Total Liabilities

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 4 | 1 | 2 | 7 | 6 | 4 | 2 |
|--|---|---|---|---|---|---|---|

Total Assets

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 4 | 1 | 2 | 7 | 6 | 4 | 2 |
|--|---|---|---|---|---|---|---|

SOURCES OF FUNDS

Paid-up-Capital

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 7 | 3 | 0 | 0 | 0 | 0 |
|--|--|---|---|---|---|---|---|

Reserves & Surplus

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 1 | 0 | 8 | 4 | 2 | 7 | 6 |
|--|---|---|---|---|---|---|---|

Secured Loans

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 2 | 0 | 6 | 0 | 6 | 2 | 0 |
|--|---|---|---|---|---|---|---|

Unsecured Loans

| | | | | | | | |
|--|--|--|--|--|---|---|---|
| | | | | | N | I | L |
|--|--|--|--|--|---|---|---|

Deferred Tax Liability

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 2 | 5 | 2 | 7 | 4 | 6 |
|--|--|---|---|---|---|---|---|

APPLICATION OF FUNDS

Net Fixed Assets

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 2 | 4 | 4 | 4 | 7 | 4 | 6 |
|--|---|---|---|---|---|---|---|

Investments

| | | | | | | | |
|--|--|--|--|--|--|---|---|
| | | | | | | 9 | 0 |
|--|--|--|--|--|--|---|---|

Net Current Assets

| | | | | | | | |
|--|---|---|---|---|---|---|---|
| | 1 | 6 | 8 | 2 | 8 | 0 | 6 |
|--|---|---|---|---|---|---|---|

Misc. Expenditure

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| | | | | | | | |
|--|--|--|--|--|--|--|--|

IV. PERFORMANCE OF THE COMPANY (RS. IN THOUSANDS)

Turnover

| | | | | | | | | |
|--|---|---|---|---|---|---|---|---|
| | 1 | 0 | 8 | 0 | 8 | 2 | 8 | 2 |
|--|---|---|---|---|---|---|---|---|

Total Expenditure

| | | | | | | | | |
|--|---|---|---|---|---|---|---|---|
| | 1 | 0 | 4 | 3 | 7 | 9 | 1 | 9 |
|--|---|---|---|---|---|---|---|---|

+ - Profit/(Loss) Before Tax

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 3 | 7 | 0 | 3 | 6 | 3 |
|--|--|---|---|---|---|---|---|

+ - Profit/(Loss) After Tax

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 2 | 3 | 8 | 1 | 3 | 9 |
|--|--|---|---|---|---|---|---|

✓ Earning Per Share

| | | | | | | |
|--|--|--|---|---|---|---|
| | | | 3 | . | 2 | 6 |
|--|--|--|---|---|---|---|

Dividend Rate (%)

| | | | | | | |
|--|--|--|---|---|---|---|
| | | | N | . | A | . |
|--|--|--|---|---|---|---|

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

| | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|---|---|---|---|---|---|---|---|--|---|---|---|---|---|---|---|---|--|--|--|--|
| | | | | | L | O | G | I | S | T | I | C | | S | E | R | V | I | C | E | S | | | | |
|--|--|--|--|--|---|---|---|---|---|---|---|---|--|---|---|---|---|---|---|---|---|--|--|--|--|

For and on behalf of the Board

A. K. Musaddy
Director

V. Ashok
Director

Mumbai
May 26, 2010

ESSAR OILFIELDS SERVICES LIMITED

BOARD OF DIRECTORS

Uday Kumar Gujadhur
Director

Sanjay Mehta
Director

Shishir Agrawal
Director (upto 24th July, 2009)

Sonia Lutchmiah
Director

Gyaneshwarnath Gowrea
Permanent Alternate Director

ADMINISTRATOR AND SECRETARY

Multiconsult Limited
Rogers House, 5, President John Kennedy Street
Port Louis, Mauritius

REGISTERED OFFICE

10, Frere Felix de Valois Street
Port Louis
Mauritius

AUDITORS

Deloitte
3rd Floor, Cerne House
La Chaussee Street
Port Louis, Mauritius

BANKERS

Standard Chartered Bank
60, Buckingham Palace Road
London RWIW 0RR

COMMENTARY OF THE DIRECTORS

The Directors present their commentary, together with the audited financial statements of Essar Oilfields Services Limited for the year ended 31st March, 2010.

PRINCIPAL ACTIVITY

The Company was incorporated on 19th May, 2005 and its main activity consists of offshore and onshore drilling and oilfield services.

RESULTS AND DIVIDEND

The Company's profit for the year ended 31st March, 2010 is USD 8,993,118 (2009: USD 6,935,537).

The Directors do not recommend payment of dividend for the year under review (2009: NIL).

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the Directors are required to:

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

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

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

AUDITORS

The Auditors, Deloitte, have expressed their willingness to continue in office and will be automatically re-appointed under the Mauritius Companies Act, 2001 at the next Annual Meeting.

CERTIFICATE FROM THE SECRETARY

We certify that, to the best of our knowledge and belief, ESSAR OILFIELDS SERVICES LIMITED, has filed with the Registrar of Companies all such returns as are required under the Companies Act, 2001 for the year ended 31st March, 2010.

For **Multiconsult Limited**

Corporate Secretary,
Rogers House
5, President John Kennedy Street, Port Louis, Mauritius
26th May, 2010

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ESSAR OILFIELDS SERVICES LIMITED

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act, 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of Essar Oilfields Services Limited which comprise the statement of financial position as at 31st March, 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act, 2001 in so far as applicable to Category 1 Global Business License Companies. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

As 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 presentations 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, the financial statements give a true and fair view of the financial position of the Company as at 31st March, 2010 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act, 2001 in so far as applicable to Category 1 Global Business License Companies.

Report on other legal requirements

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

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

Deloitte

Chartered Accountants

May 26, 2010

STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2010

| | Notes | 2010 USD | 2009 USD |
|---|-------|--------------------|--------------------|
| Assets | | | |
| Non-current assets | | | |
| Plant and equipment | 6 | 427,471,588 | 473,935,367 |
| Capital work-in-progress | 7 | – | 52,052,254 |
| Expenditure during project period | 8 | – | 1,671,222 |
| Investments in subsidiaries | 9A | 140,346,180 | 272,480 |
| Available for sale investments | 9B | – | 1,906,966 |
| Total non-current assets | | 567,817,768 | 529,565,809 |
| Current assets | | | |
| Investments classified as held for sale | 9A | 248,533 | – |
| Inventories | 11 | 24,562,226 | 23,625,825 |
| Trade and other receivables | 10 | 46,991,777 | 47,041,246 |
| Cash and cash equivalents | 12 | 5,334,890 | 3,227,932 |
| Total current assets | | 77,137,426 | 73,895,003 |
| Total assets | | 644,955,194 | 603,733,292 |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Stated capital | 13 | 100,000,001 | 100,000,001 |
| Share application money | | – | 24,875,682 |
| Retained earnings | | 16,910,883 | 7,324,731 |
| Total equity | | 116,910,884 | 132,200,414 |
| Non current liabilities | | | |
| Loans - due after one year | 14 | 393,665,856 | 85,000,000 |
| Employee benefits | | 29,790 | 51,478 |
| Total non current liabilities | | 393,695,646 | 85,051,478 |
| Current liabilities | | | |
| Loans - due within one year | 14 | 80,851,073 | 345,697,310 |
| Current tax liabilities | 20 | 935,215 | 1,495,167 |
| Trade and other payables | 15 | 37,656,698 | 39,288,923 |
| Provisions | 22 | 14,905,678 | – |
| Total current liabilities | | 134,348,664 | 386,481,400 |
| Total liabilities | | 528,044,310 | 471,532,878 |
| Total equity and liabilities | | 644,955,194 | 603,733,292 |

The financial statements have been approved by the Board of Directors and authorised for issue on 26th May, 2010.

Uday Kumar Gujadhur
Director

Sonia Lutchmiah
Director

The notes form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH, 2010

| | Notes | 2010 USD | 2009 USD |
|--|-------|--------------------|--------------------|
| Revenue | | | |
| Operating revenue | | 102,356,441 | 39,437,341 |
| Profit on sale of plant and equipment / capital work-in-progress | | 4,552,798 | – |
| Other income | | 501,478 | 4,501 |
| | | <u>107,410,717</u> | <u>39,441,842</u> |
| Expenses | | | |
| Operating expenses | | 30,634,124 | 8,506,608 |
| Depreciation | 6 | 29,329,969 | 10,697,628 |
| General and administration expenses | | 3,556,862 | 2,711,062 |
| Bad debts | | 3,882,331 | – |
| Finance cost | 17 | 21,034,669 | 7,873,691 |
| Currency exchange difference | | 5,705,007 | – |
| Impairment on investment in subsidiary | 9 | 23,947 | – |
| Loss on sale of available for sale investments | | 402,854 | – |
| | | <u>94,569,763</u> | <u>29,788,989</u> |
| Profit before tax | | 12,840,954 | 9,652,853 |
| Income tax expense | 20 | (3,847,836) | (2,717,316) |
| Profit for the year | | 8,993,118 | 6,935,537 |
| Other comprehensive income | | | |
| Reversal of the investment reserve | | 593,034 | (1,845,257) |
| Total comprehensive income for the year | | 9,586,152 | 5,090,280 |

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2010

| | Share capital USD | Share application money USD | Retained earnings USD | Total USD |
|---|-------------------------|-----------------------------------|-----------------------------|--------------------|
| Balance at 1 st April, 2008 | 100,000,001 | – | 2,234,451 | 102,234,452 |
| Total comprehensive income for the year | – | – | 5,090,280 | 5,090,280 |
| Share application money received | – | 24,875,682 | – | 24,875,682 |
| Balance at 31st March, 2009 | 100,000,001 | 24,875,682 | 7,324,731 | 132,200,414 |
| Total comprehensive income for the year | – | – | 9,586,152 | 9,586,152 |
| Share application money refunded | – | (7,217,832) | – | (7,217,832) |
| Issue of preference shares | – | (17,657,850) | – | (17,657,850) |
| Balance at 31st March, 2010 | 100,000,001 | – | 16,910,883 | 116,910,884 |

The notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2010

| | 2010 USD | 2009 USD |
|--|---------------------|---------------------|
| Cash flows from operating activities | | |
| Profit before tax | 12,840,954 | 9,652,853 |
| Adjustments for: | | |
| Depreciation of non-current assets | 29,329,969 | 10,697,628 |
| Finance cost | 21,034,669 | 7,873,691 |
| Impairment on investment in subsidiary | 23,947 | – |
| Loss on sale of available for sale investment | 402,854 | – |
| Profit on sale of plant and equipment / capital work-in-progress | (4,552,798) | – |
| Interest income | (88,208) | (4,501) |
| Bad debts written off | 3,882,331 | – |
| Unrealised exchange gain | (188,951) | – |
| Exchange loss on repayment of loan | 4,874,083 | – |
| | <u>67,558,850</u> | <u>28,219,671</u> |
| Movements in working capital | | |
| Increase in inventories | (936,400) | (3,625,825) |
| Increase in trade and other receivables | (3,812,405) | (30,005,577) |
| (Decrease) / Increase in trade and other payables | (2,967,668) | 7,524,623 |
| Cash generated from operations | 59,842,377 | 2,112,892 |
| Income taxes paid | (4,407,788) | (1,263,764) |
| Net cash used in operating activities | 55,434,589 | 849,128 |
| Cash flows from investing activities | | |
| Payments for plant and equipment | (153,016) | (270,205) |
| Sale of plant and equipment | 41,290,000 | – |
| Expenditure in capital work in progress | (5,718,673) | (73,411,664) |
| Sale of capital work in progress | 44,911,235 | – |
| Expenditure during project under construction | (342,318) | (9,706,842) |
| Interest received | 67,751 | 4,501 |
| Sale of AFS investments | 2,097,146 | – |
| Investment in subsidiaries | (130,017,647) | – |
| Net cash used in investing activities | (47,865,522) | (83,384,210) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 549,511,073 | 72,473,121 |
| Repayment of borrowings | (524,600,143) | (87,498,130) |
| Upfront fees paid | (5,848,608) | (4,563,838) |
| Interest paid | (17,306,599) | (13,570,856) |
| Refund of share application money | (7,217,832) | – |
| Advance from holding / group company | – | 98,216,346 |
| Share application money received | – | 1,350,000 |
| Net cash (used in) / generated from financing activities | (5,462,109) | 66,406,643 |
| Net increase / (decrease) in cash and cash equivalents | 2,106,958 | (16,128,439) |
| Cash and cash equivalents at April 1 | 3,227,932 | 19,356,371 |
| Cash and cash equivalents at March 31 | 5,334,890 | 3,227,932 |

The notes form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2010
Non cash transactions:

- During the year 2009-10, the Company has issued preference shares amounting to USD 17,657,850 to Essar Shipping Ports & Logistics Limited, India against the share application money outstanding in the previous year.
- During the year 2009-10, the Company has made investments in Essar Oilfield Services India Limited (EOSIL) amounting to USD 10,328,534 against transfer of capital work in progress of USD 10,328,534.
- During the year 2009-10, the Company has made provision amounting to USD 14,905,678 which has been capitalised as plant and equipment during the year.
- During the year 2008-09, the Company has issued preference shares amounting to USD 85,000,000 to Essar Shipping & Logistics Limited, Cyprus against the share application money received in advance in previous year.
- During the year 2008-09, India Shipping, Mauritius (merged with Essar Shipping Ports & Logistics Limited, India (ESPLL) subsequently) has assigned its receivable amounting to USD 23,525,682 which has been treated as share application money from ESPLL.
- During the year 2008-09, Arya Infrastructure Holdings Limited has assigned its receivable from the Company to Essar Global Limited amounting to USD 3,263,870.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2010

1. a) GENERAL INFORMATION

Essar Oilfields Services Limited (the "Company") was incorporated in Mauritius on 19th May, 2005 and is primarily engaged in onshore and offshore drilling and oilfield services. The Registered Office of the Company is located at 10, Frère Félix de Valois Street, Port Louis, Mauritius and its place of business is situated at Emaar Business Park 4, Sheikh Zayed Ali Road, Dubai, UAE.

For the purpose of facilitating operation of Essar Wildcat Rig, the Company established a "Project Office" in India (Indian operations) on 15th June, 2007. In addition to carrying out the operation of the wild-cat rig, the Indian operations also undertakes taking rigs on charter hire basis and giving them on hire basis.

b) STATEMENT OF COMPLIANCE

The aforesaid financial statements are separate financial statements of the Company and have been prepared in accordance with the International Financial Reporting Standards (IFRS).

2. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis. The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies, which are described in note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

However, there are no key assumptions required to be made in these financial statements concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future periods.

4. SIGNIFICANT ACCOUNTING POLICIES

(i) Financial instruments

Financial assets, financial liabilities and equity instruments are recognised when the Company has become a party to the contractual provisions of the instrument.

Other receivables

Other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, if any.

Financial liabilities and equity instruments:

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Borrowings and bills payable

Interest-bearing loans, commercial paper, overdrafts and bills payable are recorded at the proceeds received or funds raised, net of direct issue / transaction costs, if any. Finance charges, including premium payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Other payables

Other payables are stated at their nominal values.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial assets

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets are classified into following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments' (HTM), 'available-for-sale' (AFS) financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets. When financial assets are recognised initially, they are measured fair value. These investments/assets do not generally contain embedded derivatives when the Company first becomes party to it.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as available-for-sale investments and are not classified in any of the other categories. After initial recognition, these investments are subsequently measured at fair values with unrecognised gains or losses being recognised in other comprehensive income, until the investments are disposed of or are determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the statement of comprehensive income.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments in units of mutual funds, fair value is determined with reference to the net asset value or the repurchase price of the units as declared by the mutual funds as at the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted estimated future cash flow and other valuation models.

The Company assesses at each reporting date whether a financial asset is to be impaired.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset / liability and of allocating interest income / expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset / liability, or, where appropriate, a shorter period.

Income / expense is recognised on an effective interest basis for debt instruments other than those financial assets / liabilities designated as at FVTPL.

(ii) Investment in subsidiaries

A subsidiary is an entity over which the company has the power to govern operating and financial policies generally accompanied by shareholdings of more than one half of voting rights.

The investments in subsidiaries that are not accounted for as held for sale are accounted for at cost.

(iii) Revenue recognition

Revenue is recognised when:

- (a) It is probable that the economic benefits associated with the transaction will flow to the entity; and
- (b) The amount of the revenue can be measured reliably.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

(iv) Borrowing costs

Borrowing costs (including foreign exchange differences) directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of the assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalisation.

All other borrowing costs are charged to the statement of comprehensive income in the period in which they are incurred.

(v) Foreign currencies

These financial statements have been expressed in United States Dollars (USD), the functional currency of the Company.

Foreign currency transactions are recorded at the standard exchange rates determined monthly which approximates the actual rate on the date of transaction. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

(vi) Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Margin deposits maturity period of less than 90 days are included in cash and cash equivalents.

(vii) Provisions

A provision is recognised when:

- (a) The Company has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

- (c) A reliable estimate can be made of the amount of the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle that obligation at the reporting date.

(viii) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the future taxable profits will be available against which deductible temporary differences can be utilised.

(ix) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use.

The Company depreciates rigs using straight line method (SLM) and all the other assets using the written down value method (WDV), so as to systematically depreciate the cost of such assets over their estimated useful lives.

The useful lives from the year of built of an asset / rates of depreciation are estimated as follows:

| Class of asset | Basis | Useful life / rates of depreciation |
|------------------------|-------|-------------------------------------|
| Plant and equipment | SLM | 10 - 15 years |
| Office equipments | WDV | 10% to 40% |
| Furniture and fixtures | WDV | 10% to 40% |

When assets are disposed or retired, their cost and accumulated depreciation are removed from the financial statements. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in the income statement of comprehensive income for the relevant period.

(x) Plant and equipment under construction

Properties in the course of construction are carried at cost, less any recognised impairment loss. Cost includes direct costs, borrowing cost and administrative and other overheads directly attributable to construction of qualifying assets. Depreciation of these assets commences when the assets are ready for intended use. Capital work in progress includes cost of equipments, advances towards progress payments for supply of material and labour and project management consultancy / technical advisory fees.

(xi) Impairment of assets

At each reporting date, the Company reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the greater of net selling price (fair value less costs to sell) and 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 specified to the asset. Impairment losses are recognised as an expense in the statement of comprehensive income for an amount by which the carrying amount of the asset exceeds its recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(xii) Operating leases

Company as lessor:

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Company as lessee:

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(xiii) Employee benefits

- a) Contribution to recognised provident fund, which is a fixed percentage of eligible employees' salary, is charged to Statement of comprehensive income.
- b) Provision for all accumulated compensated absences and gratuity of eligible employees is based on an independent actuarial valuation.

(xiv) Inventories

Inventories mainly comprise of stores and spares. Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventories on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

5. ADOPTION OF NEW OR REVISED STANDARDS

(i) Future changes in accounting policies:

At the date of the authorisation of these financial statements, the following standards and interpretations issued by International Financial Reporting Interpretation Committee ("IFRIC") of the International Accounting Standard Board were issued but had not become effective:

Annual periods beginning on or after 1st July, 2009

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations – This amendment became effective for financial years beginning on or after 1st July, 2009. This amendment clarifies that assets and liabilities of subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control in a subsidiary regardless of whether that entity will retain non-controlling interest after the sale. The Company is currently evaluating the impact on disclosures of these revisions on its financial statements.

IAS 27 - Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3. IAS 27(2008) has been adopted in advance of its effective date (annual periods beginning on or after 1st July, 2009). The revisions to IAS 27 principally affect the accounting for transactions or events that result in a change in the company's interests in its subsidiaries.

IAS 39 - Financial Instruments: Recognition and Measurement – The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

Annual periods beginning on or after 1st January 2010

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from April 2009 Annual improvements to IFRSs. Disclosures in these financial statements have been modified to reflect the International Accounting Standards Board's clarification (as part of Improvements to IFRSs (2009)) that the disclosure requirements in Standards other than (IFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations.

IAS 1 - Presentation of Financial Statements – IAS 1(2007) has introduced terminology changes (including revised titles for the financial and changes in the format and content of the financial statements. In addition, the revised standard has required the presentation of third statement of financial position at 1st January, 2008 because the Company has applied 2 new accounting policies retrospectively.

IAS 7 - Statement of Cash Flows – The Amendments (part of improvements to IFRSs (2009)) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet

the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows. Prior year amounts have been restated for consistent presentation.

IAS 17 - Leases – As part of Improvements to IFRSs (2009) issued in April 2009, the International Accounting Standards Board amended the requirements of IAS 17 Leases, regarding the classification of leases of land. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS 17. These amendments are effective for annual periods beginning on or after 1st January, 2010, and they are to be applied retrospectively to unexpired leases at 1st January, 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised Standard will be applied based on the facts and circumstances existing on 1st January, 2010 (i.e. the date of adoption of the amendments) and the Company will recognise assets and liabilities related to land leases newly classified as finance leases at their fair values on that date; any difference between those fair, values will be recognised in retained earnings.

Annual periods beginning on or after 1st February, 2010

IAS 32 - Financial Instruments: Presentation – The definition of a financial liability has been amended to classify rights issues (and certain options or warrants) as equity instruments if:

- The rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments;
- They are used to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Annual periods beginning on or after 1st January, 2011

IAS 24 - Related Party Disclosures – The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. A partial exemption from the disclosures has been included for government-related entities. For these entities the general disclosure requirements of IAS 24 will not apply. Instead, alternative disclosures have been included, requiring:

- The name of the government and the nature of its relationship with the reporting entity;
- The nature and amount of individually significant transaction year;
- A qualitative or quantitative indication of the extent of transactions that are collectively significant.

Annual periods beginning on or after 1st January, 2013

IFRS 9 - Financial Instruments – The first phase of IFRS 9 Financial Instruments addresses the classification and measurement of financial assets. The IASB's work on the other phases is ongoing and includes classification and measurement of financial liabilities, impairment of financial instruments hedge accounting and derecognition of financial instruments, with a view to replacing IAS 39 Financial Instruments: Recognition and Measurement in its entirety by early 2011.

(ii) Standards effective in the current year:

In the current year, the Company has adopted:

IAS 1 Presentation of Financial Statements – Comprehensive revision requiring a statement of comprehensive income; which is effective for reporting period beginning on or after 1st January, 2009. The impact of the adoption of IAS 1 has provided in these financial statements.

IFRS 7 Financial Instruments: Disclosures – The new disclosures:

- o clarify that the existing IFRS 7 fair value disclosures must be made separately for each class of financial instrument.
- o add disclosure of any change in the method for determining fair value and the reasons for the change establish a three-level hierarchy for making fair value measurements:
 1. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
 2. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
 3. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

- o add disclosure, for each fair value measurement in the statement of financial position, of which level in the hierarchy was used and any transfers between levels, with additional disclosures whenever level 3 is used including a measure of sensitivity to a change in input data.
- o clarify that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts.
- o add disclosure of a maturity analysis for derivative financial liabilities.

(iii) Standards and interpretations adopted with no effect on the financial statements

IAS 23 (as revised in 2007) Borrowing Costs – The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Company’s accounting policy to capitalise borrowing costs incurred on qualifying assets.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Puttable Financial Instruments and obligations arising on liquidation – The revisions to IAS 32 amend the criteria for debt / equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures regarding reclassifications of financial assets – The amendments to IFRIC 9 and IAS 39 permit an entity to reclassify particular financial instruments out of the ‘fair value through profit or loss’ (FVTPL) and ‘available-for-sale’ (AFS) categories in very limited circumstances. Such reclassifications are to be assessed for annual periods ending on or after 30th June, 2009. However these amendments to IAS 39 and IFRIC 9 do not apply to the Company.

Amendments to IAS 32 Financial Instruments: Presentation regarding classifications of rights issue – The amendments to IAS 32 address classification of certain rights issues denominated in a foreign currency as either an equity instrument or a financial liability. The Company has not entered into any rights issues in the current or comparative period.

6. PLANT AND EQUIPMENT

| Cost | Plant and machinery USD | Office equipments USD | Furniture and fixtures USD | TOTAL USD |
|--|----------------------------|--------------------------|-------------------------------|--------------------|
| Balance as on 1st April, 2008 | 25,851,718 | 145,280 | 12,225 | 26,009,223 |
| Additions during the year | 458,854,869 | 30,771 | 233,364 | 459,119,004 |
| Balance as on 31st March, 2009 | 484,706,587 | 176,051 | 245,589 | 485,128,227 |
| Additions during the year | 20,755,108 | 21,291 | 968 | 20,777,367 |
| Sale during the year | (43,039,040) | – | – | (43,039,040) |
| Balance as on 31st March, 2010 | 462,422,655 | 197,342 | 246,557 | 462,866,554 |
| Balance as on 1st April, 2008 | 457,007 | 16,729 | 858 | 474,594 |
| Depreciation for the year | 10,645,608 | 39,663 | 32,995 | 10,718,266 |
| Balance as on 31st March, 2009 | 11,102,615 | 56,392 | 33,853 | 11,192,860 |
| Depreciation for the year | 29,260,107 | 32,022 | 37,840 | 29,329,969 |
| Sale during the year | (5,127,863) | – | – | (5,127,863) |
| Balance as on 31st March, 2010 | 35,234,859 | 88,414 | 71,693 | 35,394,966 |
| Carrying amount: | | | | |
| At 31st March, 2010 | 427,187,796 | 108,928 | 174,864 | 427,471,588 |
| At 31st March, 2009 | 473,603,972 | 119,659 | 211,736 | 473,935,367 |

Notes:

- 1) Plant and machinery includes Essar Wildcat Rig having gross amount of USD 462,222,390 (previous year USD 441,598,039) is charged by the Company as security against the syndicated term loan of USD 186,031,250 (previous year USD 113,108,818) and also carries second preferred mortgage against bridge loan amounting to USD Nil (previous year USD 80 million).
- 2) Depreciation amounting to USD Nil (previous year USD 20,638) has been transferred to capital work-in-progress.

7. CAPITAL WORK IN PROGRESS

| | 2010 USD | 2009 USD |
|---|--------------|-------------------|
| Balance as on April 1, | 52,052,254 | 395,757,432 |
| Add: Additions during the year | 20,624,351 | 75,476,023 |
| Add: Transfer from expenditure during project | 2,013,540 | 59,667,597 |
| Less: Spare equipments transferred to inventory (refer note 11) | - | (20,000,000) |
| Less: Capitalised during the year | (20,624,351) | (458,848,798) |
| Less: Transferred to Essar Oilfield Services India Limited | (54,065,794) | - |
| Balance as on 31st March, | - | 52,052,254 |

Details are as under:

| | 2010 USD | 2009 USD |
|---|-------------|-------------------|
| Mexican rigs | - | 42,259,406 |
| Indian rigs | - | 9,623,841 |
| Jack-up rigs | - | 169,007 |
| Balance as on 31st March, | - | 52,052,254 |

8. EXPENDITURE DURING PROJECT

| | 2010 USD | 2009 USD |
|---|-------------|------------------|
| Balance as on April 1, | 1,671,222 | 29,276,726 |
| Add: Additions during the year | 342,318 | 32,062,093 |
| Less: Transferred to capital work in progress | (2,013,540) | (59,667,597) |
| Balance as on March 31, | - | 1,671,222 |

9. AVAILABLE FOR SALE INVESTMENTS
(A) INVESTMENT IN SUBSIDIARY

| | Ownership interest | Nature of operations | 2010 USD | 2009 USD |
|--|-----------------------|---|--------------------|----------------|
| Essar Oilfields Services (FZE), Dubai (1 equity share of USD 272,480) | 100% | Ship operating and management activities | 248,533 | 272,480 |
| Essar Oilfield Services India Limited, India (657,986,865 equity share of Rs. 10 each) | 100% | Oilfields services activities | 140,346,180 | - |
| | | | 140,594,713 | 272,480 |

Note:

- a) Essar Oilfields Services FZE, 100% subsidiary of the Company has been liquidated with effect from 14th April 2010. Hence, the management has recognised the impairment of USD 23,947 in investments and the fair value of the investments has been shown as Investments classified as held for sale.
- b) 147,187,869 equity shares in Essar Oilfield Services India Limited ("EOSIL"), India has been pledged by the Company to the lenders of EOSIL for availment of term loan.

(B) AVAILABLE FOR SALE INVESTMENTS

| Name of the fund | 2010 USD (Fair value) | 2009 USD (Fair value) |
|---|-----------------------------|-----------------------------|
| AI - waseela fund (953312.4616 units having cost /impaired value of USD 2,500,000) (NAV per unit as on March 31, 2010 USD Nil (previous year USD 3.94)) | – | 1,906,966 |
| | – | 1,906,966 |
| Total (A + B) | 140,594,713 | 2,179,446 |

10. TRADE AND OTHER RECEIVABLES

| | 2010 USD | 2009 USD |
|--|-------------------|-------------------|
| Trade receivables | 33,931,271 | 32,093,113 |
| Trade receivables from related parties | 4,276,768 | 13,802,095 |
| Other receivables from related parties | 798,631 | – |
| Advance given to suppliers * | 125,761 | 95,440 |
| Advance given to employees * | 62,240 | 94,098 |
| Prepaid expenses | 209,700 | 14,864 |
| Service tax receivables | 1,581,523 | 776,250 |
| Other deposits | 99,850 | 165,386 |
| Interest on deposits | 20,457 | – |
| Margin money with banks | 5,885,576 | – |
| Total | 46,991,777 | 47,041,246 |

* Advances given by the Company to suppliers and employees are unsecured and interest free.

The average credit period for trade receivables is 30-90 days. The carrying amount of trade and other receivables approximates to their fair value and hence no allowance of doubtful debts is required.

In respect of balances outstanding from few related parties, the management does not consider them as a credit risk as these parties have sound financial track record. Further, considering the past experiences, there is no indication of inability to discharge the debts by these related parties.

Before accepting any new customer, Company assesses credit rating of the potential customer's credit quality and defines credit limits by customer. Limit and credit rating attributed to customers are reviewed every year by the Company.

Included in the trade and other receivables balance are financial assets with a carrying amount of USD 30,397,466 (previous year USD 28,550,133) which are past due as under at the reporting date for which the Company has not provided as there has not been a significant change in the credit quality and the amounts are still recoverable. The Company does not hold any collateral over these balances.

Ageing of past due but not impaired:

| As at March 31, | 2010 USD | 2009 USD |
|---------------------|-------------------|-------------------|
| 0 - 90 days | 8,903,286 | 16,038,664 |
| 90 - 180 days | 1,570,998 | 391,301 |
| 180 - 360 days | 1,731,491 | 12,120,168 |
| 360 days and beyond | 18,191,691 | – |
| Total | 30,397,466 | 28,550,133 |

11. INVENTORIES

The inventory balance mainly comprises of store and spares. During the previous year, inventories amounting to USD 20,000,000 had been transferred from Capital work-in-progress which was expected to be recovered after more than twelve months.

The cost of inventories recognised as an expense during the period was USD 4,843,823 (Previous year USD 460,908).

12. CASH AND CASH EQUIVALENTS

| | 2010 USD | 2009 USD |
|---|------------------|------------------|
| Cash and bank balances | 5,334,890 | 3,225,194 |
| Short term deposits with banks (including margin money of USD Nil (previous year USD 2,738)) | – | 2,738 |
| Total | 5,334,890 | 3,227,932 |

13. STATED CAPITAL

| | 2010 | | 2009 | |
|-------------------------------|-------------|-------------|-------------|-------------|
| | Number | USD | Number | USD |
| Ordinary shares of USD 1 each | 100,000,001 | 100,000,001 | 100,000,001 | 100,000,001 |

The Company has one class of ordinary shares viz. equity shares which carry a right to vote but no right to fixed income by the way of dividend and are repayable only on winding up of the Company.

14. BORROWINGS

| | 2010 USD | 2009 USD |
|---|--------------------|--------------------|
| Secured loans: (at amortised cost) | | |
| – Syndicated term loan (i) | 182,682,016 | 113,108,818 |
| – Short term loan from bank (i) | 14,725,990 | 133,172,146 |
| | 197,408,006 | 246,280,964 |
| Unsecured loan: (at amortised cost) | | |
| – from related party | 1,451,073 | 99,416,346 |
| – Cumulative redeemable preferential shares issued to related party (iii) | 275,657,850 | 85,000,000 |
| Total borrowings | 474,516,929 | 430,697,310 |
| Less: Due within one year | 80,851,073 | 345,697,310 |
| Due after one year | 393,665,856 | 85,000,000 |

Summary of borrowing arrangements:

- The borrowing of the Company from banks is secured by charge on Essar Wildcat rig and inventory and also secured by corporate guarantees from Essar Shipping & Logistics Limited and Essar Shipping Ports & Logistics Limited, the holding companies.
- The rate of interest on the above borrowings from banks ranges from 5.5% to 9% per annum (previous year 4% to 6%). In case of unsecured borrowings, the interest rate ranges from 6% to 13.5% (previous year 6% to 7%).
- 259,765,785 (previous year 85,000,000) 2% redeemable cumulative preference shares having maturity period of ten years been issued to Essar Shipping & Logistics Limited and Essar Shipping Ports & Logistics Limited, the holding companies. The Company is having an option to redeem the preference shares at the end of three years from the date of issue of such shares.

15. TRADE AND OTHER PAYABLES

| | 2010 USD | 2009 USD |
|-----------------------------------|-------------------|-------------------|
| Trade payables | 14,523,380 | 19,342,203 |
| Other payables | 199,813 | 119,926 |
| Provision for purchase / expenses | 8,327,590 | 6,254,788 |
| Payable to related parties | 8,546,056 | 5,881,117 |
| Bills payable | – | 4,276,119 |
| Service tax payable | 4,027,232 | 2,884,849 |
| Interest accrual | 2,032,627 | 529,921 |
| Total | 37,656,698 | 39,288,923 |

Notes:

- 1) Trade and other payables principally comprise amounts outstanding for trade purchases and operating costs. The average credit period taken for the trade payables is 30-90 days. The carrying amount of trade payables approximates to their fair values.
- 2) Payables to related parties are unsecured, interest free and payable on demand.

16. STAFF COST

| | 2010 USD | 2009 USD |
|--|-------------------|------------------|
| Salary, wages and bonus | 12,149,118 | 8,731,148 |
| Allowances and perquisites | 91,901 | 1,654,655 |
| Defined contribution plan (refer note 20(I)) | 59,307 | 15,061 |
| Defined benefit plan (refer note 20(II)(C)) | (26,947) | 51,197 |
| Others | 100,040 | 188,924 |
| Less: staff cost capitalised | – | (6,018,680) |
| Total staff cost | 12,373,420 | 4,622,305 |
| Included in: | | |
| Operating expenses | 11,724,811 | 3,248,172 |
| General and administration expenses | 648,609 | 1,374,133 |
| Total | 12,373,420 | 4,622,305 |

17. FINANCE COST

| | 2010 USD | 2009 USD |
|----------------------------|---------------------|---------------------|
| Interest expense | 18,685,918 | 20,782,318 |
| Loan arrangement fees | 2,225,364 | 8,781,269 |
| Others | 123,387 | 665,355 |
| Less: Interest capitalised | – | (22,355,251) |
| Total finance cost | 21,034,669 | 7,873,691 |

18. RELATED PARTY TRANSACTIONS

Details of related parties

(I) Holding companies:

- (a) Essar Shipping Ports & Logistics Limited, India (w.e.f. 1st April, 2008)
- (b) India Shipping Limited, Mauritius (w.e.f. February 08, 2008 till 31st March, 2008)
- (c) Essar Shipping & Logistics Limited, Cyprus
- (d) Essar Global Limited, Cayman Islands

(II) Subsidiary companies:

- (a) Essar Oilfields Services FZE, Dubai
- (b) Essar Oilfield Services India Limited

(III) Enterprises commonly controlled or influenced by major shareholders / directors / or close members of families of such individuals with whom the Company has transactions during the year ("Affiliates"):

- (a) Essar Engineering Services Limited, India
- (b) Essar Exploration & Production Limited, Dubai
- (c) Essar Infrastructure Holdings Limited, Mauritius
- (d) Essar Gulf FZE, Dubai
- (e) Essar Oil Limited, India
- (f) Essar Steel Sharjah FZE, Dubai
- (g) Futura Travels Limited, India
- (h) Essar Constructions (India) Limited, India
- (i) Essar Exploration & Production India Limited, India
- (j) Essar Steel Limited, India
- (k) Essar Logistics Limited, India
- (l) Essar Shipping & Logistics (Panama) Inc., Panama
- (m) Essar Telecom Limited, India
- (n) Essar Investments Limited, India
- (o) Paprika Properties Dubai Limited
- (p) Essar Infrastructure Services Limited, India
- (q) Essar Ports & Terminals Limited, Mauritius
- (r) Essar Information Technology Limited, India
- (s) Aegies Limited, India
- (t) Essar House Limited, India

During the year ended 31st March, 2010, the Company transacted with related parties. The nature, volume and type of transactions and balances with the parties are as follows:

| Nature of transactions | Holding companies | Other related parties | Key Management Personnel | Total |
|---|----------------------------|---------------------------|--------------------------|----------------------------|
| Operating revenue | – (-) | 1,438,122 (2,412,155) | – (-) | 1,438,122 (2,412,155) |
| Finance cost | 2,749,168 (7,526,880) | 43,930 (-) | – (-) | 2,793,098 (7,526,880) |
| Rent expenses | – (190,971) | 701,569 (-) | – (-) | 701,569 (190,971) |
| Manpower hire charges | – (-) | – (963) | – (-) | – (963) |
| Travelling expenses | – (-) | 620,634 (1,926,798) | – (-) | 620,634 (1,926,798) |
| Hire charges - plant and machinery | – (-) | 1,187,226 (2,232,499) | – (-) | 1,187,226 (2,232,499) |
| Clearing and forwarding expenses | – (-) | 1,403,981 (1,951,981) | – (-) | 1,403,981 (1,951,981) |
| Consultancy services and professional charges | – (-) | 2,092,746 – | – (-) | 2,092,746 (-) |
| Repairs and maintenance | – (-) | 47,736 (-) | – (-) | 47,736 (-) |
| <i>Lodging and boarding</i> | – (-) | 3,049 (-) | – (-) | 3,049 (-) |
| Reimbursement of expenses | 25,233 (720,077) | 52,551 (217,757) | – (-) | 77,784 (937,834) |
| Purchase of property and equipment | – (-) | 864 (2,491) | – (-) | 864 (2,491) |
| Sale of property and equipment | – (-) | 96,528,534 (-) | – (-) | 96,528,534 (-) |
| Advance against share application money | – (-) | 130,992,500 (-) | – (-) | 130,992,500 (-) |
| Assignment of payable to the Company | – (-) | 27,742,667 (-) | – (-) | 27,742,667 (-) |
| Settlement of payables through assignment | – (-) | 27,742,667 (3,263,870) | – (-) | 27,742,667 (3,263,870) |
| Purchase of stores | – (-) | – (25,689) | – (-) | – (25,689) |
| Managerial remuneration | – (-) | – (-) | – (216,285) | – (216,285) |
| Loans received | 98,360,000 (90,575,675) | – (-) | – (-) | 98,360,000 (90,575,675) |
| Advances received | 160,416,319 (50,000) | 65,575,873 (1,687,651) | – (-) | 225,992,192 (1,737,651) |
| Loans and advances given | – (1,769,726) | 657,800 (9,267) | – (-) | 657,800 (1,778,993) |
| Assignment of receivables to the Company | – (23,525,682) | – (-) | – (-) | – (23,525,682) |

| Nature of transactions | Holding companies | Other related parties | Key management personnel | Total |
|-----------------------------------|-----------------------------|-----------------------|--------------------------|-----------------------------|
| Share application money received | – (24,875,682) | – (-) | – (-) | – (24,875,682) |
| Issue of preference share capital | 190,657,850 (85,000,000) | – (-) | – (-) | 190,657,850 (85,000,000) |
| Investment in subsidiary | 10,207 (-) | 140,335,974 (-) | – (-) | 140,346,180 (-) |

Outstanding balances as on 31.3.2010

| Nature of balances | Holding companies | Other related parties | Key Management Personnel | Total |
|-----------------------------------|------------------------------|--------------------------|--------------------------|------------------------------|
| Trade and other receivables | 77,417 (12,662,435) | 4,997,983 (1,139,660) | – (-) | 5,075,400 (13,802,095) |
| Share application money received | – (24,875,682) | – (-) | – (-) | – (24,875,682) |
| Trade and other payables | 1,046,551 (3,624,300) | 7,499,504 (2,256,816) | – (-) | 8,546,056 (5,881,116) |
| Loan received | 1,451,073 (98,103,555) | – (1,312,791) | – (-) | 1,451,073 (99,416,346) |
| Guarantees issued for the Company | 250,800,000 (255,608,818) | – (-) | – (-) | 250,800,000 (255,608,818) |
| Guarantees issued by the Company | – (-) | 268,054,940 (-) | – (-) | 268,054,940 (-) |

* Figures of previous year have been shown in brackets.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at contractually agreed prices. Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31st March, 2010 and 31st March, 2009, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

19. FINANCIAL INSTRUMENTS
(i) Capital market risk:

The Company is in to capital intensive industry; wherein it needs significant amount of funds to finance the acquisition of rigs and for refurbishment of the rigs before it goes in to operation. The Company has financed its capital requirements through share capital invested by its holding company and majority through borrowings which is backed by the charge on the assets. The Company currently has the capital gearing ratio of 401.32% (previous year 323.35%) as disclosed below; however the ratio would come down gradually as the Company makes repayment of the said debt from funds generated from the operations.

The capital structure of the Company consists of net debt (borrowings as detailed in notes 4, offset by cash and bank balances) and equity of the Company (comprising stated capital, share application money and retained earnings).

The gearing ratio for the year ended was as follows:

| Particulars | 2010 USD | 2009 USD |
|--|--------------------|--------------------|
| Debt (i) | 474,516,929 | 430,697,310 |
| Cash and cash equivalent | (5,334,890) | (3,227,932) |
| Net debt | 469,182,039 | 427,469,378 |
| Equity (including share application money) | 116,910,884 | 132,200,414 |
| Net debt to equity ratio | 401.32% | 323.35% |

(ii) Significant accounting policies:

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4 to the financial statements.

(iii) Categories of financial instruments:

| | 2010 USD | 2009 USD |
|--|--------------------|--------------------|
| Available for sale investments | – | 1,906,966 |
| Loans and receivables (including cash and cash equivalents)* | 50,409,683 | 49,382,624 |
| | 50,409,683 | 51,289,590 |
| Other liabilities | 33,629,466 | 36,404,074 |
| Borrowings | 474,516,929 | 430,697,310 |
| | 508,146,395 | 467,101,384 |

* Prepayments, advances to suppliers and service tax receivables amounting to USD 1,916,983 (Previous year - USD 886,554) have not been included in financial assets and provision for purchases and service tax payable amounting to USD 27,260,500 (Previous year – USD 9,139,637) have not been included in financial liabilities.

(iv) Currency profile:

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

| Particulars | 2010 | | 2009 | |
|--------------------------------|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | Financial assets USD | Financial liabilities USD | Financial assets USD | Financial liabilities USD |
| United states dollars (USD) | 46,510,175 | 487,363,787 | 49,507,326 | 449,848,300 |
| Indian rupees (INR) | 3,899,508 | 11,061,741 | (125,001) | 7,625,251 |
| Dhirams (AED) | – | 5,017,227 | 1,906,966 | 2,833,278 |
| British pounds (GBP) | – | 1,561,933 | 87 | 652,338 |
| Norwegian krone (NOK) | – | 58,208 | 4 | 243,847 |
| European Union currency (EURO) | – | 70,306 | – | 304,995 |
| South African rand (ZAR) | – | 485 | 3 | 30,095 |
| Singapore dollars (SGD) | – | 1,288,965 | 205 | 3,451,937 |
| Omani rial (OMR) | – | 1,723,524 | – | 2,110,182 |
| Others | – | 219 | – | 1,161 |
| | 50,409,683 | 508,146,395 | 51,289,590 | 467,101,384 |

(v) Fair value risk:

The carrying values of trade and other receivables and trade and other payables approximate to their fair values.

(vi) Currency risk:

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Company has not entered in to any forward foreign exchange contracts to cover specific foreign currency exposures.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| Particulars | 2010 USD | 2009 USD |
|--|-------------------|-------------------|
| Assets | | |
| Trade and other receivables: | | |
| in INR | 3,841,128 | 961,208 |
| Available for sale investments: | | |
| in AED | – | 1,906,966 |
| Cash and bank balances | | |
| in INR | 58,380 | (1,086,209) |
| in GBP | – | 87 |
| in NOK | – | 4 |
| in ZAR | – | 3 |
| in SGD | – | 205 |
| Total | 3,899,508 | 1,782,264 |
| Liabilities | | |
| Trade and other payables | | |
| in INR | 11,061,741 | 7,625,251 |
| in AED | 5,017,227 | 2,833,278 |
| in EURO | 70,306 | 304,995 |
| in GBP | 1,561,933 | 652,338 |
| in NOK | 58,208 | 243,847 |
| in OMR | 1,723,524 | 2,110,182 |
| in SGD | 1,288,965 | 3,451,937 |
| in Others | 219 | 1,161 |
| in ZAR | 485 | 30,095 |
| Total | 20,782,608 | 17,253,084 |

The following table details the Company's sensitivity to a 10% increase and decrease in the USD against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the Company.

A positive number below indicates an increase in profit where the USD strengthens 10% against the relevant currency. For a 10% weakening of the USD against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative. There is reverse impact on the expenditure during construction, 10% strengthening of USD leads to reduction in Expenditure during construction as shown below and 10% weakening of USD leads to opposite impact of increase in expenditure during construction.

| Currency impacts | Impact on profit and loss | |
|---------------------------------|---------------------------|------------------|
| | 2010 USD | 2009 USD |
| Assets: | | |
| INR impact | 389,951 | (12,500) |
| AED impact | – | 190,697 |
| GBP impact | – | 9 |
| NOK impact | – | – |
| EURO impact | – | – |
| ZAR impact | – | – |
| SGD impact | – | 21 |
| Total asset impact | 389,951 | 178,227 |
| Liabilities: | | |
| INR impact | 1,106,174 | 762,525 |
| AED impact | 501,723 | 283,328 |
| EURO impact | 7,031 | 30,500 |
| GBP impact | 156,193 | 65,234 |
| NOK impact | 5,821 | 24,385 |
| OMR impact | 172,352 | 211,018 |
| SGD impact | 128,897 | 345,194 |
| Others impact | 22 | 116 |
| ZAR impact | 49 | 3,010 |
| Total liabilities impact | 2,078,262 | 1,725,310 |

(vii) Interest rate risk:

The Company is exposed to interest rate risk as it has borrowed funds bearing floating interest rates. The interest rate risk is managed by monitoring the Company's level of borrowings periodically and structuring its borrowings varying maturity and interest rate terms. The Company's exposure to interest rates on financial assets and financial liabilities are detailed in liquidity risk management section of this note.

The sensitivity analysis below has been determined based on the exposure to interest rates for instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to Key Management Personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's expenditure during project for the period ended 31st March, 2010 would increase / decrease by USD Nil (previous year USD 1,721,923) and profit and loss would decrease / increase by USD 987,040 (previous year USD 430,481). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company has not entered into interest rate swap contracts and / or forward interest contracts to manage its interest rate risk.

(viii) Credit risk:

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has majority of its receivables from group companies; hence, credit risk is minimum.

(ix) Liquidity risk:

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Additional undrawn facilities that the Company has at its disposal also reduce liquidity risk.

In respect of term loan and other financial liabilities, the Company is exposed to liquidity risk. The maturity analysis of the said financial liabilities on gross basis is as under:

| | 2010 USD | 2009 USD |
|--|--------------------|--------------------|
| – Within 90 days | 64,729,466 | 364,398,367 |
| – After 90 days but before 180 days | 16,100,000 | 6,744,552 |
| – After 180 days but before 360 days | 33,651,073 | 5,152,648 |
| – After 1 year but before 3 years | 121,631,250 | 5,805,817 |
| – After 3 years but before 5 years | – | – |
| – 5 years and beyond | 275,657,850 | 85,000,000 |
| Total | 511,769,639 | 467,101,384 |
| Less: Unamortised loan arrangement fees adjusted | 3,623,244 | – |
| Total | 508,146,395 | 467,101,384 |

The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

(x) Other price risk:

The Company is exposed to equity price risk arising from equity investment. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade this investment.

Equity price sensitivity analysis:

The sensitivity analysis below have been determined based on the exposure to equity price risks at the reporting date.

If the price had been 5% higher / lower:

Net profit for the year ended 31st March, 2010 would have been unaffected as equity investments are classified as available for sale and no investments were disposed off or impaired and other equity reserves would increase / decrease by USD Nil (previous year USD 95,348) for the Company as a result of change in fair value of Available for sale investments.

(xi) Fair value of financial instruments:

All financial assets are initially recognised at fair value of consideration paid. Subsequently, financial assets are carried at fair value or amortised cost less impairment. Where non-derivative financial assets are carried at fair value, gains and losses on remeasurement are directly recognised in equity unless the financial assets have been designated as being held at fair value through profit or loss, in which case the gains and losses are recognised directly in the Income Statement. Financial assets are designated as being held at fair value through profit or loss when it is necessary to reduce measurement inconsistency for related assets and liabilities. All financial liabilities other than derivatives are initially recognised fair value of consideration received net of transaction costs as appropriate (initial cost) and subsequently carried at amortised cost.

20. TAX EXPENSE

The Company has been established as Category 1 Global Business company for the purpose of the Financial Service Development Act, 2007. The profit of the Company, as adjusted for tax purpose, is subject to income tax at the rate of 15%. It is, however, entitled to tax credit equivalent to the higher of the foreign taxes paid and 80% of the Mauritius tax on its

foreign source income under Double Taxation Avoidance Agreement (DTAA). Interest income from call and deposit accounts held with any bank under Banking Act, 2004 are exempt from tax and there is no tax on capital gains in Mauritius.

The Company's profit from Indian operations are liable to tax on the higher of profits determined as per the special provision for the business of exploration under section 44BB or book profit calculated under section 115JB of the Indian Income tax Act, 1961. However, this will not result in any temporary differences requiring creation of a deferred tax asset / liability.

Effective tax reconciliation

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the year ended 31st March, 2010 and 31st March, 2009 are as follows:

| | 2010 USD | 2009 USD |
|---|------------------|------------------|
| Profit before tax | 12,480,954 | 9,652,853 |
| Income tax | | |
| Statutory income tax rate of 30% | 3,744,286 | 2,895,856 |
| Effect of presumptive tax rate charged | 103,550 | (178,540) |
| Income taxes recognised in the statement of comprehensive income | 3,847,836 | 2,717,316 |

Current tax liability as appearing in the statement of financial position:

| | Provision for tax | Advance tax | Net |
|------------------------|--------------------|------------------|------------------|
| Opening balance | (2,760,954) | (1,265,787) | (1,495,167) |
| Provision for the year | (3,847,836) | – | (3,847,836) |
| Advance tax | – | 4,526,240 | 4,526,240 |
| Exchange difference | (486,322) | 367,870 | (118,452) |
| Total | (7,095,112) | 6,159,897 | (935,215) |

21. PROVISION FOR EMPLOYEE BENEFITS

(i) Defined contributions plans

During the previous year, the payroll structure of employees in India have been restructured and they have become members of a state - managed retirement benefit plan namely provident fund operated by the Government of India. In case of provident fund the Company is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to these retirement benefit plans is to make specified contributions.

During the current year, the Company has recognised the following amounts in the statement of comprehensive income.

| | 2010 USD | 2009 USD |
|---|---------------|---------------|
| Employer's contribution to provident fund | 54,953 | 13,363 |
| Employee accident policy cover | 4,354 | 1,698 |
| Total | 59,307 | 15,061 |

The above amounts are included in "Staff costs" - Refer note 16.

(II) Defined benefit plans

The Company operates non-funded defined benefit gratuity plan for its qualifying employees. Under the plan the employees are entitled to retirement benefits depending upon the number of years of service rendered by them subject to minimum years of service. No other post retirement benefits are provided to these employees.

The actuarial valuation of plan assets and the present value of defined benefit obligation were carried out as at March 31, 2009 by the certified actuarial valuer. The present value of defined benefit obligation, related current service cost and past service cost were measured using the projected unit credit method.

(A) Movement in present value of defined benefit obligation

| | Gratuity (non-funded scheme) | | Compensated absences (non-funded) | | Total | |
|--|---------------------------------|---------------|--------------------------------------|---------------|---------------|---------------|
| | 2010 USD | 2009 USD | 2010 USD | 2009 USD | 2010 USD | 2009 USD |
| Present value of defined benefit obligation as at the beginning of the year | 18,464 | – | 33,014 | – | 51,478 | – |
| Current service cost | 11,462 | 18,363 | 17,164 | 13,354 | 28,626 | 31,717 |
| Interest cost | 1,507 | – | 2,695 | – | 4,202 | – |
| Actuarial gain / (loss) on obligation | (20,917) | – | (38,858) | 19,480 | (59,775) | 19,480 |
| Exchange fluctuation | 1,974 | 101 | 3,285 | 180 | 5,259 | 281 |
| Present value of defined benefit obligation as at the end of the year | 12,490 | 18,464 | 17,300 | 33,014 | 29,790 | 51,478 |

(B) Amount recognised in Statement of Financial Position

| | Gratuity (non-funded scheme) | | Compensated absences (non-funded) | | Total | |
|---|---------------------------------|---------------|--------------------------------------|---------------|---------------|---------------|
| | 2010 USD | 2009 USD | 2010 USD | 2009 USD | 2010 USD | 2009 USD |
| Present value of defined benefit obligations as at the end of the year | 12,490 | 18,464 | 17,300 | 33,014 | 29,790 | 51,478 |
| Fair value of plan assets as at the end of the year | – | – | – | – | – | – |
| Liability / (Assets) recognised in the statement of financial position (Included in employee benefits) | 12,490 | 18,464 | 17,300 | 33,014 | 29,790 | 51,478 |

(C) Amount recognised in Statement of comprehensive income

| | Gratuity (non-funded scheme) | | Compensated absences (non-funded) | | Total | |
|---|---------------------------------|---------------|--------------------------------------|---------------|-----------------|---------------|
| | 2010 USD | 2009 USD | 2010 USD | 2009 USD | 2010 USD | 2009 USD |
| Current service cost | 11,462 | 18,363 | 17,164 | 13,354 | 28,626 | 31,717 |
| Interest cost | 1,507 | – | 2,695 | – | 4,202 | – |
| Net actuarial gain / (loss) recognised in the period | (20,917) | – | (38,858) | 19,480 | (59,775) | – |
| Total expense recognised in statement of comprehensive income (Included in staff cost - Refer note 16) | (7,948) | 18,363 | (18,999) | 32,834 | (26,947) | 31,717 |

(D) Actuarial assumptions

Actuarial valuation as at the yearend was done in respect of the aforesaid defined benefit plans based on the following assumptions:

(i) General assumptions:

| | Gratuity (non-funded scheme) | | Compensated absences (non-funded) | |
|--|---------------------------------|-------------|--------------------------------------|-------------|
| | 2010 USD | 2009 USD | 2010 USD | 2009 USD |
| Discount rate (per annum) | 7.80% | 7.60% | 7.80% | 7.60% |
| Expected retirement age of employees (years) | 58 | 58 | 58 | 58 |
| Withdrawal rate of employees | 12% | 16% | 12% | 16% |
| Rate of increase in compensation | 9% | 10% | 9% | 10% |

(ii) Mortality rates considered are as per the published rates in the Life Insurance Corporation of India (1994-96) mortality table.

(E) Experience history

| | Gratuity (non-funded scheme) | | Compensated absences (non-funded) | |
|--|---------------------------------|-------------|--------------------------------------|-------------|
| | 2010 USD | 2009 USD | 2010 USD | 2009 USD |
| Defined benefit obligation at the end of the year | (12,490) | (18,464) | (17,300) | (33,014) |
| Funded status | (12,490) | (18,464) | (17,300) | (33,014) |
| Experience gain / (loss) adjustments on plan liabilities | 20,443 | – | 29,174 | – |
| Actuarial gain / (loss) due to change on assumptions | – | 472 | 9,685 | – |

The Company expects to make a contribution of USD 14,000 (Previous year - USD 12,000) to the defined benefit plans during the next financial year.

22. The Company is disputing the claim of US\$ 14,905,678 towards supply of equipments and other support services during the trial run period of rig. However pending settlement, during the year, Company has made provision for the entire claim towards cost of rig. The Company is expecting the settlement in near future.

23. PRESENTATION AND FUNCTIONAL CURRENCY

The financial statements are presented in United States Dollars which also represents the currency of the primary economic environment in which the Company operates.

24. EVENTS OCCURRING AFTER BALANCE SHEET DATE

Essar Oilfields Services FZE, 100% subsidiary of the Company has been liquidated with effect from 14th April 2010.

25. CAPITAL COMMITMENTS

Capital commitment on the purchase orders issued for rigs and other refurbishment items: USD Nil (previous year USD 447,200,000).

26. CONTINGENT LIABILITIES

(I) Guarantee

- (a) Performance guarantees issued by banks on behalf of the Company: USD 4,100,000 (previous year USD 13,030,500)
- (b) Guarantee issued by banks on behalf of the Company to third party : USD 10,385,927 (previous year USD 10,385,927)
- (c) Guarantee issued by the Company to Essar Oilfields Services India Limited: USD 268,054,940 (previous year USD nil)

The Directors consider that no liabilities will arise as the probability for default in respect of the guarantees is remote.

(II) Claims not acknowledge as debt

- (a) Claims against the Company not acknowledged as debt: USD Nil (previous year USD 14,766,670).

27. SEPARATE FINANCIAL STATEMENTS

The Company's investment in Essar Oilfields Services FZE, Dubai and Essar Oilfield Services India Limited are not consolidated and exemption from consolidation has been used as the intermediate parent, Essar Shipping & Logistics Limited, Cyprus will prepare consolidated financial statements for the year ended 31st March, 2010 as per International Financial Reporting Standards and will be available for public use at Riga Feraiou, 4, Omega Court, 1st floor, P.C. 3095, Limassol, Cyprus.

ESSAR OILFIELD SERVICES INDIA LIMITED

BOARD OF DIRECTORS

Sanjay Mehta
Director

A. R. Ramakrishnan
Director

V. Ashok
Director

AUDITORS

Deloitte Haskins & Sells

AUDIT COMMITTEE

A.R. Ramakrishnan

V. Ashok

Sanjay Mehta

REGISTERED & CORPORATE OFFICE

Essar House

11, K. K. Marg, Mahalaxmi, Mumbai 400 034

DIRECTORS' REPORT

The Directors have pleasure in presenting the Fourth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

The summary of financial results of your Company for the year ended 31st March, 2010 is furnished below:

(Rs. in crore)

| Particulars | For the Year ended March 31, 2010 |
|--|--------------------------------------|
| Total Income | 33.20 |
| Total Expenditure | 27.73 |
| Profit / (Loss) Before Depreciation & Tax | 5.47 |
| Less: Depreciation | 18.19 |
| Less: Provision for tax | — |
| Profit / (Loss) After Tax | (12.72) |
| Add: Balance in the Profit and Loss Account as per last Balance Sheet. | 0 |
| Balance Carried forward to Balance Sheet | (12.72) |

INDUSTRY OUTLOOK

The improving economic scene, both here in the U.S. as well as worldwide, has been the main driver of the oil rally that saw the commodity breaching the \$85 per barrel level earlier this month.

However, in recent days, concerns about the European debt crisis and China's growth outlook have renewed apprehensions about the global growth and energy demand. As a result, oil prices have slumped to a 3-month low. Additionally, high levels of product inventories (gasoline and distillate stocks remain above the upper boundary of the average range for this time of year), along with soaring commercial oil supplies, has further dragged down crude prices, in our view.

In its latest release, the Energy Information Administration (EIA) reported a higher-than-anticipated increase in crude stockpiles, which rose by 1.9 million barrels for the week ending May 7. The inventory increase was the fourth in as many weeks, which has left supplies at their highest levels in almost a year. At 362.5 million barrels, crude supplies are 8.1 million barrels below the year-earlier level, but remain above the upper limit of the average for this time of the year. As such, crude oil's near-term fundamentals remain weak, to say the least.

According to EIA's Short-Term Energy Outlook, world crude demand for 2009 was below the 2008 level, which itself was below the 2007 level — the first time since the early 1980's of two back-to-back negative growth years

However, EIA also provided some positive news in this otherwise bleak supply-demand picture. According to EIA, the decline in oil demand bottomed out in the middle of 2009, as the world economy began to rebound in the latter half of the year. The agency expects this recovery to continue in 2010 and 2011, contributing to global oil demand growth of 1.6 million barrels per day in each of the years.

Recently, the Organisation of the Petroleum Exporting Countries (OPEC), an intergovernmental organisation that supplies around 35% of the world's crude, raised its forecast for global oil demand this year. In its monthly oil report, OPEC said it now expects world oil demand to grow by 950,000 barrels per day in 2010, 50,000 barrels per day higher than its previous assessment.

Crude oil has a positive outlook due to the revival of the global economy. Crude demand is expected to grow at 1.6% for the next few years. Crude supply is likely to be supported by OPEC and Brazilian crude. The long-term price of crude is expected to be at USD 90 per barrel levels, which will encourage companies to increase their budgets towards new explorations.

The domestic offshore services sector is poised for significant growth on the back of development of India's relatively unexplored sedimentary basin, the New Exploration Licensing Policy (NELP) commitments, growing offshore crude / gas production, and future monetisation of new discoveries in prospective basins like KG, Cambay, Mahanadi, etc. This is likely to be a catalyst for demand for offshore supply vessels, drilling units and construction services.

DIRECTORS

Mr. Sanjay Mehta was appointed as Additional Director of the Company with effect from 15th June, 2009. Mr. Mehta ceases to be a Director on the date of the ensuing Annual General Meeting. A notice has been received from a member of the Company under Section 257 of the Companies Act, 1956 proposing his appointment as a Director of the Company.

In accordance with the provisions of the Companies Act 1956, and the Articles of Association of the Company, Mr. A. R. Ramakrishnan retires at the ensuing Annual General Meeting of the Company and being eligible, offers himself for re-appointment.

AUDITORS

Your Company's Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. It is proposed to re-appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting.

HOLDING COMPANY

The Company became a wholly owned subsidiary of Essar Oilfields Services Limited, Mauritius effective from August 10, 2009.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors), Rules 1988, relating to Energy Conservation and Technology Absorption are not applicable to your Company.

The foreign exchange earnings and outgo position is as under:

- Earned : Rs. 21.30 crore
- Used : Rs. 1.07 crore

PARTICULARS OF EMPLOYEES

Information required in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended is annexed and forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 the Board of Directors hereby state that:

- (i) in preparation of the annual accounts, the applicable accounting standards had been followed (along with proper explanation relating to material departures) and that there were no material departures;
- (ii) the Directors have selected the 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 or loss of the Company for the year under review;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the accounts on a going concern basis.

APPRECIATION AND ACKNOWLEDGEMENTS

Your Directors express their sincere thanks and appreciation to all the employees for their commendable teamwork and contribution to the growth of the Company.

Your Directors also thank its bankers and other business associates for their continued support and co-operation during the year.

For and on behalf of the Board

Mumbai
May 26, 2010

A. R. Ramakrishnan
Director

V. Ashok
Director

AUDITORS' REPORT

TO THE MEMBERS OF

ESSAR OIFIELD SERVICES INDIA LIMITED

1. We have audited the attached Balance Sheet of ESSAR OIFIELD SERVICES INDIA LIMITED ("the Company") as at 31st March, 2010, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give 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:
 - (i) 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;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (iii) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
5. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Mumbai
May 26, 2010

Khurshed Pastakia
Partner
(Membership No.31544)

Annexure to the Auditor's Report to the members of Essar Oilfield Services India Limited

(referred to in paragraph 3 of our report of even date)

In our opinion and according to the information and explanations given to us, the nature of the Company's business/activities during the year are such that clauses (vi), (viii), (x), (xiii), (xiv), (xviii), (xix) and (xx) of Para 4 of the Order are not applicable to the Company.

1. In respect of fixed assets

- a. The Company has maintained proper records showing 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 in our opinion, is largely reasonable having regard to the size of the Company and the nature of its assets. As per the information given to us by the management, no material discrepancies as compared to book records were noticed in respect of fixed assets verified during the year.
- c. In our opinion and according to the information and explanations given to us, the Company has not made substantial disposals of fixed assets during the year and the going concern status of the Company is not affected.

2. In respect of inventories

- a. As explained to us, inventories were physically verified by the management during the year at reasonable intervals.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
- c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification as compared to book records.

3. In our opinion and according to the information and explanations given to us, there are no companies, firms or parties required to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (a) to (g) of the Order are not applicable to the Company.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and for sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal controls. The nature of the Company's business does not involve sale of goods.

5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956.

6. The provisions relating to internal audit are not applicable to the Company.

7. According to the information and explanations given to us, in respect of statutory dues:

- a. The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Income Tax, Sales Tax, Value Added Tax, Service Tax, Custom Duty, Cess and any other material statutory dues, as applicable, with the appropriate authorities during the year. As explained to us, the provisions for Investor Education and Protection Fund, Employees' State Insurance Scheme, Wealth Tax and Excise Duty were not applicable to the Company during the year.

There are no material undisputed amounts payable in respect of above statutory dues outstanding as at 31st March, 2010 for a period exceeding six months from the date they became payable.

- b. According to information and explanations given to us, there were no dues pending to be deposited on account of any dispute in respect of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess as on 31st March, 2010.

8. In our opinion, and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company has not borrowed any sums from financial institutions or through debentures.
9. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
10. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
11. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
12. According to the information and explanations given to us, and on an overall examination of the Balance sheet of the Company, we report that the funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
13. To the best of our knowledge and belief and according to the information and explanation given to us, no material fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai
May 26, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | Schedule No. | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|--|--------------|------------------------------|------------------------------|
| I. SOURCES OF FUNDS | | | |
| Shareholders' funds | | | |
| Capital | 1 | 6,579,868,650 | 500,000 |
| | | 6,579,868,650 | 500,000 |
| Loan funds | | | |
| Secured loans | 2 | 7,888,390,624 | — |
| Unsecured loans | 3 | 35,367,494 | — |
| | | 7,923,758,118 | — |
| Total | | 14,503,626,768 | 500,000 |
| II. APPLICATION OF FUNDS | | | |
| Fixed assets | 4 | | |
| Gross block | | 2,295,211,164 | — |
| Less: Depreciation | | 181,919,178 | — |
| Net block | | 2,113,291,986 | — |
| Capital work in progress (including capital advances) | 4A | 11,702,871,354 | — |
| Expenditure during construction | 4B | 268,131,985 | — |
| | | 14,084,295,325 | — |
| Current assets, loans and advances | 5 | | |
| Sundry debtors | | 143,280,388 | — |
| Cash and bank balances | | 15,255,098 | 7,740 |
| Loans and advances | | 295,729,529 | 470,506 |
| | | 454,265,015 | 478,246 |
| Less: Current liabilities and provisions: | 6 | | |
| Current liabilities | | 182,593,726 | 20,602 |
| Provisions | | 2,750,495 | — |
| | | 185,344,221 | 20,602 |
| Net current assets | | 268,920,794 | 457,644 |
| Debit balance of Statement of Profit and Loss | | 127,260,891 | 42,356 |
| Miscellaneous expenditure (to the extent not written off) | | 23,149,758 | — |
| Total | | 14,503,626,768 | 500,000 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS | 11 | | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants**Khurshed Pastakia**
PartnerMumbai
May 26, 2010

For and on behalf of the Board

A. R. Ramakrishnan
DirectorMumbai
May 26, 2010**V. Ashok**
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | Schedule No. | For the year ended 31.03.2010 (Rs.) | For the year ended ended 31.03.2009 (Rs.) |
|---|--------------|---|---|
| INCOME | | | |
| Rig operating and chartering earnings | | 295,627,782 | — |
| Other income | 7 | 36,406,381 | — |
| | | <u>332,034,163</u> | <u>—</u> |
| EXPENDITURE | | | |
| Operating expenses | 8 | 42,842,542 | — |
| Establishment and other expenses | 9 | 39,222,517 | 8,328 |
| | | <u>82,065,059</u> | <u>8,328</u> |
| PROFIT/(LOSS) BEFORE INTEREST, DEPRECIATION AND TAX | | | |
| | | 249,969,104 | (8,328) |
| Interest and finance expenses | 10 | 195,268,461 | — |
| PROFIT/(LOSS) BEFORE DEPRECIATION AND TAX | | | |
| | | 54,700,643 | (8,328) |
| Depreciation | 4 | 181,919,178 | — |
| LOSS BEFORE TAX | | | |
| | | (127,218,535) | (8,328) |
| Less: Provision for taxation | | — | — |
| – Current tax | | — | — |
| LOSS AFTER TAX | | | |
| | | (127,218,535) | (8,328) |
| Balance brought forward from previous year | | (42,356) | (34,028) |
| BALANCE CARRIED FORWARD TO BALANCE SHEET | | | |
| | | <u>(127,260,891)</u> | <u>(42,356)</u> |
| Basic and diluted earnings per share (Rs.) (face value of Rs.10/- per share) (Refer note B(5) of schedule 11) | | (1.22) | (0.17) |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS | 11 | | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

A. R. Ramakrishnan
Director

Mumbai
May 26, 2010

V. Ashok
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | For the year ended 31.03.2010 | For the year ended 31.03.2009 |
|--|----------------------------------|----------------------------------|
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before tax | (127,218,535) | (8,328) |
| Adjustment for : | | |
| Depreciation | 181,919,178 | — |
| Finance cost | 195,268,461 | — |
| Upfront fee amortised | 58,098 | — |
| Share issue expenses written off | 1,398,242 | — |
| Unrealised exchnage gain/ (loss) | 229,278 | — |
| Profit on sale of investments | (23,066) | — |
| Operating profit/(loss) before working capital changes | <u>251,631,656</u> | <u>(8,328)</u> |
| Adjustments for: | | |
| Trade and other receivables | (149,994,675) | — |
| Trade and other payables | 34,624,756 | 6,618 |
| Net cash flow from operating activities | <u>136,261,737</u> | <u>(1,710)</u> |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Loans and advances given to holding and other body corporates | (271,681,137) | — |
| Loans and advances repaid by holding and other body corporates | 101,089,053 | — |
| Purchase of fixed assets | (2,152,668,225) | — |
| Expenditure for capital work in progress | (11,232,722,275) | — |
| Purchase of investments | (32,500,000) | — |
| Sale of investments | 32,523,066 | — |
| Net cash used in investing activities | <u>(13,555,959,518)</u> | <u>—</u> |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 7,630,493,295 | — |
| Upfront fees paid | (120,900,000) | — |
| Interest paid | (133,125,662) | — |
| Proceeds from issue of equity shares | 6,083,025,505 | — |
| Payment for share issue expenses | (24,548,000) | — |
| Net cash generated from financing activities | <u>13,434,945,138</u> | <u>—</u> |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | <u>15,247,358</u> | <u>(1,710)</u> |
| Cash and cash equivalents at beginning of the year | <u>7,740</u> | <u>9,450</u> |
| Cash and cash equivalents at end of the year (Refer schedule 5) | <u>15,255,098</u> | <u>7,740</u> |

Notes

- Non cash transaction:
During the year the Company has issued equity share capital amounting to Rs. 496,343,140 against purchase of Fixed Assets / CWIP from Essar Oilfields Services Limited
- Cash flow statement has been prepared under indirect method as set out in the Accounting Standard (AS) 3 'Cash flow statement ' as notified under the Company's (Accounting Standards) Rules, 2006.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

A. R. Ramakrishnan
Director

Mumbai
May 26, 2010

V. Ashok
Director

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

| | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|---|------------------------------|------------------------------|
| SCHEDULE 1 | | |
| SHARE CAPITAL | | |
| Authorised | | |
| 140,00,00,000 (previous year 50,000) Equit shares of Rs 10 each | 14,000,000,000 | 500,000 |
| | 14,000,000,000 | 500,000 |
| Issued, subscribed and paid up | | |
| 65,79,86,865 (Previous year 50,000) equity shares of Rs.10 each fully paid up (The above shares are being held by Essar Oilfields Services Limited, the holding Company alongwith its nominees and Essar Global Limited, Cayman Islands the ultimate Company) (of the above 49,634,314 no of shares have been issued for consideration other than cash) | 6,579,868,650 | 500,000 |
| | 6,579,868,650 | 500,000 |
| SCHEDULE 2 | | |
| SECURED LOANS | | |
| FROM BANKS AND FINANCIAL INSTITUTIONS | | |
| Rupee term loan from banks secured by charge on six land rigs and receivables thereon and corporate guarantee from Essar Shipping Ports & Logistics Limited | 275,000,000 | — |
| Rupee term loan from banks secured by charge on Jack Up rigs and receivables thereon and corporate guarantees from Essar Shipping Ports & Logistics Limited and Essar Oilfields Services Limited, immediate holding Company | 2,741,200,000 | — |
| Rupee term loan from financial institutions secured by charge on Jack Up rigs and receivables thereon and corporate guarantees from Essar Shipping Ports & Logistics Limited and Essar Oilfields Services Limited, immediate holding Company | 358,800,000 | — |
| FROM OTHERS | | |
| Rupees term loan secured by charge on six land rigs | 4,231,000,000 | — |
| Interest accrued and due | 282,390,624 | — |
| | 7,888,390,624 | — |
| SCHEDULE 3 | | |
| UNSECURED LOAN | | |
| Short term loans and advances from others | 33,000,000 | — |
| Interest accrued and due | 2,367,494 | — |
| | 35,367,494 | — |

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

SCHEDULE 4
FIXED ASSETS

(Rs.)

| Details | GROSS BLOCK (AT COST) | | | | DEPRECIATION | | | | NET BLOCK | |
|-----------------------|------------------------|--------------------------------|--------------------|----------------------|-------------------|--------------------|------------|--------------------|----------------------|--------------------|
| | As at 1.4.2009 | Addition during the year | Sale/ Deduction | As at 31.3.2010 | As at 1.4.2009 | For the year | Deductions | As at 31.3.2010 | As at 31.3.2010 | As at 31.3.2009 |
| Tangible fixed assets | | | | | | | | | | |
| Rigs | - | 2,295,211,164 | - | 2,295,211,164 | - | 181,919,178 | - | 181,919,178 | 2,113,291,986 | - |
| Total | - | 2,295,211,164 | - | 2,295,211,164 | - | 181,919,178 | - | 181,919,178 | 2,113,291,986 | - |
| As at 31.03.2009 | - | - | - | - | - | - | - | - | - | - |

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

| | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|---|------------------------------|------------------------------|
| SCHEDULE 4A | | |
| CAPITAL WORK IN PROGRESS (INCLUDING CAPITAL ADVANCES) | | |
| Equipments/Materials | 2,648,896,354 | — |
| Capital advances | 9,053,975,000 | — |
| | <u>11,702,871,354</u> | <u>—</u> |
| SCHEDULE 4B | | |
| EXPENDITURE DURING CONSTRUCTION | | |
| Interest and finance cost | 234,011,274 | — |
| Port and hiring charges | 33,242,654 | — |
| Professional charges | 500,000 | — |
| Taxes and duties | 77,531 | — |
| Travelling expenses | 300,526 | — |
| | <u>268,131,985</u> | <u>—</u> |
| SCHEDULE 5 | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | |
| CURRENT ASSETS | | |
| Sundry debtors (unsecured, considered good) | | |
| Other debts | 143,280,388 | — |
| Cash and bank balances | | |
| Cash on hand | 2,051 | — |
| Balance with scheduled banks | | |
| In current accounts | 13,253,047 | 7,740 |
| In deposits (Including margin money of Rs. 2,000,000) | 2,000,000 | — |
| | <u>15,255,098</u> | <u>7,740</u> |
| Total (A) | <u>158,535,486</u> | <u>7,740</u> |
| LOANS AND ADVANCES (unsecured, considered good) | | |
| Advances recoverable in cash or in kind or for value to be received | 288,593,764 | 470,506 |
| CENVAT receivable | 1,321,149 | — |
| Advance tax and tax deducted at source (net of provision for tax) | 2,625,151 | — |
| Prepaid expenses | 3,189,465 | — |
| Total (B) | <u>295,729,529</u> | <u>470,506</u> |
| Total (A)+(B) | <u>454,265,015</u> | <u>478,246</u> |

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2010

| | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|---|------------------------------|------------------------------|
| SCHEDULE 6 | | |
| CURRENT LIABILITIES AND PROVISIONS | | |
| CURRENT LIABILITIES | | |
| Sundry creditors | | |
| – due to micro, small and medium enterprises (refer note B(10) fo schedule 11) | – | – |
| – for expenses | 174,990,391 | 20,602 |
| Other liabilities | 7,603,335 | – |
| | 182,593,726 | 20,602 |
| PROVISIONS | | |
| Provision for gratuity | 678,779 | – |
| Provision for compensated absences | 2,071,716 | – |
| | 2,750,495 | – |
| Total | 185,344,221 | 20,602 |

SCHEDULES ATTACHED TO AND FORMING PART OF THE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010

| | For the year ended 31.03.2010 (Rs.) | For the year ended 31.03.2009 (Rs.) |
|--|--|--|
| SCHEDULE 7 | | |
| OTHER INCOME | | |
| Miscellaneous income | 36,383,315 | – |
| Profit on sale of mutual fund | 23,066 | – |
| | 36,406,381 | – |
| SCHEDULE 8 | | |
| RIG OPERATING EXPENSES | | |
| Equipment hire charges | 3,508,742 | – |
| Catering expenses | 2,409,515 | – |
| Salaries, wages, bonus and other expenses on floating staff | | |
| Salaries, wages and bonus | 16,415,408 | – |
| Staff welfare and other expenses | 832,926 | – |
| Consumption of stores and spares (refer note B(4)(v) of schedule 11) | 9,670,736 | – |
| Repairs and maintenance expenses | 3,464,947 | – |
| Travelling expenses | 4,052,986 | – |
| Insurance expenses | 1,040,222 | – |
| Other operating expenses | 1,447,061 | – |
| | 42,842,542 | – |

SCHEDULES ATTACHED TO AND FORMING PART OF THE STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010

| | For the year ended 31.03.2010 (Rs.) | For the year ended 31.03.2009 (Rs.) |
|--|---|---|
| SCHEDULE 9 | | |
| ESTABLISHMENT AND OTHER EXPENSES | | |
| Salaries, wages and bonus | 23,228,825 | — |
| Contribution to staff provident fund and other funds (Refer note B(9) of schedule 11) | 4,425,450 | — |
| Staff welfare expenses | 2,097,188 | — |
| Professional fees, registrar's charges and service charges | 1,467,975 | — |
| Traveling and conveyance | 1,968,464 | — |
| Exchange loss | 1,046,479 | — |
| Auditors' remuneration (refer note B (4)(i) of schedule 11) | 100,000 | 6,618 |
| Share issue expenses | 1,398,242 | — |
| Miscellaneous expenses | 3,489,894 | 1,710 |
| | <u>39,222,517</u> | <u>8,328</u> |
| SCHEDULE 10 | | |
| INTEREST AND FINANCE EXPENSES | | |
| Interest to banks | 3,930,478 | — |
| Interest to others | 190,594,214 | — |
| Guarantee fees and other bank charges | 743,769 | — |
| | <u>195,268,461</u> | <u>—</u> |

SCHEDULE 11

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2010

A. SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention, on accrual basis of accounting, and are in accordance with generally accepted accounting principles and in compliance with the applicable Accounting Standards (AS) referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

2. USE OF ESTIMATES

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported balances of assets, liabilities and disclosures relating to contingent liabilities as at the reporting date and the reported amount of income and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. FIXED ASSETS

- a) Fixed assets are recorded at cost of acquisition or at revalued amounts less accumulated depreciation and impairment loss, if any. Cost of acquisition includes brokerage, start up costs and major improvements / upgradations.
- b) Assets acquired on hire purchase, being in the nature of finance lease, are capitalised as fixed assets at fair value at inception of the lease and corresponding liability is recognised. The lease rental paid (excluding operating expenses) is bifurcated into principal and interest component by applying an implicit rate of return. The interest is charged against income as a period cost and the principal amount is adjusted against the liability recognised in respect of assets taken on finance lease.

4. INTANGIBLE ASSETS

Intangible assets are recognised only when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of such assets can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. All costs relating to the acquisition are capitalised. Intangible assets are amortised over the useful life of the asset.

5. CAPITAL WORK-IN-PROGRESS

Direct expenditure on assets under construction is shown under capital work in progress.

Expenditure incidental to the construction of an asset, incurred during the period till the asset is ready for its intended use is accumulated as expenditure during construction pending allocation to fixed assets and other accounts, as applicable, on completion of construction.

Advances on capital account include progress based payments made under the contracts for assets under construction and other capital advances until the same are allocated to fixed assets and other accounts, as applicable.

6. DEPRECIATION

- a) Depreciation on rigs is provided by using the straight-line method based on the economic useful life of 9 to 10 years or at rate prescribed under Schedule XIV to the Companies Act, 1956, whichever is higher.
- b) All other assets are depreciated by using the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Fixed assets costing less than Rs. 5,000 are depreciated at 100% in the year of acquisition.
- c) Depreciation on additions / deductions to fixed assets made during the year is provided on a pro-rata basis from / up to the date of such additions / deductions, as the case may be.

7. IMPAIRMENT OF ASSETS

The Company assesses on each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The amount so reduced is treated as an impairment loss and is recognised in the Statement of Profit and Loss, except in case of revalued assets, where it is first adjusted against the related balance in fixed assets revaluation reserve. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is carried at the recoverable amount subject to a maximum of depreciated historical cost, except for revalued assets which are subject to a maximum of depreciated revalued cost.

8. BORROWING COST

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue. The borrowing cost pertaining to qualifying assets under construction are shown as "Capital Work-in-Progress" to be capitalised as part of such assets on completion / commissioning.

9. INVENTORY

Inventory is valued at lower of cost and net realisable value. Cost is determined on first in first out basis.

10. OPERATING INCOME

Operating income represents the value of charter hire and is accounted on accrual basis.

Other income is also recognised on an accrual basis.

11. OPERATING EXPENSES

Operating expenses represents expenses relating to the operation of the rigs including crewing, insurance, stores, fuel, charter hire, special survey costs and other expenses and is accounted on accrual basis.

12. EMPLOYEE BENEFITS

- a) Contribution to recognised provident fund, which is a fixed percentage of eligible employees' salary, is charged to the Statement of Profit and Loss.
- b) The liability for gratuity provided based on independent actuarial valuation.
- c) Provision for all accumulated compensated absences of eligible employees is based on an independent actuarial valuation.

13. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are recorded at standard exchange rates determined monthly which approximates the actual rate on the date of the transaction. The difference between the standard rate and the actual rate of settlement is accounted in the Statement of Profit and Loss.

Monetary items denominated in foreign currency are translated at the rate prevailing at the end of the year. Gains/ losses on conversion/ translation/settlement of foreign currency transactions are recognised in the Statement of Profit and Loss or Expenditure during construction, as applicable.

14. INSURANCE CLAIMS

Insurance claims are recognised based on reasonable certainty of their settlement.

15. TAXATION

Current tax is provided as per the provisions of the Income tax Act, 1961.

The tax effect of timing differences resulting between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations as at the balance sheet date.

Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation under tax laws are recognised, only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is reasonable certainty of its realisation.

16. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised for present obligations arising out of past events if it is probable that an outflow of economic resources, the amount of which can be reliably estimated, will be required to settle the obligation.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or the likelihood of an outflow of economic resources is remote.

Contingent assets are not recognised in the financial statements.

17. SEGMENT ACCOUNTING POLICIES

- a) Segment assets and segment liabilities:

Segment assets include all operating assets used by the segment and consist principally of fixed assets, inventories, sundry debtors, cash and bank balances. Segment liabilities assets and liabilities do not include share capital, reserves and surplus, income tax, and unallocable assets and liabilities.

b) Segment revenue and segment expenses:

Segment revenue and expenses have been identified to its segment on the basis of its operating activities. It does not include interest income on investment; inter corporate deposits, interest expenses and provision of taxes.

B. NOTES TO FINANCIAL STATEMENTS

1. Contingent liabilities

(Amount in Rs.)

| Particulars | As on 31.03.2010 | As on 31.03.2009 |
|-----------------------------|------------------|------------------|
| i) Guarantee given by banks | 20,000,000 | — |

2. Segmental reporting

a) Business segment

The Company has one primary business segment of rig operations and chartering.

b) Geographical segment

The Company operations are managed on a worldwide basis from India. Operating earnings are based on the geographical location of the customer.

(Amount in Rs.)

| | Earnings 31.03.2010 | Year ended 31.03.2009 |
|--------------|------------------------|--------------------------|
| Brazil | 176,627,230 | — |
| India | 119,000,552 | — |
| Total | 295,627,782 | — |

* The main operating assets represent rigs, which are not identifiable to any geographical location.

3. Capital commitments

Outstanding commitments for capital expenditure not provided for Rs.13, 290,625,000 (previous year Nil).

4. Additional information pursuant to the provisions of Paragraph 3, 4B and 4D Part II of Schedule VI to the Companies Act, 1956 to the extent applicable is given below:

(Amount in Rs.)

| Particulars | Year ended | |
|---|----------------|--------------|
| | 31.03.2010 | 31.03.2009 |
| i) Auditor's remuneration | | |
| Audit fees | 100,000 | 6,618 |
| Other services | — | — |
| Out of pocket expenses | — | — |
| Total | 100,000 | 6,618 |
| ii) Expenditure in foreign currency (on accrual basis) | | |
| Freight charges | 981,380 | — |
| Plant and machinery hire charges | 6,739,029 | — |
| Manpower hire charges | 808,489 | — |
| Fuel charges | 301,597 | — |

(Amount in Rs.)

| Particulars | Year ended | | | |
|--|-----------------------|----------------|-----------------------|------------|
| | 31.03.2010 | 31.03.2009 | | |
| Travelling expenses | 1,022,072 | – | | |
| Components and spares | 780,741 | – | | |
| Others | 81,925 | – | | |
| Total | 10,715,233 | – | | |
| iii) Earnings in foreign currency (on accrual basis) | | | | |
| Charter hire | 176,627,230 | – | | |
| Other income | 36,383,315 | – | | |
| Total | 213,010,545 | – | | |
| iv) C. I. F. value of imports | | | | |
| Components and spare parts | 780,741 | – | | |
| Total | 7,80,741 | – | | |
| v) Consumption of imported and indigenous component and spare parts | | | | |
| Particulars | Year ended 31.03.2010 | | Year ended 31.03.2009 | |
| | Amount | % of Total | Amount | % of Total |
| Imported | 780,741 | 8.07% | – | – |
| Indigenous | 8,889,995 | 91.93% | – | – |
| Total | 9,670,736 | 100.00% | – | – |

5. Earnings per share

Earnings per share are calculated based on the following data:

(Amount in Rs.)

| Particulars | Year ended 31.03.2010 | Year ended 31.03.2009 |
|--|-----------------------|-----------------------|
| Earnings for the purpose of earnings per share (net loss for the year) | 127,218,535 | 8,328 |
| Equity shares at the beginning of the year (nos.) | 50,000 | 50,000 |
| Equity shares issued during the year (nos.) | 657,936,865 | – |
| Equity shares at the end of the year (nos.) | 657,986,865 | – |
| Weighted average equity shares outstanding during the year (nos.) | 104,279,693 | 50,000 |
| Earnings per share – basic and diluted (Rs.) | (1.22) | (0.17) |
| Face value per share (Rs.) | 10 | 10 |

6. Foreign currency exposure

- There were no forward / option contracts entered in to by the Company during the financial year to hedge its foreign currency exposures.
- The year-end currency exposures that have not been hedged by a derivative instrument or otherwise are given below.

Amount receivable in foreign currency on account of the following

| Particulars | Amount in Rs. | | Currency | Amount in foreign currency | |
|-------------------|---------------|---------|----------|----------------------------|---------|
| | 2009-10 | 2008-09 | | 2009-10 | 2008-09 |
| Services rendered | 1,46,47,930 | Nil | USD | 324,500 | Nil |

c) Amount payable in foreign currency on account of the following

| Particulars | Amount in Rs. | | Currency | Amount in foreign currency | |
|------------------------------|---------------|---------|----------|----------------------------|---------|
| | 2009-10 | 2008-09 | | 2009-10 | 2008-09 |
| Import of goods and services | 757,105 | Nil | USD | 16,147.50 | Nil |
| | 79,862,374 | Nil | AED | 778,258.78 | Nil |
| | 95,754 | Nil | SGD | 2,726.28 | Nil |

7. Related party transactions

1. Holding companies

- i) Essar Global Limited, Cayman Island, ultimate holding company (w.e.f. 1st April, 2009)
- ii) Essar Shipping & Logistics Limited, Cyprus (w.e.f. 1st April, 2009)
- iii) Essar Shipping Ports & Logistics Limited, India
- iv) Essar Oilfields Services Limited, Mauritius, immediate holding Company.

2. Other related parties where there have been transactions:

- i) Essar Oilfields Services Limited
- ii) Essar Bulk Terminals Limited
- iii) Essar Oil Limited
- iv) Essar Projects (India) Limited
- v) Futura Travels Limited
- vi) Essar Investments Limited
- vii) Aegis Limited
- viii) Essar Logistics Limited
- ix) Essar Infrastructure Services Limited

The details of transactions with related parties

(Amount in Rs.)

| Nature of transactions | Holding companies | | Other related parties | | Total | |
|--|-------------------|----------|-----------------------|----------|--------------------|----------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| INCOME | | | | | | |
| Charter hire | | | | | | |
| Essar Oil Limited (E&P Division) | - | - | 131,257,609 | - | 131,257,609 | - |
| Total | - | - | 131,257,609 | - | 131,257,609 | - |
| EXPENSES | | | | | | |
| Interest on loan | | | | | | |
| Essar Shipping Ports & Logistics Limited | 390,487,562 | - | - | - | 390,487,562 | - |

The details of transactions with related parties (Contd.)

(Amount in Rs.)

| Nature of transactions | Holding companies | | Other related parties | | Total | |
|--|--------------------|----------|-----------------------|---------------|--------------------|----------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Essar Bulk Terminals Limited | - | - | 2,777,262 | - | 2,777,262 | - |
| Lodging and boarding expenses | | | | | | |
| Essar Infrastructure Services Limited | - | - | 5,500 | - | 5,500 | - |
| Freight charges | | | | | | |
| Essar Logistics Limited | - | - | 2,505,131 | - | 2,505,131 | - |
| Telephone and communication expenses | | | | | | |
| Aegis Limited | - | - | 624,550 | - | 624,550 | - |
| Professional charges / payroll processing charges | | | | | | |
| Aegis Limited | - | - | 120,780 | - | 120,780 | - |
| Management fees/ salaries etc | | | | | | |
| Essar Investments Limited | - | - | 15,208,677 | - | 15,208,677 | - |
| Travel related expenses | | | | | | |
| Futura Travel Limited | - | - | 1,595,163 | - | 1,595,163 | - |
| Total | 390,487,562 | - | 22,837,063 | - | 413,324,625 | - |
| Expenses incurred on behalf of the Company | | | | | | |
| Essar Shipping Ports & Logistics Limited | 6,079 | - | - | - | 6,079 | - |
| Total | 6,079 | - | - | - | 6,079 | - |
| Loans and advances given | | | | | | |
| Essar Investments Limited | - | - | 110,000,000 | - | 110,000,000 | - |
| Total | - | - | 110,000,000 | - | 110,000,000 | - |
| Issue of shares | | | | | | |
| Essar Oilfields Services Limited | 6,579,368,650 | - | - | - | 6,579,368,650 | - |
| Secured loans | | | | | | |
| Essar Shipping Ports & Logistics Limited | 4,231,000,000 | - | - | - | 4,231,000,000 | - |
| Unsecured loans | | | | | | |
| Essar Bulk Terminals Limited | - | - | 78,000,000 | - | 78,000,000 | - |
| Purchase of fixed assets capital work in progress | | | | | | |
| Essar Oilfields Services Limited | 4,677,259,715 | - | - | 4,677,259,715 | - | - |
| Essar Projects (India) Limited | - | - | 292,542,939 | - | 292,542,939 | - |
| Loans and advances given | | | | | | |
| Essar Oilfields Services Limited | 60,592,084 | - | - | - | 60,592,084 | - |
| Guarantees given by other companies | | | | | | |
| Essar Shipping Ports & Logistics Limited | 13,100,000,000 | - | - | - | 13,100,000,000 | - |

Outstanding balance as on 31st March 2010

(Amount in Rs.)

| Nature of balances | Holding companies | | Other related parties | | Total | |
|--|-----------------------|----------------|-----------------------|----------|-----------------------|----------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Sundry debtors | | | | | | |
| Essar Oil Limited (E&P Division) | - | - | 128,632,458 | - | 128,632,458 | - |
| Loans and advances given | | | | | | |
| Essar Oilfields Services Limited | 60,592,084 | - | - | - | - | - |
| Essar Investments Limited | - | - | 110,000,000 | - | 110,000,000 | - |
| Total | - | - | 299,224,542 | - | 238,632,458 | - |
| Secured loans | | | | | | |
| Essar Shipping Ports & Logistics Limited | 4,513,390,624 | - | - | - | 4,513,390,624 | - |
| Unsecured loans | | | | | | |
| Essar Bulk Terminals Limited | - | - | 35,367,494 | - | 35,367,494 | - |
| Sundry creditors | | | | | | |
| Aegis Limited | - | - | 108,702 | - | 108,702 | - |
| Essar Investment Limited - Group salary | - | - | 3,692,702 | - | 3,692,702 | - |
| Futura Travel Limited | - | - | 1,277,366 | - | 1,277,366 | - |
| Essar Infrastructure Services Limited | - | - | 5,500 | - | 5,500 | - |
| Essar Projects (India) Limited | - | - | 142,542,939 | - | - | - |
| Essar Shipping Ports & Logistics Limited | 6,079 | - | - | - | 6,079 | - |
| Essar Logistics Limited | - | - | 2,505,131 | - | 2,505,131 | - |
| Essar Investments Limited | - | 470,506 | 29,494 | - | 29,494 | 470,506 |
| Total | 4,513,396,703 | 470,506 | 185,529,328 | - | 4,556,383,092 | 470,506 |
| Guarantees given by other companies | | | | | | |
| Essar Shipping Ports & Logistics Limited | 13,100,000,000 | - | - | - | 13,100,000,000 | - |
| Total | 13,100,000,000 | - | - | - | 13,100,000,000 | - |

8. Deferred tax liability

The components of deferred tax liability are as follows:

(Amount in Rs.)

| Particulars | As at 31.3.2010 | As at 31.3.2009 |
|-----------------------------------|-------------------|-----------------|
| Deferred tax liability | | |
| Depreciation on fixed assets | 55,187,013 | - |
| (A) | 55,187,013 | - |
| Deferred tax assets | | |
| Unabsorbed depreciation loss | 54,252,119 | - |
| Disallowance u/s 40(a) | 934,894 | - |
| (B) | 55,187,013 | - |
| Net deferred tax liability | (A-B) | - |

9. Employee benefits

Accounting Standard (AS) -15 (Revised) 'Employee Benefits' has been adopted by the Company effective from 1st April, 2009. The Company has classified the various benefits provided to employee as under.

I. Defined contribution plans

- a. Provident fund
- b. Group accident policy cover

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

(Amount in Rs.)

| Particulars | Year ended | |
|---|------------|------------|
| | 31.03.2010 | 31.03.2009 |
| – Employer’s contribution to provident fund | 16,30,091 | – |
| – Group accident policy cover | 3,645 | – |

The above amounts are included in contribution to staff provident and other funds (Schedule 9)

II. Defined benefit plans

- a. Gratuity fund
- b. Compensated absences (CA)

In accordance with Accounting Standard-15 (Revised), relevant disclosures are as under:

(A) Changes in present value of defined benefit obligation

(Amount in Rs.)

| Particulars | Gratuity (non-funded) | | CA (non-funded) | |
|--|-----------------------|------------|-----------------|------------|
| | year ended | | year ended | |
| | 31.03.2010 | 31.03.2009 | 31.03.2010 | 31.03.2009 |
| Present value of defined benefit obligation at the beginning of the year | 12,00,520 | – | 34,06,204 | – |
| Current service cost | 1,86,339 | – | 4,30,916 | – |
| Interest cost | 38,517 | – | 1,09,282 | – |
| Benefits paid | – | – | – | – |
| Actuarial (gain)/loss on obligations | (7,46,597) | – | (18,74,686) | – |
| Present value of defined benefit obligation at the end of the year | 6,78,779 | – | 20,71,716 | – |

(B) Amount recognised in the Balance Sheet

(Amount in Rs.)

| Particulars | Gratuity (non-funded) | | CA (non-funded) | |
|--|-----------------------|------------|-----------------|------------|
| | as at | | as at | |
| | 31.03.2010 | 31.03.2009 | 31.03.2010 | 31.03.2009 |
| Present value of defined benefit obligation at the end of the year | 678,779 | – | 20,71,716 | – |
| Fair value of plan assets at the end of the year | – | – | – | – |
| Liability recognised in the Balance Sheet (Included in current liabilities and provisions schedule 6) | 678,779 | – | 20,71,716 | – |

(C) Expenses recognised in the Statement of Profit and Loss

(Amount in Rs.)

| Particulars | Gratuity (non-funded) | | CA (non-funded) | |
|--|-----------------------|------------|-----------------|------------|
| | year ended | | year ended | |
| | 31.03.2010 | 31.03.2009 | 31.03.2010 | 31.03.2009 |
| Current service cost | 1,86,339 | – | 4,30,916 | – |
| Interest cost | 38,517 | – | 1,09,282 | – |
| Net actuarial (gain)/loss recognised in the period | (7,46,597) | – | (18,74,686) | – |
| Total expenses recognised in the Statement of Profit and Loss included in contribution to provident and other funds (schedule 9) | (5,21,741) | – | (13,34,488) | – |

(D) Experience history

(Amount in Rs.)

| Particulars | Gratuity 31.03.2010 | CA (non-funded) 31.03.2010 |
|---|------------------------|-------------------------------|
| Defined benefit obligation at end of the period | (678,779) | (2,071,716) |
| Plan assets at end of the period | – | – |
| Funded status | (678,779) | (2,071,716) |
| Experience gain/(loss) adjustment on plan liabilities | (156,481) | 240,808 |
| Experience gain/(loss) adjustment on plan assets | – | – |
| Actuarial gain/(loss) due to change on assumptions | 903,078 | 1,633,878 |

(E) Actuarial assumptions

In accordance with Accounting Standard (AS)15 (Revised), actuarial valuation as at the year end was done in respect of the aforesaid defined benefit plans based on the following assumptions:

(Amount in Rs.)

| Particulars | Gratuity (non-funded) | | CA (non-funded) | |
|---|-----------------------|------------|-----------------|------------|
| | year ended | | year ended | |
| | 31.03.2010 | 31.03.2009 | 31.03.2010 | 31.03.2009 |
| Discount rate (per annum) | 7.80% | – | 7.80% | – |
| Rate of return on plan assets (for funded scheme) | NA | – | NA | – |
| Expected retirement age of employees (years) | 58 years | – | 58 years | – |
| Withdrawal rate of employees | 12% | – | 12% | – |
| Rate of increase in compensation | 9% | – | 9% | – |

- i) Mortality rates considered are as per the published rates in the Life Insurance Corporation (1994-96) Mortality table.
 - ii) **Leave availment pattern**
Sick leave balance as at the valuation date and each subsequent year following the valuation date will be availed by the employee against future sick leave. The unavailed sick leave can be accumulated to the maximum of 6 days per annum. The sick leave balance is not available for encashment.
 - iii) As this is the first year of implementation of Accounting Standard (AS)-15 (Revise 2005), previous year figures have not been furnished.
10. The Company has not received any intimation from the suppliers regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) and hence the disclosures required by the Act have not been made. The Company is making efforts to get confirmations from the suppliers as regards their status under the Act.
11. Details of current investments purchased and sold during the year:

| Sr. No. | Description | No. of Units | Purchase cost |
|---------|--|--------------|---------------|
| 1 | ICICI Prudential MF Flexible Income Plan Premium - Growth. | 191,264.452 | 32,500,000 |

12. Previous year's figures have been regrouped / reclassified wherever necessary to confirm to figures of the current year.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

A. R. Ramakrishnan
Director

Mumbai
May 26, 2010

V. Ashok
Director

ESSAR PORTS & TERMINALS LIMITED

BOARD OF DIRECTORS

Sanjay Mehta
Director

Yuvaraj Kumar Juwaheer
Director

Uday Kumar Gujadhur
Director

Sonia Lutchmiah
Director

Kamla Kant Sinha
Director (upto 7th July 2009)

V. Ashok
Director (upto 7th July 2009)

ADMINISTRATOR AND SECRETARY

Multiconsult Limited
Rogers House, 5, President Kennedy Street
Port Louis, Mauritius

REGISTERED OFFICE

10, Frère Félix de Valois Street
Port Louis
Mauritius

AUDITORS

Deloitte, Mauritius
3rd Floor, Cerné House
La Chaussée
Port Louis
Mauritius

BANKERS

State Bank of India, London
State Bank of India, Mauritius

COMMENTARY OF THE DIRECTORS

The Directors present their commentary, together with the audited financial statements of Essar Ports & Terminals Limited (the "Company") for the year ended 31st March, 2010.

PRINCIPAL ACTIVITY

The Company's principal activity is that of investment holding.

RESULTS AND DIVIDENDS

The Company's loss for the year ended 31st March, 2010 is USD 131,683 (2009 - USD 4,996,762).
The Directors do not recommend the payment of any dividend for the year under review.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance and cash flows of the Company.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

AUDITORS

The auditors, Deloitte, has indicated its willingness to continue in office and will be automatically reappointed under the Mauritian Companies Act 2001 at the next Annual Meeting.

CERTIFICATE FROM THE SECRETARY

We certify that, to the best of our knowledge and belief, ESSAR PORTS & TERMINALS LIMITED has filed with the Registrar of Companies, all such returns as are required under the Companies Act 2001, for the year ended 31st March, 2010.

For **Multiconsult Limited**
Corporate Secretary

Rogers House
5, President John Kennedy Street
Port Louis, MAURITIUS
May 26, 2010

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ESSAR PORTS & TERMINALS LIMITED

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act, 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of Essar Ports & Terminals Limited which comprise the statement of financial position as at 31st March, 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence Companies. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

As 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 presentations 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, the financial statements give a true and fair view of the financial position of the Company as at 31st March, 2010 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence Companies.

Report on other legal requirements

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

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

Deloitte

Chartered Accountants

May 26, 2010

STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31 st March, 2010 Amount in US\$ | As at 31 st March, 2009 Amount in US\$ |
|--|-------|---|---|
| ASSETS | | | |
| Non current assets | | | |
| Investments in subsidiaries | 5 | 665,047,617 | 653,632,067 |
| Total non current assets | | 665,047,617 | 653,632,067 |
| Current assets | | | |
| Advances towards purchase of equity shares | 6 | 1,500,000 | — |
| Other receivables | 7 | 36,327,643 | 6,442,650 |
| Cash and cash equivalents | 8 | 45,935 | 3,777 |
| Total current assets | | 37,873,578 | 6,446,427 |
| Total assets | | 702,921,195 | 660,078,494 |
| EQUITY | | | |
| Capital and reserves | | | |
| Stated capital | 9 | 504,566,401 | 477,430,851 |
| Accumulated losses | | (5,433,919) | (5,302,236) |
| Total equity | | 499,132,482 | 472,128,615 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Borrowings - due within one year | 11 | 203,781,184 | 187,942,473 |
| Other payables | 12 | 7,529 | 7,406 |
| Total current liabilities | | 203,788,713 | 187,949,879 |
| Total liabilities | | 203,788,713 | 187,949,879 |
| Total equity and liabilities | | 702,921,195 | 660,078,494 |

The financial statements have been approved by the Board of Directors and authorised for issue on 26th May, 2010.

Sonia Lutcmiah
Director

Uday Kumar Gujadhur
Director

STATEMENT OF COMPREHENSIVE INCOME

| | Note | For the year ended 31 st March, 2010 Amount in US\$ | For the year ended 31 st March, 2009 Amount in US\$ |
|--|------|--|--|
| Revenue | | | |
| Interest income | | 1,762,166 | 1,143 |
| Total revenues | | 1,762,166 | 1,143 |
| General and administration expenses | | (20,138) | (68,928) |
| Finance costs | | (1,873,711) | (4,928,977) |
| Total expenses | | (1,893,849) | (4,997,905) |
| Loss before taxation | | (131,683) | (4,996,762) |
| Taxation | 13 | – | – |
| Loss for the year | | (131,683) | (4,996,762) |
| Other comprehensive income | | – | – |
| Total comprehensive loss for the year | | (131,683) | (4,996,762) |

The notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st MARCH, 2010

(Amount in US\$)

| | Stated capital | Accumulated losses | Total |
|---|--------------------|--------------------|--------------------|
| Balance at 1 st April, 2008 | 387,105,532 | (305,474) | 386,800,058 |
| Issue of shares | 90,325,319 | – | 90,325,319 |
| Total comprehensive loss for the year | – | (4,996,762) | (4,996,762) |
| Balance at 31st March, 2009 | 477,430,851 | (5,302,236) | 472,128,615 |
| Issue of shares | 27,135,550 | – | 27,135,550 |
| Total comprehensive loss for the year | – | (131,683) | (131,683) |
| Balance at 31st March, 2010 | 504,566,401 | (5,433,919) | 499,132,482 |

The notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

| | Note | For the year ended 31 st March, 2010 Amount in US\$ | For the year ended 31 st March, 2009 Amount in US\$ |
|--|------|--|--|
| Cash flows from operating activities | | | |
| Loss for the year | | (131,683) | (4,996,762) |
| Adjustments for | | | |
| Finance costs | | 1,873,711 | 4,928,977 |
| Interest income | | (1,762,166) | (1,143) |
| | | (20,138) | (68,928) |
| Movement in working capital | | | |
| Decrease / (increase) in trade and other receivables | | 6,442,650 | (6,442,650) |
| Increase/(decrease) in other payables | | 123 | (6,694) |
| Net cash generated from / (used in) operating activities | | 6,422,635 | (6,518,272) |
| Cash flows from investing activities | | | |
| Purchase of investments | 5 | (11,415,550) | (39,387,000) |
| Interest income received | | 1,762,166 | 1,143 |
| Advance refund / (paid) towards purchase of equity shares, net | | (1,500,000) | – |
| Loan given | | (36,327,643) | – |
| Net cash used in investing activities | | (47,481,027) | (39,385,857) |
| Cash flows from financing activities | | | |
| Proceeds from issue of equity shares | | 27,135,550 | 90,325,319 |
| Proceeds from unsecured loans | | 48,465,000 | – |
| Repayment of unsecured loans | | (34,500,000) | (56,497,001) |
| Finance costs paid | | – | (482,809) |
| Net cash generated from financing activities | | 41,100,550 | 33,345,509 |
| Net increase / (decrease) in cash and cash equivalents | | 42,158 | (12,558,620) |
| Cash and cash equivalents at the beginning of the year | | 3,777 | 12,562,397 |
| Cash and cash equivalents at the end of the year (refer note no. 9) | | 45,935 | 3,777 |

Non cash transactions

1. During the year, loan given to Essar Oilfields Services Limited amounting to USD 7,570,000/- has been assigned to Essar Shipping & Logistics Limited.

The notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2010

1. i) GENERAL INFORMATION

Essar Ports & Terminals Limited (the "Company") is a private company incorporated and domiciled in Mauritius, on 8th February, 2008 as a Category 1 Global Business Company for the purpose of Financial Services Act 2007 and shall be primarily engaged to provide/be involved in investment holding activities. The Registered Office of the Company is located at 10, Frere Félix de Valois Street, Port Louis, Mauritius. The financial statements of Essar Ports & Terminal Limited ("the Company") were approved by the board of directors.

ii) STATEMENT OF COMPLIANCE

The aforesaid financial statements are separate financial statements of the Company and have been prepared in accordance with the International Financial Reporting Standards (IFRS).

2. i) BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis except for certain financial instruments. The principal accounting policies are set out in note 4.

ii) ADOPTION OF NEW OR REVISED STANDARDS

(i) Future changes in accounting policies

At the date of the authorisation of these financial statements, the following standards and interpretations were issued by International Financial Reporting Interpretation Committee ("IFRIC") of the International Accounting Standard Board but not yet effective.

Annual periods ending on or after 30th June, 2009

IAS 39 - Financial Instruments: Recognition and Measurement - The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' category as permitted by the October 2008 amendments to IAS 39 Financial Instruments: Recognition and Measurement .

Annual periods beginning on or after 1st July, 2009

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - This amendment became effective for financial years beginning on or after 1st July, 2009. This amendment clarifies that assets and liabilities of subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control in a subsidiary regardless of whether that entity will retain non controlling interest after the sale. The Company is currently evaluating the impact on disclosures of these revisions on its financial statements.

IAS 27 - Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3. IAS 27(2008) has been adopted in advance of its effective date (annual periods beginning on or after 1st July, 2009). The revisions to IAS 27 principally affect the accounting for transactions or events that result in a change in the Company's interests in its subsidiaries.

IAS 39 - Financial Instruments: Recognition and Measurement - The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from April 2009 Annual Improvements to IFRSs. Disclosures in these financial statements have been modified to reflect the International Accounting Standards Board's clarification (as part of Improvements to IFRSs (2009)) that the disclosure requirements in Standards other than IFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations.

IAS 1 - Presentation of Financial Statements - IAS 1(2007) has introduced terminology changes (including revised titles for the financial and changes in the format and content of the financial statements).

IAS 7 - Statement of Cash Flows - The amendments (part of Improvements to IFRSs (2009)) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows.

IAS 17 - Leases - As part of Improvements to IFRSs (2009) issued in April 2009, the International Accounting Standards Board amended the requirements of IAS 17 Leases regarding the classification of leases of land. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as

operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS 17. These amendments are effective for annual periods beginning on or after 1st January, 2010, and they are to be applied retrospectively to unexpired leases at 1st January, 2010 if the necessary information was available at the inception of the lease. Otherwise, the revised Standard will be applied based on the facts and circumstances existing on 1st January, 2010 (i.e. the date of adoption of the amendments) and the Company will recognise assets and liabilities related to land leases newly classified as finance leases at their fair values on that date; any difference between those fair values will be recognised in retained earnings.

Annual periods beginning on or after 1st February, 2010

IAS 32 - Financial Instruments: Presentation — The definition of a financial liability has been amended to classify rights issues (and certain options or warrants) as equity instruments if:

- The rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments.
- They are used to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Annual periods beginning on or after 1st January, 2011

IAS 24 - Related Party Disclosures - The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. A partial exemption from the disclosures has been included for government-related entities. For these entities the general disclosure requirements of IAS 24 will not apply. Instead, alternative disclosures have been included, requiring:

- The name of the government and the nature of its relationship with the reporting entity;
- The nature and amount of individually significant transaction year;
- A qualitative or quantitative indication of the extent of transactions that are collectively significant.

Annual periods beginning on or after 1st January, 2013

IFRS 9 - Financial Instruments— The first phase of IFRS 9 Financial Instruments addresses the classification and measurement of financial assets. The IASB's work on the other phases is ongoing and includes classification and measurement of financial liabilities, impairment of financial instruments, hedge accounting and derecognition of financial instruments, with a view to replacing IAS 39 Financial Instruments: Recognition and Measurement in its entirety by early 2011.

(ii) Standards effective in the current year

In the current year, the Company has adopted IAS 1 Presentation of Financial Statements- Comprehensive revision requiring a statement of comprehensive income; which is effective for reporting period beginning on or after 1st January, 2009. The impact of the adoption of IAS 1 has provided in these financial statements.

Annual periods beginning on or after 1st January, 2009

The new disclosures:

- clarify that the existing IFRS 7 fair value disclosures must be made separately for each class of financial instrument
- add disclosure of any change in the method for determining fair value and the reasons for the change establish a three-level hierarchy for making fair value measurements:
 1. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
 2. inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices) (Level 2); and
 3. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)
 - add disclosure, for each fair value measurement in the statement of financial position, of which level in the hierarchy was used and any transfers between levels, with additional disclosures whenever level 3 is used including a measure of sensitivity to a change in input data
 - clarify that the current maturity analysis for non-derivative financial instruments should include issued financial guarantee contracts.

(iii) Standards and interpretations adopted with no effect on the financial statements

IAS 23 (as revised in 2007) Borrowing Costs - The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Company's accounting policy to capitalise borrowing costs incurred on qualifying assets.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial statements Puttable Financial Instruments and obligations arising on liquidation-The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures regarding reclassifications of financial assets - The amendments to IAS 39 permit an entity to reclassify non-derivative financial assets out of the 'fair value through profit or loss' (FVTPL) and 'available-for-sale' (AFS) categories in very limited circumstances. Such reclassifications are permitted from 1st July, 2008. As the Company has adopted IFRS 9 in 2009 and applied the Standard retrospectively for classification and measurement of its financial assets (see note 2.1 above), including restatement of comparative information, these amendments to IAS 39 do not apply to the Company.

Amendments to IAS 32 Financial Instruments: Presentation regarding classifications of rights issue -The amendments to IAS 32 address classification of certain rights issues denominated in a foreign currency as either an equity instrument or a financial liability. The Company has not entered into any rights issues in the current or comparative period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Company's accounting policies, which are described in note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation / uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the future periods are as follows:

Impairment assessment of investment in unquoted subsidiaries

At each reporting date, the carrying amount of investments is assessed against the recoverable amount to determine whether there is any indication of impairment loss. In order to determine the recoverable amount of investments, management uses estimates to determine fair value, future cash flows, timing of cash flows and pretax discount rate that reflects current market assessment of the time value of money. Due to long term nature of these assets, these estimates are subject to uncertainties.

4. SIGNIFICANT ACCOUNTING POLICIES

i. Financial instruments

Financial assets, financial liabilities and equity instruments are recognised when the Company has become a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Borrowings and bills payable

Interest-bearing loans, commercial paper, overdrafts and bills payable are recorded at the proceeds received or funds raised, net of direct issue / transaction costs, if any. Finance charges, including premium payable on

settlement or redemption and direct issue costs, are accounted for on an accrual basis in the statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial assets are classified into following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets. When financial assets are recognised initially, they are measured at fair value. These investments/assets do not generally contain embedded derivatives when the Company first becomes party to it.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as available-for-sale investments and are not classified in any of the other categories. After initial recognition, these investments are subsequently measured at fair values with unrecognised gains or losses being recognised directly in equity as investment reserve, until the investments are disposed of or are determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments in units of mutual funds, fair value is determined with reference to the net asset value or the repurchase price of the units as declared by the mutual funds as at statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such valuation techniques include recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted estimated future cash flow and other valuation models. The Company assesses at each reporting date whether a financial asset is to be impaired.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset/ liability and of allocating interest income / expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset/liability, or, where

appropriate, a shorter period. Income/ expense are recognised on an effective interest basis for debt instruments other than those financial assets /liabilities designated as at FVTPL.

ii. Investment in subsidiaries

A subsidiary is an entity over which the Company has the power to govern operating and financial policies generally accompany by shareholdings of more than one half of voting rights.

iii. Revenue recognition

Revenue is recognised when:

- a) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- b) the amount of the revenue can be measured reliably.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

iv. Borrowing costs

Borrowing costs (including foreign exchange differences) directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of the assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalisation. All other borrowing costs are charged to the statement of comprehensive income in the period in which they are incurred.

v. Foreign currencies

These financial statements have been expressed in United States Dollars (US\$), the functional currency of the Company. Foreign currency transactions are recorded at the exchange rates at the dates of the transaction. At each date of the statement of financial position, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date of the statement of financial position.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- a) exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- b) exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

(vi) Cash and cash equivalents

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

(vii) Provisions

A provision is recognised when:

- a) the Company has a present obligation (legal or constructive) as a result of a past event;
- b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- c) a reliable estimate can be made of the amount of the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle that obligation at the date of statement of financial position.

(viii) Impairment of assets

At each statement of financial position date, the Company reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists,

the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any). Recoverable amount is the greater of the net selling price (fair value less costs to sell) and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risks specified to the asset. Impairment losses are recognised as an expense in the statement of comprehensive income for an amount by which the carrying amount exceeds its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

(ix) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that the future taxable profits will be available against which deductible temporary differences can be utilised.

(x) Related parties

Parties are considered to be related to the Company if they have the ability, directly or indirectly, to control the Company or exercise significant influence over the Company in making financial and operating decisions, or vice versa, or where the Company is subject to common significant influence. Related parties may be individuals or other entities.

5. INVESTMENTS IN SUBSIDIARIES

| Name of the Company | Type of Shares | Proportion of ownership (%) | Number of Shares | | March 31 | |
|---|---|-----------------------------|------------------|---------------|---------------------------|---------------------------|
| | | | 2010 | 2009 | 2010 Cost / impaired US\$ | 2009 Cost / impaired US\$ |
| Essar Bulk Terminal Limited, India # | Equity | 100 | 65,339,003 | 65,339,003 | 15,055,955 | 15,055,955 |
| Essar Bulk Terminal Limited, India* | 0.1% optionally convertible preference shares | 100 | 32,930,000 | 32,930,000 | 128,109,343 | 128,109,343 |
| Essar Bulk Terminal Limited, India ** | 0.1% fully convertible preference shares | 100 | 60,691,150 | 60,691,150 | 236,110,033 | 236,110,033 |
| Essar Bulk Terminal (Salaya) Limited, India | Equity | 100 | 3,004,815 | 3,004,815 | 712,467 | 712,467 |
| Vadinar Oil Terminal Limited, India ## | Equity | 100 | 1,046,142,000 | 1,046,142,000 | 273,644,269 | 273,644,269 |
| Vadinar Ports & Terminal Limited, India *** | Equity | 22.21 | 54,654,397 | – | 11,415,550 | – |
| Total | | | | | 665,047,617 | 653,632,067 |

* 0.1% optionally convertible preference share, carrying the right to the holder to apply for conversion in to equity share of INR 10 each in the ratio of 1:1 at par; at any time after one year from date of allotment i.e. 28th March, 2007 or to be redeemed after ten years from date of its allotment.

** 0.1% fully convertible preference share, carrying the right to the holder to apply for conversion in to equity share of INR 10 each in the ratio of 1:1 at par; at any time after one year from date of allotment i.e. 12th November, 2007 or to compulsorily convert them into equity shares after ten years from date of its allotment.

Pledged in favour of lenders for loan availed by Vadinar Oil Terminal Limited

Pledged in favour of lenders for loan availed by Essar Bulk Terminal Limited

*** Vadinar Ports & Terminal Limited is the ultimate subsidiary with Vadinar Oil Terminal Limited holding 77.79% of shares

6. ADVANCES TOWARDS PURCHASE OF EQUITY SHARES

| | 31 st March, 2010 US\$ | 31 st March, 2009 US\$ |
|---|--------------------------------------|--------------------------------------|
| Essar Bulk Terminal Limited (refer note 14) | 1,500,000 | – |
| Total | 1,500,000 | – |

7. OTHER RECEIVABLES

| | 31 st March, 2010 US\$ | 31 st March, 2009 US\$ |
|--|--------------------------------------|--------------------------------------|
| Advance given to related parties (refer note 14) | – | 6,442,650 |
| Loan given to related parties (refer note 14) | 36,327,643 | – |
| Total | 36,327,643 | 6,442,650 |

The management does not consider due from related parties as a credit risk as these parties have sound financial track record. Further, considering the past experiences, there is no indication of inability to discharge the debts by these related parties. None of these receivables is past due or impaired.

Loan given to related parties is unsecured and bears the interest rate of 15% per annum on the outstanding balance.

8. CASH AND CASH EQUIVALENTS

| | 31 st March, 2010 US\$ | 31 st March, 2009 US\$ |
|--------------------------------------|--------------------------------------|--------------------------------------|
| Bank balances | 1,413 | 3,777 |
| Short term fixed deposits with banks | 44,522 | – |
| Total | 45,935 | 3,777 |

Fixed deposits with banks mature on varying periods within seven days to three months from the date of deposit and bear interest rates ranging from 0.15% to 2.00% p.a.

9. SHARE CAPITAL

| | 31 st March, 2010 | | 31 st March, 2009 | |
|------------------------|------------------------------|-------------|------------------------------|-------------|
| | Numbers | US\$ | Numbers | US\$ |
| Issued and fully paid: | | | | |
| Opening balance | 477,430,851 | 477,430,851 | 387,105,532 | 387,105,532 |
| Issued during the year | 27,135,550 | 27,135,550 | 90,325,319 | 90,325,319 |
| Closing balance | 504,566,401 | 504,566,401 | 477,430,851 | 477,430,851 |

The Company has one class of ordinary shares viz. equity shares which carry right to vote but no right to fixed income by way of dividends and are repayable only on winding up of the Company. No preference shares have been issued by the Company. During the current year, 1,818,550, 1,500,000, 7,450,000 shares of USD 1 each have been issued on 1st July 2009, 26th August, 2009 and 15th October, 2009 respectively.

10. RETAINED EARNINGS

There is no restriction on the distribution of retained earnings in the form of dividend under the domiciled law of the Company.

11. BORROWINGS (unsecured – at amortised cost)

| | 31 st March, 2010 US\$ | 31 st March, 2009 US\$ |
|--|--------------------------------------|--------------------------------------|
| Unsecured loan: | | |
| - from related party (refer note 14) | 197,094,655 | 183,129,655 |
| - interest on aforesaid loan (refer note 14) | 6,686,529 | 4,812,818 |
| Total borrowings | 203,781,184 | 187,942,473 |

Summary of borrowing arrangements:

Management is of the view that the fair value of the above loans approximates their carrying amount. The variable rate loan bear an interest rate of 3 months LIBOR on quarterly basis and fixed rate loan bears interest rate of 15% on per annum basis.

12. OTHER PAYABLES

| | 31 st March, 2010 US\$ | 31 st March, 2009 US\$ |
|----------------|--------------------------------------|--------------------------------------|
| Other payables | 7,529 | 7,406 |
| Total | 7,529 | 7,406 |

Trade and other payables principally comprise amounts outstanding for operating and administration costs. The average credit period taken for trade payables is 30-90 days. The carrying amount of trade payables approximates to their fair value.

13. TAXATION

The Company has been established as a Category 1 Global Business Company for the purpose of the Financial Services Act 2007. The profit of the Company, as adjusted for tax purpose, is subject to income tax at the rate of 15%. It is, however, entitled to tax credit equivalent to the higher of the foreign taxes paid and 80% of the Mauritian tax on its foreign source income. Interest income from call and deposit accounts held with any bank under Banking Act, 2004 are exempt from tax and there is no tax on capital gains in Mauritius.

Effective tax reconciliation:

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the year ended 31st March, 2010 and 31st March, 2009 are as follows:

| | 31 st March, 2010 US\$ | 31 st March, 2009 US\$ |
|--|--------------------------------------|--------------------------------------|
| Loss before tax | (131,683) | (4,996,762) |
| Income tax | | |
| Statutory income tax rate of 15% | (39,505) | (1,499,029) |
| Non-taxable (income) / non deductible expenses | 39,505 | 1,499,029 |
| Income taxes recognised in the statement of comprehensive income | – | – |

14. RELATED PARTY TRANSACTIONS

Related parties consist of:

- i. Holding Company:
 - Essar Global Limited, Cayman Island (ultimate holding company)
 - Essar Shipping & Logistics Limited (immediate holding company)
 - Essar Shipping Ports & Logistics Limited (immediate holding company)

- ii. Subsidiary companies:
- i) Essar Bulk Terminal Limited, India
 - ii) Vadinar Oil Terminal Limited, India
 - iii) Essar Bulk Terminal (Salaya) Limited, India
 - iv) Essar Dredging Limited, India
 - v) Vadinar Ports & Terminal Limited, India
- iii. Enterprises commonly controlled or influenced by major shareholders / directors / or close members of families of such individuals with whom the Company had transactions during the year (Affiliates).
- i) Essar International Limited, Guernsey
 - ii) Essar Oilfields Services Limited, Mauritius

During the year ended 31st March, 2010, the Company transacted with related parties. The nature and volume of transactions and balances with the parties are as follows:

| Nature of transactions with related parties | 31 st March, 2010 US\$ | 31 st March, 2009 US\$ |
|--|--------------------------------------|--------------------------------------|
| Advance received towards share capital | | |
| Essar Shipping Ports & Logistics Limited | 27,135,550 | 90,325,319 |
| Total | 27,135,550 | 90,325,319 |
| Advance given towards purchase of share capital | | |
| Vadinar Ports & Terminal Limited | 11,415,550 | - |
| Essar Shipping Ports & Logistics Limited | 1,500,000 | - |
| Total | 12,915,550 | - |
| Investment in shares | | |
| Essar Bulk Terminal (Salaya) Limited | - | 500,000 |
| Vadinar Oil Terminal Limited | - | 23,975,000 |
| Essar Bulk Terminal Limited | - | 14,912,000 |
| Total | - | 39,387,000 |
| Loan repaid | | |
| Essar International Limited | - | 56,497,001 |
| Essar Shipping Ports & Logistics Limited | 34,500,000 | - |
| Total | 34,500,000 | 56,497,001 |
| Loan taken | | |
| Essar Shipping Ports & Logistics Limited | 48,465,000 | - |
| Total | 48,465,000 | - |
| Interest on loan taken | | |
| Essar International Limited | 660,441 | 4,928,977 |
| Essar Shipping Ports & Logistics Limited | 1,213,270 | - |
| Total | 1,873,711 | 4,928,977 |
| Interest income | | |
| Essar Shipping & Logistics Limited | 1,762,131 | - |
| Total | 1,762,131 | - |
| Loan given | | |
| Essar Shipping & Logistics Limited | 36,327,643 | - |
| Essar Oilfields Services Limited | 7,570,000 | - |
| Total | 43,897,643 | - |

| Nature of transactions with related parties | 31 st March, 2010 US\$ | 31 st March, 2009 US\$ |
|---|--------------------------------------|--------------------------------------|
| Assignment of receivables by the Company | | |
| Essar Shipping & Logistics Limited | 7,570,000 | – |
| Total | 7,570,000 | – |
| Settlement of receivables through assignment | | |
| Essar Oilfields Services Limited | 7,570,000 | – |
| Total | 7,570,000 | – |
| Advances given towards purchase of equity shares | | |
| Essar Bulk Terminal Limited | 1,500,000 | – |
| Total | 1,500,000 | – |
| Advances given | | |
| Essar Shipping & Logistics Limited | – | 6,442,650 |
| Total | – | 6,442,650 |
| Unsecured loan received | | |
| Essar International Limited | 183,129,655 | 183,129,655 |
| Essar Shipping Ports & Logistics Limited | 13,965,000 | – |
| Total | 197,094,655 | 183,129,655 |
| Interest on loan | | |
| Essar International Limited | 5,473,259 | 4,812,818 |
| Essar Shipping Ports & Logistics Limited | 1,213,270 | – |
| Total | 6,686,529 | 4,812,818 |
| Loan given | | |
| Essar Shipping & Logistics Limited | 36,327,643 | – |
| Total | 36,327,643 | – |

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at contractually agreed prices. Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31st March, 2010 and 31st March, 2009, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel

There was no compensation of Key Management Personnel for the year ended 31st March, 2010 and 31st March, 2009 respectively.

15. FINANCIAL INSTRUMENTS

i) Capital market risk

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

The Company currently has the capital gearing ratio of 40.82% (previous year 39.81%) as disclosed below.

The gearing ratio for the period ended is as follows.

| Particulars | 31 st March, 2010 US\$ | 31 st March, 2009 US\$ |
|---|--------------------------------------|--------------------------------------|
| Debt (a) Cash and cash equivalents and short term deposits | 203,781,184 (45,935) | 187,942,473 (3,777) |
| Net debt Equity (b) | 203,735,249 499,132,482 | 187,938,696 472,128,615 |
| Net debt to equity ratio | 40.82% | 39.81% |

- a) Debt is defined as long and short term borrowings as detailed in note 11.
b) Equity includes capital and reserve of the Company (refer note 9 & 10).

ii) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 4 to the financial statements.

iii) Categories of financial instruments

| | 31 st March, 2010 | | 31 st March, 2009 | |
|--|------------------------------|--------------------|------------------------------|--------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial assets | | | | |
| Cash and cash equivalents | 45,935 | 45,935 | 3,777 | 3,777 |
| Other receivables | 36,327,643 | 36,327,643 | 6,442,650 | 6,442,650 |
| Advances towards purchase of equity shares | 1,500,000 | 1,500,000 | – | – |
| | 37,873,578 | 37,873,578 | 6,446,427 | 6,446,427 |
| Financial liabilities | | | | |
| <u>At amortised cost</u> | | | | |
| Borrowings | 203,781,184 | 203,781,184 | 187,942,473 | 187,942,473 |
| Trade and other payables | 7,529 | 7,529 | 7,406 | 7,406 |
| | 203,788,713 | 203,788,713 | 187,949,879 | 187,949,879 |

iv) Financial risk management objectives

The Company's principal financial liabilities comprise of loan from related parties (refer note 14) and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has financial assets such as trade and other receivables, cash and short term deposits, which arise directly from its operations.

v) Financial risk management objectives

The main risk arising from Company's financial instruments is interest rate risk. The Board of Directors reviews and agrees policies for managing the interest rate risk.

vi) Foreign currency risk

Foreign currency risk mainly arises from transactions undertaken by an operating unit denominated in currencies other than its functional currency.

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

| | 31 st March, 2010 | | 31 st March, 2009 | |
|------------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|
| | Financial assets US\$ | Financial liabilities US\$ | Financial assets US\$ | Financial liabilities US\$ |
| United States Dollars (US\$) | 37,873,578 | 203,788,713 | 6,446,427 | 187,949,879 |
| Total | 37,873,578 | 203,788,713 | 6,446,427 | 187,949,879 |

The Company does not have any financial instrument denominated in currency other than functional currency, hence disclosure regarding currency risk has not been made for the same.

vii) Interest rate risk

The Company has long term borrowing amounting to US\$ 183,129,655/- from Essar International Limited bearing an interest rate of three months LIBOR rate and US\$ 13,965,000/- from Essar Shipping Ports & Logistics Limited bearing fixed interest rate of 15%. The Company is exposed to interest rate risk in respect of the said floating interest rate borrowing based on variation in LIBOR.

The sensitivity analysis below has been determined based on the exposure to interest rates for instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to Key Management Personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit and loss for the year ended 31st March, 2010 would decrease / increase by US\$ 915,648 (previous year US\$ 915,648). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

viii) Credit risk

During the year, the Company had transactions with related parties. Hence, the credit risk is minimum. Cash and cash equivalents are held with reputable and credit-worthy banks.

ix) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The maturity analysis of the said borrowing on gross basis is as under:

| Principal Payable | 31 st March, 2010 | | | | |
|--|------------------------------|--------------------------|-----------------------------|------------------------------|--------------------|
| | Within one year US\$ | One to two years US\$ | Three to five years US\$ | More than five years US\$ | Total US\$ |
| Financial Instruments | | | | | |
| Loan from related parties and other payables | 203,788,713 | - | - | - | 203,788,713 |
| Total | 203,788,713 | - | - | - | 203,788,713 |

| Principal Payable | 31 st March, 2009 | | | | |
|--|------------------------------|--------------------------|-----------------------------|------------------------------|--------------------|
| | Within one year US\$ | One to two years US\$ | Three to five years US\$ | More than five years US\$ | Total US\$ |
| Loan from related parties and other payables | 187,949,879 | - | - | - | 187,949,879 |
| Total | 187,949,879 | - | - | - | 187,949,879 |

The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. Ultimate responsibility for risk management rests with the board of directors, which is in the process of building an appropriate risk management framework for the management.

x) Fair value of financial instruments

All financial assets are initially recognised at fair value of consideration paid. Subsequently, financial assets are carried at fair value or amortised cost less impairment. Where non – derivative financial assets are carried at fair value, gains and losses on re-measurement are recognised directly in equity unless the financial assets have been designated as at fair value through profit or loss, in which case the gains and losses are recognised directly in the statement of comprehensive income.

Financial assets are designated as being at fair value through profit or loss when it is necessary to reduce measurement inconsistency for related assets and liabilities. All financial liabilities other than derivatives are initially recognised at fair value of consideration received net of transaction costs as appropriate (initial cost) and subsequently carried at amortised cost.

16. PRESENTATION AND FUNCTIONAL CURRENCY

The financial statements are presented in United States Dollars (US\$) which also represents the currency of the primary economic environment in which the Company operates.

17. SEPARATE FINANCIAL STATEMENTS

The Company's investment in subsidiaries namely Vadinar Oil Terminal Limited, Essar Bulk Terminal Limited and Essar Bulk Terminal (Salaya) Limited are not consolidated and exemption from consolidation has been used, as the intermediate parent, Essar Shipping & Logistics Limited, Cyprus will prepare the consolidated financial statements that comply with International Financial Reporting Standards which will be available for public use at Riga Feraiou, 4, Omega Court, 1st Floor, P.C. 3095, Limassol, Cyprus.

VADINAR OIL TERMINAL LIMITED

BOARD OF DIRECTORS

Shashi Ruia
Director

Anshuman S. Ruia
Director

K. K. Sinha
Wholetime Director

Sanjay Mehta
Director

V. Ashok
Director

R. N. Bansal
Director

C. P. Philip
(Nominee – IDBI Limited)

Manju Jain
(Nominee – IFCI Limited)

AUDIT COMMITTEE

Anshuman S. Ruia

Sanjay Mehta

V. Ashok

R. N. Bansal

COMPANY SECRETARY

Habib Jan

REGISTERED OFFICE

Essar Refinery Site

39 K.M. Stone

Okha Highway (SH - 25)

Khambalia

Gujarat 361305

AUDITORS

Deloitte Haskins & Sells

CORPORATE OFFICE

Essar House

11, K. K. Marg, Mahalaxmi, Mumbai 400 034

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Seventeenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

The summary of financial results of your Company for the year ended 31st March, 2010 is furnished below:

(Rs. in crore)

| Particulars | For the Year ended 31 st March, 2010 | For the Year ended 31 st March, 2009 |
|---|--|--|
| Total Income | 427.41 | 399.40 |
| Total Expenditure | 100.96 | 88.16 |
| Gross Profit | 326.45 | 311.25 |
| Less: Interest & Finance Charges | 255.80 | 252.86 |
| Less: Depreciation | 137.51 | 136.97 |
| Profit / (Loss) before Tax | (66.86) | (78.59) |
| Less: Provision for tax | (0.40) | 0.37 |
| Profit after tax | (66.45) | (78.96) |
| Add: Balance in the Profit and Loss Account as per last Balance Sheet | (225.41) | (146.45) |
| Balance Carried forward to Balance Sheet | (291.86) | (225.41) |

A) REVIEW OF OPERATIONS

Your Directors are pleased to inform you that with the dedicated efforts of all employees of your Company and guided by the support of Banks and Financial Institutions, your Company successfully completed the third year of full-fledged operations. During the year under review, your Company has successfully handled the following throughput:

| Cargo handled | Quantity in MMT | |
|-----------------------|-----------------|--------------|
| Crude Handling | | 13.66 |
| Product Handling | | |
| – Jetty | 7.56 | |
| – Road | 3.01 | |
| – Rail | 2.09 | 12.66 |
| Intermediate Handling | 3.07 | |
| TOTAL | | 29.39 |

The Marine division has successfully handled 102 Crude Oil Tankers and evacuated 13.66 million metric tonne (MMT) of crude by using its Single Point Mooring facility. Approximately 7.56 MMT of the petroleum products were despatched from the Jetty through 200 vessels. Road and Rail operations successfully evacuated products of 5.10 MMT during the year. 839 rakes were dispatched by rail during the year and the road operations successfully handled all the products including Superior Kerosene Oil (SKO), Liquid Petroleum Gas (LPG), Fuel Oil (FO), High Speed Diesel (HSD), Aviation Turbine Fuel (ATF) etc.

B) ACHIEVEMENTS

During the year under review, your Company has achieved the following:

- The Marine Terminal has been awarded ISO 29001 certification by ABS; and
- The Marine Terminal has been awarded the IMS along with Essar Oil Limited Refinery by DNV.

EXPANSION PLANS

In line with the expansion of refinery capacity of Essar Oil Limited from 10.5 million metric tonnes per annum (MMTPA) to 16 MMTPA, your Company has also started pursuing the expansion of its facility to cater to increased throughput by 5.5 MMTPA through an associate Company. The commercial operation for the first phase of expansion is expected to start from April 2011.

INDUSTRY SCENARIO

The year 2009-2010 saw an improvement in global fortunes post the shrinking of the global economy in 2008-09. Service companies are however still in the process of coming out of the impact of the global financial turmoil, falling oil demand and lower oil and gas prices.

With the scenario looking bright, port operations globally are being scaled up due to increase in volumes of international trade. India has 196 ports along its 7500 km long coastline. There are 13 major ports handling approx 72% of the traffic and around 187 minor/intermediate ports handling the balance. The traffic at minor ports has grown at a CAGR of 10.8% during the year as against a total CAGR of approx 9%.

The Company has adequate port and terminalling facilities at the refining hub of India i.e., Jamnagar for receipt of crude oil and export of finished goods to cater the present refining capacity of Essar's Refinery and after commissioning of additional facilities as per expansion plan, your Company would also usher third party business apart from the guaranteed revenues from Essar Oil's Refinery.

HOLDING COMPANY

Your Company continues to be the wholly owned subsidiary of Essar Ports & Terminals Limited.

SUBSIDIARY COMPANY

During the period under review, Vadinar Ports & Terminals Limited has become a subsidiary of your Company.

FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year under review.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Sanjay Mehta and Mr. V. Ashok retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

During the year, Mr. S. N. Ruia has resigned from the Board of your Company as a Director. The board wishes to place on record its sincere appreciation for the valuable services rendered during his tenure as director of the Company.

AUDITORS

Deloitte Haskins & Sells, Chartered Accountants, who are the statutory auditors of the Company hold office, in accordance with the provisions of the Companies Act, 1956, upto the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors), Rules 1988, relating to Energy Conservation and Technology Absorption, are not applicable to your Company.

The foreign exchange earnings and outgo position is as under:

Total Foreign Exchange

- | | | |
|------------|---|----------------|
| (1) Outgo | : | Rs. 7.91 crore |
| (2) Earned | : | NIL |

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 the Board of Directors hereby state that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there have been no material departures;
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (d) the Directors have prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

Information required in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended is annexed and forms part of this report.

ACKNOWLEDGEMENTS

Your Directors thank the Financial Institutions and Banks, Kandla Port Trust, Indian Coast Guards, other business associates, shareholders and employees for their continued support and co-operation.

For and on behalf of the Board of Directors

Mumbai
May 26, 2010

K. K. Sinha
Wholetime Director & CEO

V. Ashok
Director

AUDITORS' REPORT

TO THE MEMBERS OF VADINAR OIL TERMINAL LIMITED

1. We have audited the attached Balance Sheet of Vadinar Oil Terminal Limited ("the Company") as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Attention is invited to note B (8) of Schedule 12 to the financial statements detailing the state of the Master Restructuring Agreement and reasons for following principles laid down in other internationally recognised financial reporting frameworks as well as Accounting Standard (AS 30), Financials Instruments – Recognition & Measurement, issued by the Institute of Chartered Accountants of India, in the absence of guidance available under the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
 - (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 it appears from our examination of those books;
 - (c) 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;
 - (d) having regard to the matters stated in paragraph 4 above, in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
6. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No. 31544)

Mumbai
May 26, 2010

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/result, clauses (vi), (viii), (xii), (xiii), (xiv), (xviii), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the 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 in our opinion, is largely reasonable having regard to the size of the Company and the nature of its assets. As per the information given to us by the management, no material discrepancies as compared to book records were noticed in respect of fixed assets verified during the year.
 - (c) During the year, the Company has disposed off a substantial part of the plant and machinery. Based on the information and explanation given by the management and on the basis of audit procedures performed by us, we are of the opinion that the sale of the said part of plant and machinery has not affected the going concern status of the Company.
- (iii) In respect of its inventory
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) In our opinion and according to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956.
- (vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- (viii) According to the information and explanations given to us in respect of statutory dues
 - (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Income-tax, Service Tax, Custom Duty, Cess and other material statutory dues applicable to it with the appropriate authorities during the year. As informed to us, the provisions for Investor Education and Protection Fund, Employee's State Insurance, Sales Tax, Wealth Tax and Excise duty were not applicable to the Company during the year.
 - (b) There were no undisputed amounts payable in respect of above statutory dues in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.
 - (c) There were no dues pending to be deposited on account of any dispute in respect of Income Tax, Service Tax, Custom Duty and Cess as on 31st March, 2010.
- (ix) The accumulated losses of the Company at the end of the financial year are less than fifty percent of its net worth and the Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (x) In our opinion, and according to the information and explanation given to us, and taking into consideration the terms of Master Restructuring Agreement ("MRA") entered into with the financial institutions and banks pursuant to Corporate Debt Restructuring package approved under RBI's Corporate Debt Restructuring Scheme ("CDR Scheme") and the

terms of approved schemes of arrangement with scheme lenders, the Company has not defaulted in repayment of dues to banks and financial institutions. We have been informed that the Company is in the process of pursuing the restructuring of the said loan. The Company has not borrowed any sums through debentures.

- (xi) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not prima facie prejudicial to the interests of the Company.
- (xii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, the Company has not raised any funds on short term basis during the year.
- (xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No. 31544)

Mumbai
May 26, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

| | Schedule No. | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|--|--------------|------------------------------|------------------------------|
| I. SOURCES OF FUNDS | | | |
| Shareholders' funds | | | |
| Capital | 1 | 10,461,420,000 | 10,461,420,000 |
| Loan funds | | | |
| Secured loans | 2 | 22,339,571,978 | 22,727,420,725 |
| Deferred tax liability (net) (refer note B(12) in schedule 12) | | – | – |
| Total | | 32,800,991,978 | 33,188,840,725 |
| II. APPLICATION OF FUNDS | | | |
| Fixed assets | 3 | | |
| Gross block | | 29,086,037,834 | 29,058,065,389 |
| Less : Depreciation | | 3,627,656,822 | 2,252,568,667 |
| Net block | | 25,458,381,012 | 26,805,496,722 |
| Capital work in progress | | | |
| a) Capital work-in-progress (including advances on capital account) | 4A | 275,921,733 | 4,585,328,764 |
| b) Expenditure during construction (EDC) | 4B | – | 31,052,249 |
| Investments | 5 | 2,214,800,000 | – |
| Current assets, loans and advances | 6 | | |
| Inventories | | 44,971,905 | 40,787,111 |
| Sundry debtors | | 472,293,110 | 329,402,023 |
| Cash and bank balances | | 165,459,131 | 26,449,254 |
| Other current assets | | 205,868 | – |
| Loans and advances | | 1,496,535,580 | 1,854,909,512 |
| | | 2,179,465,594 | 2,251,547,900 |
| Less: current liabilities and provisions | 7 | | |
| Liabilities | | 239,078,889 | 2,730,986,940 |
| Provisions | | 7,055,169 | 7,693,532 |
| | | 246,134,058 | 2,738,680,472 |
| Net current assets/ (liabilities) | | 1,933,331,536 | (487,132,572) |
| Statement of Profit and Loss-debit balance | | 2,918,557,697 | 2,254,095,562 |
| Total | | 32,800,991,978 | 33,188,840,725 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS | 12 | | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants**Khurshed Pastakia**
PartnerMumbai
May 26, 2010

For and on behalf of the Board

K. K. Sinha
Wholetime Director & CEO**Habib Jan**
Company SecretaryMumbai
May 26, 2010**V. Ashok**
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010

| | Schedule No. | For the year ended 31.03.2010 (Rs.) | For the year ended 31.03.2009 (Rs.) |
|---|--------------|---|---|
| INCOME | | | |
| Port and terminal service income (gross) | | 4,550,456,303 | 4,345,319,187 |
| Less: service tax payable | | 424,929,283 | 478,000,579 |
| Port and terminal service income | | 4,125,527,020 | 3,867,318,608 |
| Other income | 8 | 148,615,275 | 126,715,480 |
| | | 4,274,142,295 | 3,994,034,088 |
| EXPENDITURE | | | |
| Operating expenses | 9 | 701,538,665 | 654,802,188 |
| Establishment and other expenses | 10 | 308,026,098 | 226,751,439 |
| | | 1,009,564,763 | 881,553,627 |
| PROFIT BEFORE INTEREST, DEPRECIATION AND TAX | | | |
| | | 3,264,577,532 | 3,112,480,461 |
| Interest and finance expenses | 11 | 2,557,981,731 | 2,528,626,884 |
| PROFIT BEFORE DEPRECIATION AND TAX | | | |
| | | 706,595,801 | 583,853,577 |
| Depreciation | | 1,375,088,155 | 1,369,726,083 |
| LOSS BEFORE TAX | | | |
| | | (668,492,354) | (785,872,506) |
| Fringe benefit tax | | – | 3,679,644 |
| (Excess) tax provision of earlier years | | (4,030,219) | – |
| LOSS FOR THE YEAR | | | |
| | | (664,462,135) | (789,552,150) |
| Balance brought forward from previous year | | (2,254,095,562) | (1,464,543,412) |
| Balance carried forward to balance sheet | | (2,918,557,697) | (2,254,095,562) |
| Basic and diluted earnings per share (refer note B(15) in Schedule 12) (face value of Rs.10/- per share) | | (0.64) | (0.81) |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS | | | |
| | 12 | | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

K. K. Sinha
Wholetime Director & CEO

Habib Jan
Company Secretary

Mumbai
May 26, 2010

V. Ashok
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| | For the year ended 31.03.2010 (Rs.) | For the year ended 31.03.2009 (Rs.) |
|--|--|--|
| A) Cash flow from operating activities | | |
| Loss before tax | (668,492,354) | (785,872,506) |
| Adjustment for: | | |
| Depreciation | 1,375,088,155 | 1,369,726,083 |
| Interest and finance expenses | 2,557,981,731 | 2,528,626,884 |
| Interest income | (110,955,307) | (121,477,074) |
| Foreign exchange (gain) / loss | (1,281,273) | - |
| Profit from sale of investments | (603,504) | - |
| Interest income from fixed deposits | (654,998) | - |
| Operating profit before working capital changes | 3,151,082,450 | 2,991,003,387 |
| Adjustment for: | | |
| Inventories | (4,184,794) | (24,640,032) |
| Trade and other receivables | (143,096,955) | (48,062,913) |
| Trade payables | (141,027,760) | (89,453,366) |
| Cash generated from operations | 2,862,772,941 | 2,828,847,076 |
| Less : Fringe benefit tax | (648,355) | (4,495,750) |
| Net cash from operating activities | 2,862,124,586 | 2,824,351,326 |
| B) Cash flow from investing activities | | |
| Sale of capital work in progress | 46,168,181 | - |
| Fixed assets purchased | (27,972,445) | (1,133,268,111) |
| Interest received | 110,955,307 | 122,054,648 |
| Purchase of mutual funds | (350,000,000) | - |
| Sale of investments | 50,603,504 | - |
| Interest income from fixed deposits | 426,256 | - |
| Net cash used in investing activities | (169,819,197) | (1,011,213,463) |
| C) Cash flow from financing activities | | |
| Interest and finance expenses paid | (1,833,211,588) | (1,875,350,063) |
| Repayment of term loans | (1,106,430,302) | (793,332,269) |
| Loans and advances received | 745,000,000 | - |
| Loans and advances repaid | (386,626,068) | - |
| Amount repaid for advances received towards allotment of shares | - | (471,424,820) |
| Amount received towards allotment of shares | - | 1,017,515,000 |
| Net cash used in financing activities | (2,581,267,958) | (2,122,592,152) |
| Net increase/ (decrease) in cash and cash equivalents (A+B+C) | 111,037,431 | (309,454,289) |
| Cash and cash equivalents at the beginning of the year | 26,449,254 | 335,903,542 |
| Cash and cash equivalents at the end of the year | 137,486,685 | 26,449,254 |

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| | For the year ended 31.03.2010 (Rs.) | For the year ended 31.03.2009 (Rs.) |
|--|--|--|
|--|--|--|

Notes:

1) Non cash transaction

Company has received 19,148,000 fully paid shares of Rs 10/- each of Vadinar Ports & Terminals Limited as a part consideration for the sale of capital work in progress. (refer note B(9) in schedule 12).

2. Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts :

| | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|---|------------------------------|------------------------------|
| Cash in hand | 9,279 | 54,958 |
| Balances with banks | | |
| In Current accounts | 104,762,705 | 20,050,216 |
| In Margin deposits/term deposits | 50,763,994 | 6,344,080 |
| In Escrow account and trust and retention account (restricted cash) | 9,923,153 | - |
| Cash and bank balances (refer Schedule 6) | 165,459,131 | 26,449,254 |

3. Cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 "Cash flow Statement" as notified under the Companies (Accounting Standards) Rules, 2006.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

K. K. Sinha
Wholetime Director & CEO

Habib Jan
Company Secretary

Mumbai
May 26, 2010

V. Ashok
Director

SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

| | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|--|---------------------------|---------------------------|
| SCHEDULE 1 | | |
| Capital | | |
| Authorised | | |
| 4,000,000,000 Equity shares of Rs.10/- each | <u>40,000,000,000</u> | <u>40,000,000,000</u> |
| Issued, subscribed and paid up | | |
| 1,046,142,000 Equity shares of Rs.10/- each fully paid up. (Of the above 1046,142,000 shares are held by Essar Ports & Terminals Limited the immediate holding Company) | <u>10,461,420,000</u> | <u>10,461,420,000</u> |

| | As at 31.03.2010 | | As at 31.03.2009 | |
|--|------------------|-----------------------|----------------------|-----------------------|
| | (Rs.) | (Rs.) | (Rs.) | (Rs.) |
| SCHEDULE 2 | | | | |
| Secured loans | | | | |
| From banks | | | | |
| Rupee term loans | | 3,090,397,237 | | 3,090,397,237 |
| Funded interest facilities (including funding of interest for the period October 1998 to December 2003) | | 6,980,878,194 | | 6,849,371,791 |
| Less : Amount not payable if relevant funded interest is paid on or before 31.03.2010 (refer note B(8) in schedule 12) | | <u>3,595,344,391</u> | <u>3,385,533,803</u> | <u>3,683,023,870</u> |
| (A) | | <u>6,475,931,040</u> | | <u>6,256,745,158</u> |
| From financial institutions | | | | |
| Rupee term loans | | 10,029,001,572 | | 11,471,870,313 |
| Funded interest facilities (including funding of interest for the period October 1998 to December 2003) | | 9,246,148,530 | | 8,385,393,376 |
| Less : Amount not payable if relevant funded interest is paid on or before 31.03.2010 (refer note B(8) in schedule 12) | | <u>3,411,509,164</u> | <u>5,834,639,366</u> | <u>3,386,588,122</u> |
| (B) | | <u>15,863,640,938</u> | | <u>16,470,675,567</u> |
| Total (A+B) | | <u>22,339,571,978</u> | | <u>22,727,420,725</u> |

- a) Term loans and funded interest facilities from banks and financial institutions (other than (b) below) are secured / to be secured by first ranking security interests on all movable and immovable assets, present and future, pledge of shares of the Company held by the promoters and persons associated with the promoters/Company, security interest on rights, titles and interests under each of the project documents, trust and retention accounts/sub-accounts, insurance policies related to the terminal project, immovable properties of Essar Oil Limited (EOL) pertaining to terminal project, guarantee by the promoters and guarantee of holding Company for Rs. 2,500,000,000 (Previous year Rs. 2,500,000,000) and pledge of shares of the Company held by the holding Company.
- b) The facilities provided by a financial institution upto Rs. 2,000,000,000 (Previous year Rs. 2,000,000,000) and interest and other charges thereon are secured by a Guarantee of EOL for Rs. 2,000,000,000. To secure obligation of EOL pursuant to the said guarantee, security is created by first mortgage and charge on immovable and movable properties pertaining to the EOL refinery project, pledge over shares of EOL and an assignment of the project contracts relating to EOL refinery project, the trust and retention accounts pertaining thereto.

SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

**SCHEDULE 3
FIXED ASSET**

(Amount in Rs.)

| DETAILS | GROSS BLOCK (AT COST) (A) | | | DEPRECIATION (B) | | | NET BLOCK C = A - B | |
|---------------------------------|---------------------------|-------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| | As at 01.04.2009 | Additions | As at 31.03.10 | Upto 01.04.2009 | For the year | Upto 31.03.10 | As at 31.03.10 | As at 31.3.2009 |
| TANGIBLE FIXED ASSETS | | | | | | | | |
| Land - Freehold | 452,482 | - | 452,482 | - | - | - | 452,482 | 452,482 |
| Buildings | 617,531,864 | 2,659,092 | 620,190,956 | 34,148,317 | 20,647,463 | 54,795,780 | 565,395,176 | 583,383,547 |
| Pipelines | 7,236,414,949 | - | 7,236,414,949 | 601,996,569 | 365,672,337 | 967,668,906 | 6,268,746,043 | 6,634,418,380 |
| Tankages | 7,062,197,910 | - | 7,062,197,910 | 587,503,472 | 356,868,715 | 944,372,187 | 6,117,825,723 | 6,474,694,438 |
| Plant and machinery | 14,126,886,959 | 15,220,535 | 14,142,107,494 | 1,025,731,058 | 628,122,505 | 1,653,853,563 | 12,488,253,931 | 13,101,155,901 |
| Office equipments | 4,416,577 | 4,702,435 | 9,119,012 | 1,272,272 | 1,925,453 | 3,197,725 | 5,921,287 | 3,144,305 |
| Furniture and fixtures | 8,714,648 | 5,390,383 | 14,105,031 | 1,773,965 | 1,402,208 | 3,176,173 | 10,928,858 | 6,940,683 |
| TOTAL (A) | 29,056,615,389 | 27,972,445 | 29,084,587,834 | 2,252,425,653 | 1,374,638,681 | 3,627,064,334 | 25,457,523,500 | 26,804,189,736 |
| INTANGIBLE FIXED ASSETS | | | | | | | | |
| Computer software | 1,450,000 | - | 1,450,000 | 143,014 | 449,474 | 592,488 | 857,512 | 1,306,986 |
| TOTAL (B) | 1,450,000 | - | 1,450,000 | 143,014 | 449,474 | 592,488 | 857,512 | 1,306,986 |
| TOTAL FIXED ASSETS (A+B) | 29,058,065,389 | 27,972,445 | 29,086,037,834 | 2,252,568,667 | 1,375,088,155 | 3,627,656,822 | 25,458,381,012 | 26,805,496,722 |
| As at 31-03-2009 | 28,853,122,218 | 204,943,171 | 29,058,065,389 | 882,842,584 | 1,369,726,083 | 2,252,568,667 | 26,805,496,722 | |

SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

| | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|---|----------------------------|--------------------------------|
| SCHEDULE 4 | | |
| CAPITAL WORK-IN-PROGRESS | | |
| A) Capital work-in-progress (including advances on capital account) | | |
| Construction / supply / labour / engineering works (refer note B(9) in Schedule 12) | 259,716,897 | 4,573,773,579 |
| Others (assets lying in stock) | 16,204,836 | 11,555,185 |
| | <u>275,921,733</u> | <u>4,585,328,764</u> |
| B) Expenditure during construction | | |
| Opening balance | 31,052,249 | – |
| Add: Additions during the year | | |
| Professional and consultancy charges | – | 6,769,310 |
| Feasibility charges | – | 1,096,220 |
| Hire charges | – | 6,264,500 |
| Custom duty | 953,199 | 16,922,219 |
| Bill discounting charges | 13,549,773 | – |
| Less: Sold during the year | 45,555,221 | – |
| Closing balance (refer note B(9) in Schedule 12) | <u>–</u> | <u>31,052,249</u> |
| SCHEDULE 5 | | |
| INVESTMENTS | | |
| Long term (Unquoted) | | |
| Investments in subsidiary | | |
| Equity shares (fully paid up, at cost, net of other than temporary decline) 191,480,000 (Previous year NIL) fully paid up equity shares of Rs 10/- each of Vadinar Ports & Terminals Limited (refer note B(9) in Schedule 12) | 1,914,800,000 | – |
| Current investments (non trade) | | |
| Mutual funds (at lower of cost and fair value) | | |
| Unquoted | | |
| 20,746,386 units (Previous year NIL) of SBI Premier Liquid Fund each of Rs.14.46 (Aggregate market value of investments is Rs. 300,119,293/-) | 300,000,000 | – |
| | <u>2,214,800,000</u> | <u>–</u> |
| Details of investments purchased and sold during the year | | |
| Description | Number of units | Purchase cost (Rs.) |
| LIC MF Floating Rate Fund (Short Term Growth Plan) | 3440,612 | 50,000,000 |

SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

| | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|--|---------------------------|---------------------------|
| SCHEDULE 6 | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | |
| Inventories | | |
| Stores and spares (at cost) | 44,971,905 | 40,787,111 |
| Sundry debtors (unsecured, considered good) | | |
| Debts outstanding for a period exceeding six months | – | 4,803,662 |
| Other debts | 472,293,110 | 324,598,361 |
| Cash and bank | | |
| Cash in hand | 9,279 | 54,958 |
| Balance with scheduled banks | | |
| In current accounts | 113,461,550 | 20,050,216 |
| In escrow accounts / deposits [including margin money Rs. 44,410,000 (previous year Rs.5,195,930)] | 51,988,302 | 6,344,080 |
| | 165,459,131 | 26,449,254 |
| Other current assets | | |
| Interest accrued on bank deposits | 205,868 | – |
| (A) | 682,930,014 | 396,638,388 |
| Loans and advances (unsecured, considered good) | | |
| Advance recoverable in cash or in kind or for value to be received | 100,758,800 | 315,756,446 |
| Loan given to associates / affiliates (including funded interest) | 1,066,817,399 | 1,128,508,880 |
| Prepaid expenses | 89,057,996 | – |
| Security deposit given | – | 100,000,000 |
| Tax deducted at source (net of provision for tax) | 239,901,385 | 310,644,186 |
| (B) | 1,496,535,580 | 1,854,909,512 |
| Total (A+B) | 2,179,465,594 | 2,251,547,900 |
| SCHEDULE 7 | | |
| CURRENT LIABILITIES AND PROVISIONS | | |
| Current liabilities | | |
| Sundry creditors | | |
| Due to micro, small and medium enterprises (refer note B(19) in Schedule 12) | 1,141,321 | 305,081 |
| For expenses | 52,146,692 | 1,76,682,249 |
| For capital expenses | 158,542,984 | 25,10,061,638 |
| Other liabilities | 27,247,892 | 43,937,972 |
| (A) | 239,078,889 | 27,30,986,940 |
| Provisions | | |
| Provision for fringe benefit tax (net of advance tax paid) | 50,000 | 50,000 |
| Provision for compensated absences | 7,005,169 | 5,127,333 |
| Provision for gratuity | – | 2,516,199 |
| (B) | 7,055,169 | 7,693,532 |
| Total (A + B) | 2,46,134,058 | 2,738,680,472 |

**SCHEDULES ATTACHED TO AND FORMING PART OF THE STATEMENT OF PROFIT AND LOSS FOR
THE YEAR ENDED 31ST MARCH, 2010**

| | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|---|---------------------------|---------------------------|
| SCHEDULE 8 | | |
| OTHER INCOME | | |
| Interest income from banks (Gross) (Inclusive of TDS Rs. 83,802/- (Previous year Rs. 1,748,864/-)) | 654,998 | 7,717,846 |
| Interest income from others (Gross) (Inclusive of TDS Rs. 15,549,465/- (Previous year Rs. 25,777,841/-)) | 110,300,309 | 113,759,228 |
| Miscellaneous income | 768,900 | 5,238,406 |
| Interest on income tax refunds | 18,897,124 | — |
| Profit on sale of investments | 603,504 | — |
| Excess provision of earlier year written back | 8,941,838 | — |
| Foreign exchange gain | 8,448,602 | — |
| | <u>148,615,275</u> | <u>126,715,480</u> |
| SCHEDULE 9 | | |
| OPERATING EXPENSES | | |
| Wharfage expense | 261,757,892 | 256,187,323 |
| Repairs - plant and machinery | 45,149,900 | 69,469,516 |
| Consumption of stores and spares | 79,392,740 | 33,365,513 |
| Power and fuel charges | 7,609,137 | 12,751,102 |
| Hire charges | 212,418,334 | 188,242,188 |
| Manning management expenses | 17,403,371 | 10,664,773 |
| Insurance | 47,051,672 | 34,878,130 |
| Security and maintenance charges | 9,926,387 | 22,748,463 |
| Rent | 20,829,232 | 15,079,063 |
| Foreign exchange loss | — | 11,416,117 |
| | <u>701,538,665</u> | <u>654,802,188</u> |
| SCHEDULE 10 | | |
| ESTABLISHMENT AND OTHER EXPENSES | | |
| Salaries, wages and bonus (refer note B(11) in Schedule 12) | 64,495,444 | 62,784,826 |
| Contribution to provident and other funds (refer note B(13) in Schedule 12) | 6,123,888 | 18,436,194 |
| Staff welfare expenses | 7,789,446 | 39,778,365 |
| Rent - office | 7,615,596 | — |
| Repairs - others | 9,989,000 | 100,553 |
| Auditors' remuneration (refer note B(10) in Schedule 12) | 3,655,000 | 1,200,000 |
| Professional fees | 185,412,830 | 76,301,736 |
| Travelling and conveyance | 8,269,260 | 11,054,835 |
| Vehicle hire and maintenance charges | 6,739,320 | 8,394,176 |
| Miscellaneous expenses | 5,847,561 | 6,257,078 |
| Communication expenses | 1,174,640 | 1,868,658 |
| Printing and stationery | 914,113 | 575,018 |
| | <u>308,026,098</u> | <u>226,751,439</u> |
| SCHEDULE 11 | | |
| INTEREST AND FINANCE EXPENSES | | |
| Interest on secured loans (refer note B(8) in Schedule 12) | | |
| – to banks | 756,568,223 | 719,359,190 |
| – to others | 1,794,919,256 | 1,791,257,226 |
| Other finance expense | 6,494,252 | 18,010,468 |
| | <u>2,557,981,731</u> | <u>2,528,626,884</u> |

**SCHEDULE ATTACHED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR YEAR
ENDED 31ST MARCH, 2010**

SCHEDULE 12

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

i. Basis of accounting

The financial statements have been prepared under the historical cost convention, on accrual basis of accounting and are in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

ii. Use of estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the reporting date and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

iii. Revenue recognition

Revenue on sale of products is recognised when the seller has transferred to the buyer the property in the goods for a price or when all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership and no significant uncertainty exists regarding the amount of consideration that will be derived from the sale of goods.

Revenue on transactions of rendering services is recognised either under the completed service contract method or under the proportionate completion method, as appropriate. Performance is regarded as achieved when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

iv. Fixed assets, depreciation and amortisation

Fixed assets are recorded at cost of acquisition less accumulated depreciation and impairment loss, if any. Cost of acquisition is inclusive of non refundable duties and taxes, and cost of construction including erection, installation and commissioning expenses, borrowing costs, expenditure during construction, inseparable know-how costs, gains or losses earned / incurred during the trial run and other incidental costs, where applicable.

Depreciation on plant and machinery, buildings, pipelines and tankages is provided as per straight line method at the rates provided under Schedule XIV to the Companies Act, 1956.

All other assets are depreciated under the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Assets costing less than Rs. 5,000/- per item are depreciated at 100% in the year of acquisition.

Depreciation on additions/deductions to fixed assets made during the period is provided on a pro-rata basis from/ upto the date of such additions/deductions, as the case may be.

v. Intangible assets and amortisation

Intangible assets are recognised only when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any.

Intangible assets are amortised over the best estimate of their useful lives, subject to a rebuttable presumption that such useful lives will not exceed ten years.

vi. Capital work-in-progress, expenditure during construction and capital advances

Direct expenditure on projects or assets under construction or development is shown under Capital work-in-progress.

Advances on capital account include progress / milestone based payments made under the contracts for projects, assets under construction and other capital advances until the same are allocated to fixed assets and other accounts, as applicable and the same is shown along with Capital work-in-progress.

Expenditure incidental to the construction of projects that take substantial period of time to get ready for their intended use is accumulated as Expenditure during construction pending allocation to fixed assets and other accounts, as applicable, on completion of the projects.

vii. Impairment of assets

The Company assesses on each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount but limited to the carrying amount that would have been determined (net of depreciation / amortisation) had no impairment loss been recognised in prior accounting periods.

viii. Foreign currency transactions

Transactions in foreign currency are recorded at the standard exchange rate determined monthly which approximates the actual rate on the date of the transaction. The difference between the standard rate and the actual rate of settlement is accounted in the Statement of Profit and Loss or expenditure during construction.

Monetary items denominated in foreign currency are translated at the rate prevailing at the end of the year. Gains/ losses on conversion / translation / settlement of foreign currency transactions are recognised in the Statement of Profit and Loss or Expenditure during construction, as applicable.

ix. Employee benefits

- (a) Contribution to recognised provident fund, which is a fixed percentage of eligible employees' salary is charged to the Statement of Profit and Loss.
- (b) The liability for gratuity is actuarially determined at year end and funded to Life Insurance Corporation of India to the extent demanded by them and balance taken to provisions.
- (c) The contribution towards superannuation, funded by payment to Life Insurance Corporation of India, is a fixed percentage of the salary of eligible employees under a defined contribution plan and is charged to Statement of Profit and Loss.
- (d) Provision for all accumulated compensated absences of eligible employees is based on an independent actuarial valuation.

x. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction/development of qualifying asset are capitalised as a part of cost of such asset. A qualifying asset is one that necessary takes substantial period of time to get ready for the intended use. All other borrowing costs are charged to revenue. The borrowing costs pertaining to qualifying asset under construction are shown as "Expenditure during construction" to be capitalised as part of such asset on completion / commissioning.

xi. Taxation

Current tax and fringe benefit tax are provided as per the provisions of the Income tax Act, 1961.

The tax effect of timing differences resulting between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations as at the balance sheet date.

Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation under tax laws are recognised, only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is reasonable certainty of its realisation.

xii. Provisions and contingent liabilities

Provisions are recognised for present obligations arising out of past events, if it is probable that an outflow of economic resources, the amount of which can be reliably estimated, will be required to settle the obligation.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or the likelihood of an outflow of economic resource is remote.

Contingent assets are not recognised in the financial statements.

xiii. Investments

Long term investments are stated at cost. However, in the opinion of management, when there is an other than temporary decline in the value of long term investments with reference to their fair/market value, the carrying amount is reduced to recognise that decline. Current investments are carried at lower of cost or market value.

B. NOTES TO FINANCIAL STATEMENTS

| | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|---|------------------------------|------------------------------|
| 1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances, and adjustment towards free issue of materials to a contractor pending amendment to the contract) | – | 20,237,118,340 |
| 2. Committed liability for future lease rental charges in respect of land taken on lease | 1,523,119,094 | 754,146,981 |
| 3. Guarantees given by others on behalf of the Company (including guarantee of Rs. 2,500,000,000 given by holding Company Essar Shipping Ports & Logistics Limited in respect of loan liabilities already existing in the books of account) (Previous year Rs 2,500,000,000/-). | 4,544,410,000 | 4,500,000,000 |
| 4. Contingent liabilities | | |
| a. Guarantees given by Company on behalf of others | 1,040,000,000 | 1,040,000,000 |
| b. Claims against the Company not acknowledged as debt in respect of certain charges waived under a contractual arrangement | 51,293,147 | 172,005,222 |
| c. Interest on Facility E on principal amount of Facility Stoppage as per Master Restructuring Agreement | 1,365,690,480 | 878,234,054 |
| 5. CIF value of imports (including goods in transit) | | |
| Capital goods | 7,896,546 | 125,135,175 |
| Components and spares parts | 16,871,503 | 12,900,946 |
| TOTAL | 24,768,049 | 138,036,121 |
| 6. Expenditure in foreign currency | | |
| Consultancy fees | 2,252,090 | 6,324,834 |
| Technical and engineering services | – | 1,889,019 |
| Travelling expenses | 275,979 | 566,787 |
| Total | 2,528,069 | 8,780,640 |

7. Consumptions of imported and indigenous component and spare parts:

| Particulars | Year ended 31.03.2010 | | Year ended 31.03.2009 | |
|--------------|-----------------------|----------------|-----------------------|----------------|
| | Amount | % of Total | Amount | % of Total |
| Imported | 11,699,334 | 14.74% | 9,411,878 | 28.21% |
| Indigenous | 67,693,406 | 85.26% | 23,953,635 | 71.79% |
| Total | 79,392,740 | 100.00% | 33,365,513 | 100.00% |

8. The Master Restructuring Agreement ('MRA') dated 17th December, 2004 entered pursuant to Corporate Debt Restructuring Scheme, subject to concurrence of lenders, gives an option to the Company to prepay certain funded interest loans of Rs. 8,690,816,181/- (Previous year Rs. 8,690,816,181/-) arising from funding of interest for the period

from 1st October, 1998 to 29th December, 2003 at any point of time during their term at a reduced amount computed in accordance with mechanism provided in the MRA or in full by one bullet payment in March 2026. During the year, the Company has agreed to pay a claim of Rs. 120,712,075/- of a lender by bullet payment in 2031 with an option to prepay this amount as per the agreed terms at a reduced rate at any point of time during its term. (Refer schedule 2).

In order to give the accounting effect to reflect the substance of the transaction and considering the intention of the management to prepay funded interest loans under the option aforementioned, in the absence of guideline available under the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 the principles laid down in International Financial Reporting Standards (IFRS) 39 (Revised) – Financial Instruments – Recognition & Measurement, Statement of Financial Accounting Standard (SFAS) 15- Accounting by Debtors and Creditors for Troubled Debt Restructuring under United States Generally Accepted Accounting Principles (US-GAAP), and Accounting Standard (AS 30) Financial Instruments – Recognition & Measurement issued by the Institute of Chartered Accountants of India, have been followed.

In view of the above, an amount of Rs. 7,006,853,556/- (Previous year Rs. 7,069,611,992/-) shown under secured loans being the amount not payable as at balance sheet date, has been shown as deduction from the funded interest facilities of the financial institutions and banks (Refer Schedule 2) to reflect in substance the present obligation under the mechanism as on the balance sheet date with consequential deduction from expenditure during construction till the date of capitalisation of terminal project. The changes in the present obligation of the said loans subsequent to capitalisation of terminal project till the date of balance sheet is treated as finance cost in the Statement of Profit and Loss (Refer Schedule 11).

The Company has plans of prepaying the loans (including funded interest loans) in accordance with the option to prepayment available under MRA.

9. During the year, the Company has sold Capital Work in Progress (including expenditure during construction of Rs. 45,555,221) amounting to Rs. 3,966,300,000/- to its subsidiary Company, Vadinar Ports & Terminals Limited (VPTL). The Capital Work in Progress is towards the expansion of oil handling facilities at Vadinar and is under construction. The sale consideration is settled partly by issue of 191,480,000 shares of VPTL having face value of Rs.10/- each to the Company at par and balance in cash.

10. Auditor's Remuneration

| Particulars | Year ended | |
|--------------------|---------------------|---------------------|
| | 31.03.2010 (Rs.) | 31.03.2009 (Rs.) |
| Audit fee | 1,200,000 | 1,200,000 |
| *Others | 2,010,000 | – |
| Certification fees | 445,000 | – |
| Total | 3,655,000 | 1,200,000 |

* IFRS fees (including Rs. 1,010,000/- of previous year)

11. Salaries, wages and bonus are net of recoveries of Rs. NIL (previous year Rs. 144,170,571) from Essar Oil Limited (EOL) during the year towards employee cost.

12. Deferred tax liability

The components of deferred tax liability are as follows:

| Particulars | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|--|---------------------------|---------------------------|
| Deferred tax liability | | |
| Depreciation of fixed assets (timing difference) | 884,680,892 | – |
| (A) | 884,680,892 | – |
| Deferred tax assets | | |
| Tax on unabsorbed depreciation | 884,680,892 | – |
| (B) | 884,680,892 | – |
| Net deferred tax liability (A - B) | – | – |

13. Employee benefits

The Accounting Standard-15 (Revised 2005) 'Employee Benefits' as notified under the Companies (Accounting Standards) Rules, 2006 has been adopted by the Company effective from 1st April, 2007. In accordance with the above standard, the obligations of the Company, on account of employee benefits, based on independent actuarial valuation, accounted for in the books of account.

The Company has various employee benefits as under:

I. Defined contribution plans

- a. Provident fund
- b. Superannuation fund
- c. Group life insurance cover

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss:

| Particulars | Year ended | |
|---|---------------------|---------------------|
| | 31.03.2010 (Rs.) | 31.03.2009 (Rs.) |
| – Employer's contribution to provident fund | 3,682,176 | 12,925,142 |
| – Employer's contribution to superannuation fund | 1,232,005 | (375,135) |
| – Premium paid in respect of group life insurance cover | – | 92,105 |

The above amounts are included in contribution to staff provident and other funds (Schedule 10)

II. Defined benefit plans

- a. Contribution to gratuity fund
- b. Provision for compensated absences (CA)

In accordance with Accounting Standard-15 (Revised 2005), relevant disclosures are as under:

(A) Changes in present value of defined benefit obligation

(Amount in Rs.)

| Particulars | Gratuity (funded) | | | CA (non-funded) | | |
|---|-------------------|------------------|------------------|--------------------|------------------|-------------------|
| | Year ended | | | Year ended | | |
| | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2010 | 31.03.2009 | 31.03.2008 |
| Present value of defined benefit obligation at the beginning of the year | 2,516,199 | 9,954,721 | 4,903,700 | 5,127,333 | 20,691,483 | 11,754,171 |
| Current service cost | 747,915 | 695,088 | 4,219,482 | 3,277,704 | 3,046,193 | 20,514,650 |
| Interest cost | 183,059 | 782,378 | 392,296 | 383,417 | 1,649,550 | 940,333 |
| Acquisitions/(transfers) | – | (7,054,647) | – | – | – | – |
| Benefits paid | (215,062) | (350,000) | – | – | (144,216) | – |
| Actuarial (gain)/loss on obligations | 231,907 | (1,511,341) | 439,243 | (1,618,531) | (20,115,677) | (12,517,671) |
| Present value of defined benefit obligation at the end of the year | 3,464,018 | 2,516,199 | 9,954,721 | (7,005,169) | 51,27,333 | 20,691,483 |

(B) Changes in the fair value of plan assets

(Amount in Rs.)

| Particulars | Gratuity (funded) | | | CA (non-funded) | | |
|---|-------------------|------------------|------------------|-----------------|------------|------------|
| | Year ended | | | Year ended | | |
| | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2010 | 31.03.2009 | 31.03.2008 |
| Fair value of plan assets at the beginning of the year | 6,284,203 | 1,544,715 | – | – | – | – |
| Expected return on plan assets | 692,236 | 300,449 | 117,240 | – | – | – |
| Actuarial gains / (losses) | (938,683) | 17,233 | – | – | – | – |
| Contributions by the employer | 3,934,567 | 4,771,804 | 1,427,476 | – | – | – |
| Benefits paid | (215,062) | (350,000) | – | – | – | – |
| Fair value of plan assets at the end of the year | 9,757,261 | 6,284,201 | 1,544,716 | – | – | – |

(C) Amount recognised in the Balance Sheet

(Amount in Rs.)

| Particulars | Gratuity (funded) | | | CA (non-funded) | | |
|---|-------------------|--------------------|------------------|------------------|------------------|-------------------|
| | Year ended | | | Year ended | | |
| | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2010 | 31.03.2009 | 31.03.2008 |
| Present value of defined benefit obligation at the end of the year | 3,464,017 | 2,516,199 | 9,954,721 | 7,005,169 | 5,127,333 | 20,691,483 |
| Fair value of plan assets at the end of the year | 9,757,261 | 6,284,203 | 1,544,716 | – | – | – |
| (Liability)/Asset recognised in the Balance Sheet (included in current liabilities and provisions schedule 7 / loans and advances schedule 6) | 6,293,244 | (3,768,004) | 8,410,005 | 7,005,169 | 5,127,333 | 20,691,483 |

(D) Expenses recognised in the Statement of Profit and Loss

(Amount in Rs.)

| Particulars | Gratuity (funded) | | | CA (non-funded) | | |
|---|-------------------|------------------|------------------|------------------|----------------|------------------|
| | Year ended | | | Year ended | | |
| | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2010 | 31.03.2009 | 31.03.2008 |
| Current service cost | 747,915 | 695,088 | 4,219,482 | 3,277,704 | 3,046,193 | 20,514,650 |
| Interest cost | 183,059 | 782,378 | 392,296 | 383,417 | 1,649,550 | 940,333 |
| Expected return on plan assets | (692,236) | (300,449) | (114,200) | – | – | – |
| Net actuarial (gain) / loss recognised in the period | 1,170,590 | 5,526,073 | 436,203 | (1,618,531) | (3,760,615) | (12,798,869) |
| Total expenses recognised in the Statement of Profit and Loss Included in contribution to provident and other funds (schedule 10) | 1,409,328 | 6,703,090 | 4,933,781 | 2,042,590 | 935,128 | 8,656,114 |

(E) Category of plan assets

The Company's plan assets in respect of gratuity are funded through the group schemes of the Life Insurance Corporation of India.

(F) Experience history

Gratuity

(Amount in Rs.)

| Experience history | 31.03.2010 | 31.03.2009 |
|---|-------------------|-------------------|
| Defined benefit obligation | (3,464,017) | (2,516,199) |
| Plan assets at the end of the period | 9,757,261 | 6,284,203 |
| Funded status | 6,293,244 | 3,768,004 |
| Experience gain/ (loss) adjustments on plan liabilities | 119,035 | 1,511,341 |
| Experience gain/ (loss) adjustments on plan assets | (938,683) | 17,233 |
| Actuarial gain / (loss) due to change on assumptions | (350,942) | – |

Compensated absences

(Amount in Rs.)

| Experience history | 31.03.2010 | 31.03.2009 |
|---|-------------------|-------------------|
| Defined benefit obligation | (7,005,169) | (5,127,333) |
| Plan assets at the end of the period | – | – |
| Funded status | (7,005,169) | (5,127,333) |
| Experience gain/ (loss) adjustments on plan liabilities | 2,418,679 | – |
| Experience gain/ (loss) adjustments on plan assets | – | – |
| Actuarial gain/ (loss) due to change on assumptions | (800,148) | – |

(G) Actuarial assumptions

In accordance with Accounting Standard (AS) 15 (Revised 2005), actuarial valuation as at the year-end was done in respect of aforesaid defined benefit plans based on the following assumptions:

i) General assumptions

| Particulars | Gratuity (funded) | | | CA (non-funded) | | |
|---|--------------------------|-------------------|-------------------|------------------------|-------------------|-------------------|
| | Year ended | | | Year ended | | |
| | 31.03.2010 | 31.03.2009 | 31.03.2008 | 31.03.2010 | 31.03.2009 | 31.03.2008 |
| Discount rate (per annum) | 7.80% | 7.60% | 8.00% | 7.80% | 7.60% | 8.00% |
| Rate of return on plan assets (for funded scheme) | 8.50% | 8.00% | 8.00% | N.A. | N.A. | N.A. |
| Expected retirement age of employees (years) | 58 | 58 | 58 | 58 | 58 | 58 |
| Withdrawal rate of employees | 5.00% | 11.00% | 11.00% | 5.00% | 11.00% | 11.00% |
| Rate of increase in compensation | 9.00% | 8.00% | 8.00% | 9.00% | 8.00% | 8.00% |

ii) Mortality rates considered are as per the published rates in the Life Corporation (1994-96) Mortality table.

iii) Leave policy

a) Sick leave as at the valuation date and each subsequent year following the valuation date will be availed by the employee against future sick leave. The unavailed sick leave can be accumulated to the maximum of 6 days per annum. The sick leave balance is not available for encashment. The projected benefit obligation for sick leave as on 31st March, 2010 is Rs. 3,403,708/-.

- b) Leave balance as at the valuation date and each subsequent year following the valuation date to the extent not availed by the employee (maximum to the extent of 120 days) is available for encashment on separation from the Company.
- iv) As this is the third year of implementation of Accounting Standard (AS) 15 (Revised 2005), only corresponding previous two years' figures have been furnished.

14. Managerial remuneration

| Particulars | Year ended | |
|---|---------------------|---------------------|
| | 31.03.2010 (Rs.) | 31.03.2009 (Rs.) |
| a) Salary | 3,038,070 | 4,473,300 |
| b) Allowances, other benefits and perquisites | 7,053,972 | 8,249,856 |
| c) Contribution to provident fund | 364,568 | 536,796 |
| TOTAL | 10,456,610 | 13,259,952 |

Note: The above does not include the amount payable towards gratuity and compensated absences by the Company to the whole time director as the same is calculated for the Company as a whole on actuarial basis.

The Company has obtained approval from Central Government as required under Section II of part II of Schedule XII to the Companies Act, 1956 for payment of remuneration of Rs. 9,781,200/- to a Wholetime Director. The Company has further applied for amendment of earlier approval from the Central Government for the payment of increased remuneration up to Rs. 17,500,000/- to the Wholetime Director.

15. Earnings per share

| Particulars | Year ended | |
|---|---------------------|---------------------|
| | 31.03.2010 (Rs.) | 31.03.2009 (Rs.) |
| Earnings for the purpose of earning per share (net loss for the year) (Rs.) | 664,462,136 | 789,552,150 |
| Number of equity shares at the beginning of the year | 1,046,142,000 | 944,390,500 |
| Weighted average number of equity shares issued during the year | | |
| – 67,866,950 Shares issued on 25 th September, 2008 | – | 34,966,429 |
| – 33,884,550 Shares issued on 23 rd March, 2009 | – | 835,509 |
| Weighted average number of equity shares outstanding during the year | 1,046,142,000 | 980,192,432 |
| Earnings per share – basic and diluted (Rs.) | (0.64) | (0.81) |
| Face value per share (Rs.) | 10 | 10 |

16. Related party disclosure:

- Holding companies
 - Essar Global Limited (Ultimate holding company)
 - Essar Shipping & Logistics Limited
 - Essar Shipping Ports & Logistics Limited
 - Essar Ports & Terminals Limited (Immediate holding company)
- Subsidiary company:**
 - Vadinar Ports & Terminals Limited
- Other related parties / affiliates where there have been transactions**
 - Essar Oil Limited
 - Essar Bulk Terminal (Salaya) Limited
 - Essar Projects (India) Limited

4. Global Supplies (UAE) FZE
5. Essar Energy Services Limited
6. Essar House Limited
7. Essar Infrastructure Services Limited
8. Essar Bulk Terminal Limited
9. Essar Engineering Services Limited
10. Essar House Services Limited
11. Essar Information Technology Limited
12. Essar Investments Limited
13. Essar Project Management Consultants Limited
14. Essar Logistics Limited
15. Aegis Limited
16. Vadinar Power Company Limited

4. Key Management Personnel

Mr. K. K. Sinha, (Wholetime Director and Chief Executive Officer)

Transactions with related parties for the year 2010

(Amount in Rs.)

| Nature of transactions | Holding companies and subsidiary Company | | Other related parties | | Key Management Personnel | | Total | |
|--|--|--------------------|-----------------------|----------------------|--------------------------|----------|----------------------|----------------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| INCOME | | | | | | | | |
| Port, terminal and technical service income | | | | | | | | |
| Essar Oil Limited | - | - | 4,550,456,303 | 4,345,319,188 | - | - | 4,550,456,303 | 4,345,319,188 |
| Total | - | - | 4,550,456,303 | 4,345,319,188 | - | - | 4,550,456,303 | 4,345,319,188 |
| Inter corporate deposit-interest income | | | | | | | | |
| Essar Oil Limited | - | - | 110,300,399 | 113,759,228 | - | - | 110,300,399 | 113,759,228 |
| Total | - | - | 110,300,399 | 113,759,228 | - | - | 110,300,399 | 113,759,228 |
| EXPENSES | | | | | | | | |
| Lease charges | | | | | | | | |
| Essar Oil Limited | - | - | 2,508,925 | 2,508,925 | - | - | 2,508,925 | 2,508,925 |
| Essar House Limited | - | - | 7,615,596 | - | - | - | 7,615,596 | - |
| Essar House Services Limited | - | - | 12,636 | - | - | - | 12,636 | - |
| Essar Infrastructure Services Limited | - | - | 25,022,664 | - | - | - | 25,022,664 | - |
| Total | - | - | 35,159,821 | 2,508,925 | - | - | 35,159,821 | 2,508,925 |
| Hire charges | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | 180,675,000 | 180,675,000 | - | - | - | - | 180,675,000 | 180,675,000 |
| Total | 180,675,000 | 180,675,000 | - | - | - | - | 180,675,000 | 180,675,000 |
| Reimbursement of expense | | | | | | | | |
| Essar Oil Limited | - | - | 48,427,396 | 369,553,865 | - | - | 48,427,396 | 369,553,865 |
| Total | - | - | 48,427,396 | 369,553,865 | - | - | 48,427,396 | 369,553,865 |
| Professional charges | | | | | | | | |
| Essar Oil Limited | - | - | 62,117,307 | 62,477,184 | - | - | 62,117,307 | 62,477,184 |
| Essar Energy Services Limited | - | - | 26,918,276 | - | - | - | 26,918,276 | - |
| Essar Information Technology Limited | - | - | 3,812,744 | - | - | - | 3,812,744 | - |
| Aegis Limited | - | - | 608,229 | - | - | - | 608,229 | - |
| Total | - | - | 93,456,556 | 62,477,184 | - | - | 93,456,556 | 62,477,184 |

Transactions with related parties for the year 2010 (Contd.)

(Amount in Rs.)

| Nature of transactions | Holding companies and subsidiary Company | | Other related parties | | Key Management Personnel | | Total | |
|--|--|----------------------|-----------------------|----------------------|--------------------------|----------|----------------------|----------------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Travelling expenses | | | | | | | | |
| Futura Travels Limited | - | - | 10,998,723 | 6,548,720 | - | - | 10,998,723 | 6,548,720 |
| Essar Oil Club (Earlier Essar Properties Ltd) | - | - | 1,036,691 | 827,184 | - | - | 1,036,691 | 827,184 |
| Total | - | - | 12,035,414 | 7,375,904 | - | - | 12,035,414 | 7,375,904 |
| CWIP – Expansion – Engineering | | | | | | | | |
| Essar Engineering Services Limited | - | - | 19,996,103 | 203,042,400 | - | - | 19,996,103 | 203,042,400 |
| Total | - | - | 19,996,103 | 203,042,400 | - | - | 19,996,103 | 203,042,400 |
| CWIP – Expansion – Others | | | | | | | | |
| Essar Constructions (India) Limited | - | - | 955,363,592 | 2,796,137,026 | - | - | 955,363,592 | 2,796,137,026 |
| Essar Project Management Consultants Limited | - | - | 1,671,048 | 11,747,952 | - | - | 1,671,048 | 11,747,952 |
| Global Supplies UAE FZE | - | - | 6,670,541 | 66,656,555 | - | - | 6,670,541 | 66,656,555 |
| Total | - | - | 963,705,181 | 2,874,541,533 | - | - | 963,705,181 | 2,874,541,533 |
| Sale of capital work in progress | | | | | | | | |
| Vadinar Ports & Terminals Limited | 3,966,300,000 | - | - | - | - | - | 3,966,300,000 | - |
| Vadinar Ports & Terminals Limited | 3,443,693 | - | - | - | - | - | 3,443,693 | - |
| Total | 3,969,743,693 | - | - | - | - | - | 3,969,743,693 | - |
| Investments in subsidiaries | | | | | | | | |
| Equity Shares of Vadinar Ports & Terminals Limited | 1,914,800,000 | - | - | - | - | - | 1,914,800,000 | - |
| Total | 1,914,800,000 | - | - | - | - | - | 1,914,800,000 | - |
| Advance towards allotment of shares | | | | | | | | |
| Essar Shipping & Logistics Limited | - | - | - | - | - | - | - | - |
| Essar Ports & Terminals Limited | - | 1,017,515,000 | - | - | - | - | - | 1,017,515,000 |
| Total | - | 1,017,515,000 | - | - | - | - | - | 1,017,515,000 |
| Loans / Advances/ Security Deposit received | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | 50,000,000 | - | - | - | - | - | 50,000,000 | - |
| Essar Bulk Terminal Limited | - | - | 415,000,000 | - | - | - | 415,000,000 | - |
| Essar Oil Limited (Security Deposit) | - | - | 280,000,000 | - | - | - | 280,000,000 | - |
| Total | 50,000,000 | - | 695,000,000 | - | - | - | 745,000,000 | - |
| Loans / Advances / Security Deposit repaid | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | 50,000,000 | - | - | - | - | - | 50,000,000 | - |
| Essar Bulk Terminal Limited | - | - | 415,000,000 | - | - | - | 415,000,000 | - |
| Essar Oil Limited (Security Deposit) | - | - | 280,000,000 | - | - | - | 280,000,000 | - |
| Total | 50,000,000 | - | 695,000,000 | - | - | - | 745,000,000 | - |
| Interest expense | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | 542,466 | - | - | - | - | - | 542,466 | - |
| Essar Bulk Terminal Limited | - | - | 399,082 | - | - | - | 399,082 | - |
| Total | 542,466 | - | 399,082 | - | - | - | 941,548 | - |
| Bank guarantee charges | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | 196,797 | - | - | - | - | - | 196,797 | - |
| Total | 196,797 | - | - | - | - | - | 196,797 | - |
| Freight expense | | | | | | | | |
| Essar Logistics Limited | - | - | 162,135 | - | - | - | 162,135 | - |
| Total | - | - | 162,135 | - | - | - | 162,135 | - |

Transactions with related parties for the year 2010 (Contd.)

(Amount in Rs.)

| Nature of transactions | Holding companies and subsidiary Company | | Other related parties | | Key Management Personnel | | Total | |
|--|--|----------------------|-----------------------|----------|--------------------------|------------------|-------------------|----------------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Issue of equity shares | | | | | | | | |
| Essar Shipping & Logistics Limited | - | - | - | - | - | - | - | - |
| Essar Ports & Terminals Limited | - | 1,017,515,000 | - | - | - | - | - | 1,017,515,000 |
| Essar Shipping Ports & Logistics Limited | - | - | - | - | - | - | - | - |
| Total | - | 1,017,515,000 | - | - | - | - | - | 1,017,515,000 |
| Remuneration | | | | | | | | |
| Mr. K K Sinha | - | - | - | - | 10,456,610 | 8,439,600 | 10,456,610 | 8,439,600 |
| Total | - | - | - | - | 10,456,610 | 8,439,600 | 10,456,610 | 8,439,600 |

Outstanding balances as on 31.03.2010

(Amount in Rs.)

| Nature of balances | Holding companies and subsidiary Company | | Other related parties | | Key Management Personnel | | Total | |
|--|--|-------------------|-----------------------|----------------------|--------------------------|----------|----------------------|----------------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Sundry debtors | | | | | | | | |
| Essar Oil Limited | | - | 531,353,256 | 324,598,347 | | - | 531,353,256 | 324,598,347 |
| Vadinar Power Company Limited | - | - | - | 4,803,662 | - | - | - | 4,803,662 |
| Total | - | - | 531,353,256 | 329,402,009 | - | - | 531,353,256 | 329,402,009 |
| Loans and advances including deposits given | | | | | | | | |
| Essar Oil Limited | - | - | 1,066,817,398 | 1,228,508,880 | - | - | 1,066,817,398 | 1,228,508,880 |
| Total | - | - | 1,066,817,398 | 1,228,508,880 | - | - | 1,066,817,398 | 1,228,508,880 |
| Sundry creditors | | | | | | | | |
| Futura Travels Limited | - | - | 1,030,937 | 1,346,717 | - | - | 1,030,937 | 1,346,717 |
| Essar Projects (India) Limited | - | - | 87,522,460 | 1,616,002,841 | - | - | 87,522,460 | 1,616,002,841 |
| Essar Properties Limited | - | - | - | 307,414 | - | - | - | 307,414 |
| Essar Oil Limited (Oil Club) | - | - | 116,645 | 203,477 | - | - | 116,645 | 203,477 |
| Essar Project Management Consultants Limited | - | - | - | 11,704,439 | - | - | - | 11,704,439 |
| Essar Shipping Ports & Logistics Limited | (58,446,447) | 76,950,654 | - | - | - | - | (58,446,447) | 76,950,654 |
| Essar Engineering Services Limited | - | - | 7,514,480 | 201,538,795 | - | - | 7,514,480 | 201,538,795 |
| Essar Engineering Centre – Now EESL | - | - | - | - | - | - | - | - |
| Essar Energy Services Limited | - | - | 20,285,762 | 23,549,320 | - | - | 20,285,762 | 23,549,320 |
| Global Supplies UAE FZE | - | - | 10,936,793 | 68,960,843 | - | - | 10,936,793 | 68,960,843 |
| Vadinar Ports & Terminals Limited | - | - | 48,104,140 | - | - | - | 48,104,140 | - |
| Essar Investments Limited | - | - | 8,061,663 | - | - | - | 8,061,663 | - |
| Essar Bulk Terminal Salaya Limited | - | - | (31,300) | - | - | - | (31,300) | - |
| Essar Infrastructure Services Limited | - | - | 2,500 | - | - | - | 2,500 | - |
| Essar Information Technology Limited | - | - | 509,440 | - | - | - | 509,440 | - |
| Aegis Limited | - | - | 41,694 | - | - | - | 41,694 | - |
| Total | (58,446,447) | 76,950,654 | 184,095,214 | 1,923,613,846 | - | - | 125,648,767 | 2,000,564,500 |
| Guarantees given on behalf of others | | | | | | | | |
| Essar Oil Limited | - | - | 1,040,000,000 | 1,040,000,000 | - | - | 1,040,000,000 | 1,040,000,000 |
| Guarantees given by others on behalf of Company | | | | | | | | |
| Essar Oil Limited | - | - | 2,000,000,000 | 2,000,000,000 | - | - | 2,000,000,000 | 2,000,000,000 |
| Essar Shipping Ports & Logistics Limited | 2,500,000,000 | 2,500,000,000 | - | - | - | - | 2,500,000,000 | 2,500,000,000 |

17. The Company has not entered into any forward/option exchange contract to hedge its foreign currency exposure. The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below.

Amount payable in foreign currency on account of the following:

| Particulars | Currency | Amount in Rs. | | Amount in foreign currency | |
|--|----------|-------------------|-------------------|----------------------------|------------|
| | | 31.03.2010 | 31.03.2009 | 31.03.2010 | 31.03.2009 |
| Import of equipment / materials and services | USD | 155,236 | 13,143,108 | 3,439 | 255,454 |
| | EURO | 5,146,875 | 55,835,152 | 84,375 | 815,945 |
| | GBP | 5,777,917 | 273,983 | 84,480 | 3,711 |
| | JPY | – | 858,195 | – | 1,630,000 |
| TOTAL | | 11,080,028 | 70,110,438 | | |

18. The Company operates in only one segment of Ports and Terminals business and has only one geographical segment i.e. India.
19. The Company has received intimations from certain suppliers regarding status under the Micro, Small and Medium Development Act, 2006 (the act). Amounts due to such suppliers at the end of the accounting year have been given in Schedule 6 under sundry creditors. There are no: a) interest paid during the year; b) interest payable at the end of the accounting year; and c) interest accrued and unpaid at the end of the accounting year, in respect of such suppliers.

The Company has provided the above information based on confirmations received up to date of approval of accounts in board meeting. The Company is making efforts to get confirmations from the suppliers as regards their status under the Act.

20. Previous year's figures have been regrouped / reclassified, wherever necessary to confirm to figures of the current year.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

K. K. Sinha
Wholetime Director & CEO

V. Ashok
Director

Habib Jan
Company Secretary

Mumbai
May 26, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(As per Schedule VI, part (iv) of the Companies Act, 1956)

I. Registration Details

| | | | |
|--------------------|---------------------|------------|-----|
| Registration No. | 0 5 3 4 3 4 | State Code | 0 4 |
| Balance Sheet Date | 3 1 - 0 3 - 2 0 1 0 | | |
| | Date Month Year | | |

II. Capital raised during the year (Amount in Thousands)

| | | | |
|--------------|-------|-------------------|-------|
| Public Issue | N I L | Rights Issue | N I L |
| Bonus Issue | N I L | Private Placement | N I L |

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

| | | | |
|-------------------|-----------------|--------------|-----------------|
| Total Liabilities | 3 2 8 0 0 9 9 2 | Total Assets | 3 2 8 0 0 9 9 2 |
|-------------------|-----------------|--------------|-----------------|

Sources of Funds

| | | | |
|-----------------|-----------------|--------------------|-------|
| Paid-up Capital | 1 0 4 6 1 4 2 0 | Reserves & Surplus | N I L |
| Secured Loans | 2 2 3 3 9 5 7 2 | Unsecured Loans | N I L |

Application of funds

| | | | |
|--------------------|-----------------|--------------------|---------------|
| Net Fixed Assets | 2 5 4 5 8 3 8 1 | Investments | 2 2 1 4 8 0 0 |
| Net Current Assets | 1 9 3 3 3 3 1 | Misc. Expenditure | N I L |
| Other Assets | 2 7 5 9 2 1 | Accumulated Losses | 2 9 1 8 5 5 8 |

IV. Performance of Company (Amount Rs. in Thousands)

| | | | |
|---------------------------|---------------|-------------------------|---------------|
| Turnover | 4 2 7 4 1 4 2 | Total Expenditure | 4 9 4 2 6 3 4 |
| | + - | | + - |
| Profit/(Loss) before tax | - 6 6 8 4 9 2 | Profit/(Loss) after tax | - 6 6 4 4 6 2 |
| Earnings per share in Rs. | - 0 . 6 4 | Dividend Rate % | N I L |

V. Generic Names of Three Principal Products/Services of Company (As per monetary terms)

| | | | |
|--------------------------|-----|---------------------|--|
| Item Code No. (ITC Code) | N A | Product Description | Transportation of Crude & Petroleum Products |
| Item Code No. (ITC Code) | N A | Product Description | N A |
| Item Code No. (ITC Code) | N A | Product Description | N A |
| Item Code No. (ITC Code) | N A | Product Description | N A |

Note: For ITC code of products please refer to the publication "Indian Classification" based on harmonised commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics Kolkata - 700 001.

For and on behalf of the Board

K. K. Sinha
Wholetime Director & CEO

V. Ashok
Director

Habib Jan
Company Secretary

Mumbai
May 26, 2010

ESSAR BULK TERMINAL LIMITED

BOARD OF DIRECTORS

Anshuman S. Ruia

Director

Capt. Subhas Das

Wholetime Director

Sanjay Mehta

Director

K. K. Sinha

Director

V. Ashok

Director

V. P. Shah

Director

COMPANY SECRETARY

Satish Rathi

REGISTERED OFFICE

27th KM.
Surat-Hazira Road
Hazira
Gujarat 394 270

AUDITORS

Deloitte Haskins & Sells

CORPORATE OFFICE

Essar House
11, K. K. Marg, Mahalaxmi,
Mumbai 400 034

DIRECTORS' REPORT

The Directors have pleasure in presenting the Sixth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

The summary of financial results of your Company for the year ended 31st March, 2010 is furnished below:

(Rs. in crore)

| Particulars | For the Year ended March 31, 2010 |
|--|--------------------------------------|
| Total Income | 8.29 |
| Total Expenditure | 7.58 |
| Profit / (Loss) Before Tax | 0.71 |
| Less: Provision for tax | (3.08) |
| Profit After Tax | 3.78 |
| Add: Balance in the Profit and Loss Account as per last Balance Sheet. | (0.02) |
| Balance Carried forward to Balance Sheet | 3.76 |

PROJECT REVIEW AND OPERATIONAL HIGHLIGHTS

With commencement of commercial operations of 30 Million Tonne Per Annum (MTPA) fully integrated state of the art dry bulk port at Hazira, in the State of Gujarat from May 1, 2010, your Company has become one of India's largest dry bulk terminal operator.

Your Company has set up a terminal facility with 550 meter long all weather deep water berth located at Tapi estuary at Hazira. The berth is capable of handling upto 75,000 Dead Weight Tonnes (DWT) bulk carriers to facilitate import of iron ore, pellets, limestone and other dry bulk cargoes and export of finished steel products.

The berth is connected to the high seas of the Gulf of Khambat by a 7.2 Kilometer long navigation channel with bottom width of 230 meter and depth of 8 meter below chart datum. The width and depth of the channel is being further increased to accommodate mini cape vessels upto 1,10,000 DWT.

The terminal facility includes a dedicated all weather channel, ship un-loaders, storage facilities for cargo, conveyors for transportation of raw materials to the stack yard, dredgers, tugs and mooring boats.

The terminal facility is capable of accommodating larger vessels directly alongside the berth throughout the year, resulting in quicker turnarounds and reduced dependence on lighterage operations.

Apart from the above, your Company has successfully completed the first year of cargo handling operations. During the year under review, your Company has successfully handled the following throughput:

| Cargo | Quantity (in MMT) | Revenue (Rs. in crore) |
|-------------------------------|----------------------|---------------------------|
| Bulk Handling | | |
| – Inward | 6.86 | 5.10 |
| – Outward (Export / Domestic) | 0.80 | 0.60 |
| Total (A) | 7.66 | 5.70 |
| Finished Goods | | |
| – Export | 0.18 | 0.70 |
| – Domestic | 0.45 | 1.70 |
| – Inward Imports | 0.02 | 0.09 |
| Total (B) | 0.65 | 2.49 |
| Total (A+B) | 8.31 | 8.19 |

DIRECTORS

In accordance with the provisions of the Companies Act 1956, and the Articles of Association of the Company, Mr. Sanjay Mehta and Mr. V. Ashok retire at the ensuing Annual General Meeting of the Company and being eligible, offers themselves for re-appointment.

AUDITORS

Your Company's Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. It is proposed to re-appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting.

HOLDING COMPANY

Your Company continues to be a subsidiary of Essar Ports & Terminals Limited.

SUBSIDIARY COMPANIES

Essar Dredging Limited continues to be a wholly owned subsidiary of your Company. Your Company holds 50,000 Equity Shares of Rs. 10/- each fully paid up representing 100% of the total paid-up capital of Essar Dredging Limited. The audited accounts of the subsidiary for the financial year ending on March 31, 2010 are enclosed herewith.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors), Rules 1988, relating to Energy Conservation and Technology Absorption are not applicable to your Company.

The foreign exchange earnings and outgo position is as under:

- Earned : NIL
- Used : Rs. 102.28 crore

PARTICULARS OF EMPLOYEES

Information required in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended is annexed and forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby state that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there have been no material departures;
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (d) the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors express their sincere thanks and appreciation to all the employees for their commendable teamwork and contribution to the growth of the Company.

Your Directors also thank Gujarat Maritime Board, bankers and other business associates for their continued support and co-operation during the year.

Mumbai
May 26, 2010

For and on behalf of the Board

Subhas Das
Wholetime Director & CEO

V. Ashok
Director

AUDITORS' REPORT

TO THE MEMBERS OF ESSAR BULK TERMINAL LIMITED

1. We have audited the attached Balance Sheet of ESSAR BULK TERMINAL LIMITED ("the Company") as at 31st March, 2010, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give 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:
 - (i) 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;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (iii) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai
May 26, 2010

Annexure to the Auditor's Report to the members of Essar Bulk Terminal Limited

(Referred to in paragraph 3 of our report of even date)

In our opinion and according to the information and explanations given to us, the nature of the Company's business/activities during the year are such that clauses (vi), (viii), (xiii), (xiv), (xviii), (xix) and (xx) of Para 4 of the Order are not applicable to the Company.

1. In respect of fixed assets:
 - a. The Company has maintained proper records showing 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 in our opinion, is largely reasonable having regard to the size of the Company and the nature of its assets. As per the information given to us by the management, no material discrepancies as compared to book records were noticed in respect of fixed assets verified during the year.
 - c. In our opinion and according to the information and explanations given to us, the Company has not made substantial disposals of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of inventories:
 - a. As explained to us, inventories were physically verified by the management during the year at reasonable intervals.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
 - c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification as compared to book records.
3. In our opinion and according to the information and explanations given to us, there are no companies, firms or parties required to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (a) to (g) of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of inventory and fixed assets and for sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal controls. The nature of the Company's business does not involve sale of goods.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956.
6. In our opinion, the internal audit system of the Company commensurate with the size of the Company and the nature of its business.
7. According to the information and explanations given to us, in respect of statutory dues:
 - a. The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Income Tax, Service Tax, Custom Duty, Cess and any other material statutory dues, as applicable, with the appropriate authorities during the year. As explained to us, the provisions for Investor Education and Protection Fund, Employees' State Insurance Scheme, Wealth Tax, Sales Tax, Value Added Tax and Excise Duty were not applicable to the Company during the year.

There are no material undisputed amounts payable in respect of above statutory dues outstanding as at 31st March, 2010 for a period exceeding six months from the date they became payable.
 - b. According to information and explanations given to us, there were no dues pending to be deposited on account of any dispute in respect of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess as on 31st March, 2010.

8. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
9. In our opinion, and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company has not borrowed any sums from financial institutions or through debentures.
10. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
12. According to the information and explanations given to us, and on an overall examination of the Balance sheet of the Company, we report that the funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
13. To the best of our knowledge and belief and according to the information and explanation given to us, no material fraud on or by the Company was noticed or reported during the year.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai
May 26, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | Schedule No. | As at 31.03.2010 (Amount in Rs.) | As at 31.03.2009 (Amount in Rs.) |
|--|--------------|-------------------------------------|-------------------------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' funds | | | |
| Capital | 1 | 2,269,501,540 | 1,918,671,560 |
| Share application money | | 248,470,020 | 5,000,000 |
| Reserve and surplus | | | |
| Balance in Statement of Profit and Loss | | 37,636,560 | — |
| Loan funds | | | |
| Secured loan | 2 | 4,774,680,008 | 911,600,000 |
| Unsecured loan | 3 | 388,000,000 | 100,000,000 |
| Total | | 7,718,288,128 | 2,935,271,560 |
| APPLICATION OF FUNDS | | | |
| Fixed assets | | | |
| Gross block | 4 | 1,131,952,088 | 1,099,909,630 |
| Less: Depreciation | | 195,008,535 | 119,026,360 |
| Net block | | 936,943,553 | 980,883,270 |
| Capital work in progress | | | |
| a) Capital work in progress (including capital advances) | 5a | 7,970,341,786 | 2,214,064,233 |
| b) Expenditure during construction | 5b | 1,637,622,015 | 605,483,448 |
| Deferred tax asset | | 30,750,703 | — |
| Investments | 6 | 22,496,507 | 50,500,000 |
| Current assets, loans and advances | | | |
| Sundry debtors | 7 | 8,198,934 | — |
| Cash and bank balances | | 725,633,330 | 11,800,191 |
| Inventories | | 7,969,782 | — |
| Loans and advances | | 683,080,740 | 219,959,448 |
| | | 1,424,882,786 | 231,759,639 |
| Less: Current liabilities and provisions | | | |
| Current liabilities | 8 | 4,305,805,014 | 1,162,115,648 |
| Provisions | | 11,357,889 | 1,033,843 |
| | | 4,317,162,903 | 1,163,149,491 |
| Net current liabilities | | (2,892,280,117) | (931,389,852) |
| Miscellaneous expenditure (to the extent not written off) | 9 | 12,413,681 | 15,517,101 |
| Statement of Profit and Loss (debit balance) | | — | 213,360 |
| Total | | 7,718,288,128 | 2,935,271,560 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS | | | |
| | 13 | | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants**Khurshed Pastakia**
PartnerMumbai
May 26, 2010

For and on behalf of the Board

Subhas Das
Wholtime Director & CEO**Satish Rathi**
Company SecretaryMumbai
May 26, 2010**V. Ashok**
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | Schedule No. | For the Year ended 31.03.2010 (Amount in Rs.) |
|--|--------------|---|
| INCOME | | |
| Cargo handling income | | 81,905,498 |
| Other income | 10 | 1,017,550 |
| | | 82,923,048 |
| EXPENDITURE | | |
| Operating expenses | 11 | 48,367,182 |
| Establishment and other expenses | 12 | 27,456,649 |
| | | 75,823,831 |
| Profit before tax | | 7,099,217 |
| Less: Provision for taxation | | |
| – Current tax | | 1,206,512 |
| – Minimum alternate tax | | (1,206,512) |
| – Deferred tax asset [refer note no. B(9) of schedule 13] | | (30,750,703) |
| | | 37,849,920 |
| Profit after tax | | 37,849,920 |
| Balance brought forward from previous year | | (213,360) |
| Balance carried forward to balance sheet | | 37,636,560 |
| Basic earning per share of nominal value of Rs. 10 each | | 0.57 |
| Diluted earning per share of nominal value of Rs. 10 each [refer note no. B(4) of schedule 13] | | 0.18 |
| Significant accounting policies and notes to financial statements | 13 | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

Subhas Das
Wholetime Director & CEO

Satish Rathi
Company Secretary

Mumbai
May 26, 2010

V. Ashok
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | Year ended 31.03.2010 (Amount in Rs.) | Year ended 31.03.2009 (Amount in Rs.) |
|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxes | 7,099,217 | — |
| Adjustments for | | |
| Preliminary expenditure written off | 3,103,419 | — |
| Provision for gratuity | 1,453,468 | — |
| Provision for compensated absences | 3,046,718 | — |
| Operating profit before working capital changes | 14,702,822 | — |
| Movement in working Capital | | |
| Increase in trade and other receivables | (8,198,934) | — |
| Increase in trade and other payables | 13,321,371 | — |
| Cash generated from operating activities | 19,825,259 | — |
| Fringe benefit tax paid | (30,000) | — |
| Net cash generated from operating activities | 19,795,259 | — |
| Cash flow from investing activities | | |
| Purchase of fixed assets | (32,042,458) | (7,928,463) |
| Capital work in progress /Expenditure during construction | (3,252,350,952) | (909,213,710) |
| Inter Company deposit given | (493,000,000) | — |
| Inter company deposits refunded | 460,000,000 | — |
| Interest Income received | 2,850,711 | 3,719,246 |
| Purchase of investments | (1,610,552,000) | (50,500,000) |
| Advance towards investment in shares of Bhandar Power Limited | — | (4,246,000) |
| Proceeds from sale of Investments | 1,644,099,746 | — |
| Net cash flow from investing activities | (3,280,994,953) | (968,168,926) |
| Cash flow from financing activities | | |
| Proceeds from secured loan | 3,863,080,008 | 901,637,848 |
| Proceeds from unsecured loan | 468,000,000 | 269,500,000 |
| Share application money received | 594,300,000 | 658,020,000 |
| Repayment of the secured loan | — | (870,000,000) |
| Repayment of the unsecured loan | (180,000,000) | (169,500,000) |
| Interest and finance cost paid | (770,347,173) | (91,083,220) |
| Share issue expenses | — | (3,772,711) |
| Net cash flow from financing activities | 3,975,032,835 | 694,801,917 |
| Net increase / (decrease) in cash and cash equivalents | 713,863,139 | (273,367,009) |
| Cash and cash equivalents at the beginning of the year | 11,800,191 | 285,167,200 |
| Cash and cash equivalents at the end of the year | 725,663,330 | 11,800,191 |
| Notes | | |
| 1) Cash and cash equivalents include | As at 31.03.2010 | As at 31.03.2009 |
| Cash on hand | — | 1,727 |
| Balances with banks | 725,633,330 | 11,798,464 |
| Total cash and cash equivalents (Schedule 7) | 725,633,330 | 11,800,191 |

2) Cash flow statement has been prepared under the indirect method as set out in Accounting Standard 3 - 'Cash flow statement' as notified under the Companies (Accounting Standard) Rules, 2006.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

Subhas Das
Wholetime Director & CEO

Satish Rathi
Company Secretary

Mumbai
May 26, 2010

V. Ashok
Director

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Amount in Rs.) | As at 31.03.2009 (Amount in Rs.) |
|---|--|--|
| SCHEDULE – 1 | | |
| Capital | | |
| Authorised | | |
| 170,000,000 (previous year 80,000,000) equity shares of Rs.10/- each | 1,700,000,000 | 800,000,000 |
| 130,000,000 (previous year 220,000,000) preference shares of Rs.10/- each | 1,300,000,000 | 2,200,000,000 |
| | <u>3,000,000,000</u> | <u>3,000,000,000</u> |
| Issued, subscribed and paid up | | |
| 10,04,35,004 (previous year: 6,53,52,006) equity shares of Rs 10/- each fully paid up [Of the above 65,339,003 (previous year 37,003) shares are held by Essar Ports & Terminals Limited, the holding Company and 350,96,000 (previous year 13,002) shares are held by Essar Steel Limited and balance 1 (previous year 1) share is being held by Essar Shipping Ports & Logistics Limited] | 1,004,350,040 | 653,520,060 |
| 44,500,000, 0.01% optionally convertible redeemable cumulative preference shares of Rs.10/- each [Of the above 32,930,000 shares are held by Essar Ports & Terminals Limited, the holding Company and the balance 11,570,000 shares are held by Essar Steel Limited] [The holder of these preference shares have an option to either apply for conversion of preference shares into equity shares of Rs.10/- each in the ratio of 1:1 at par after one year from the date of issue (i.e. 28 th March, 2007) or they will be redeemed at the end of ten years from the date of allotment] | 445,000,000 | 445,000,000 |
| 82,015,150, 0.01% fully convertible cumulative preference shares of Rs.10/- each Of the above 60,691,150 shares are held by Essar Ports & Terminals Limited, the holding Company and the balance 21,324,000 shares are held by Essar Steel Limited [The holder of these preference shares have an option either to apply for conversion of preference shares into equity shares of Rs.10/- each in the ratio of 1:1 at par at any time after one year from the date of allotment (i.e. 12 th November 2007) or to compulsorily convert them into equity shares at the end of ten years from the date of allotment] | 820,151,500 | 820,151,500 |
| | <u>2,269,501,540</u> | <u>1,918,671,560</u> |
| SCHEDULE – 2 | | |
| Secured loan | | |
| From bank (refer note below) | 4,774,680,008 | 911,600,000 |
| Total | <u>4,774,680,008</u> | <u>911,600,000</u> |
| Note | | |
| The term loan of Rs.4,774,680,008 (previous year Rs. 911,600,000) is secured by first pari passu charge on all the present and future movable / immovable assets / properties, insurance contracts, accounts, receivables and all other assets of the Company including but not limited to goodwill, trademarks and patents and is guaranteed by corporate guarantee of Rs. 512 crore of Essar Shipping & Logistics Limited. | | |
| SCHEDULE – 3 | | |
| Unsecured loan | | |
| From others | 388,000,000 | 100,000,000 |
| Total | <u>388,000,000</u> | <u>100,000,000</u> |

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

SCHEDULE – 4

Fixed assets

(Amount in Rs.)

| Details | Gross block | | Depreciation | | Net block | |
|--------------------------------|----------------------|-------------------------|---------------------|----------------------------|---------------------|---------------------|
| | As at 01.04.2009 | Additions 31.03.2010 | As at 01.04.2009 | For the year 31.03.2010 | As at 31.03.2010 | As at 31.03.2009 |
| Tangible fixed assets | | | | | | |
| Land | 670,150 | – | – | – | 670,150 | 670,150 |
| Building | 2,798,109 | – | 119,691 | 133,921 | 2,544,497 | 2,678,418 |
| Fleet (Dredgers) | 1,074,702,344 | – | 116,955,172 | 72,926,230 | 884,820,942 | 957,747,172 |
| Plant and machinery | 18,291,622 | 30,943,236 | 1,051,991 | 2,071,473 | 46,111,394 | 17,239,631 |
| Office equipments | 1,465,321 | 1,099,222 | 492,397 | 471,641 | 1,600,505 | 972,924 |
| Furniture and fixtures | 282,084 | – | 67,109 | 38,910 | 176,065 | 214,975 |
| Total (i) | 1,098,209,630 | 32,042,458 | 118,686,360 | 75,642,175 | 935,923,553 | 979,523,270 |
| Intangible fixed assets | | | | | | |
| Software | 1,700,000 | – | 340,000 | 340,000 | 680,000 | 1,360,000 |
| Total (ii) | 1,700,000 | – | 340,000 | 340,000 | 1,020,000 | 1,360,000 |
| Total (i+ii) | 1,099,909,630 | 32,042,458 | 119,026,360 | 75,982,175 | 936,943,553 | 980,883,270 |
| As at 31.03.2009 | – | 1,099,909,630 | – | 119,026,360 | 980,883,270 | |

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Amount in Rs.) | As at 31.03.2009 (Amount in Rs.) |
|--|---|--|
| SCHEDULE – 5 | | |
| Capital work-in-progress | | |
| a) Capital work-in-progress (including capital advances) | | |
| Plant and machinery | 1,674,492,332 | 128,570,125 |
| Construction / supply / labour / engineering work / capital advances | 130,901,485 | 117,994,035 |
| Jetty construction expenses | 1,572,057,205 | 996,344,145 |
| Dredging expenses | 4,592,890,764 | 971,155,928 |
| | 7,970,341,786 | 2,214,064,233 |
| | As at 31.03.2009 (Amount in Rs.) | Additions during the year (Amount in Rs.) |
| b) Expenditure during construction | | |
| Certification and survey charges | 8,696,296 | 678,763 |
| Salary expenses | 112,194,152 | 93,870,131 |
| Legal and professional charges | 65,415,835 | 36,402,071 |
| Insurance | 11,833,308 | 7,210,405 |
| Demurrage charges | 2,116,493 | – |
| Interest and finance cost | 295,993,313 | 801,284,010 |
| Auditors' remuneration | 447,260 | 65,000 |
| Agency fee | 4,501,540 | 3,052,852 |
| Depreciation | 119,026,360 | 75,982,175 |
| Taxes and dues | 5,472,409 | 2,188,322 |
| Traveling expenses | 11,955,965 | 2,477,342 |
| Hiring charges | 23,814,115 | 20,454,378 |
| General expenses | 4,817,650 | 4,590,166 |
| Total (A) | 666,284,696 | 1,048,255,615 |
| <i>Less:</i> | | |
| “Interest accrued on term deposits [tax deducted at source Rs. 528,567 (previous year Rs. 824,820)]” | (10,839,394) | (5,261,034) |
| Gain on redemption of mutual funds | – | (5,544,251) |
| Interest on intercompany deposits given [tax deducted at source Rs.501,867] | – | (3,237,741) |
| Miscellaneous receipts | (49,961,854) | (2,074,022) |
| Total (B) | (60,801,248) | (16,117,048) |
| Total (A+B) | 605,483,448 | 1,032,138,567 |

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Amount in Rs.) | As at 31.03.2009 (Amount in Rs.) |
|---|--|--|
| SCHEDULE – 6 | | |
| Investments | | |
| Long term investments (non trade) | | |
| Investments in subsidiary | | |
| Equity shares (fully paid up, at cost, net of other than temporary decline) | | |
| – Unquoted | | |
| 50,000 equity shares of Rs.10/- each of Essar Dredging Limited | 500,000 | 500,000 |
| Other investments (refer note B (13) of schedule 13) | | |
| Equity shares (fully paid up, at cost, net of other than temporary decline) | | |
| – Unquoted | | |
| 13,000 (previous year nil) equity shares of Rs.10 each of Essar Bulk Terminal Paradip Limited | 130,000 | – |
| 386,000 (previous year nil) equity Shares of Rs.10 each of Bhandar Power Limited | 10,422,000 | – |
| Current investments (non trade) | | |
| Mutual funds (at lower of cost and fair value) | | |
| – Unquoted | | |
| 781,883.496 (previous year 3,110,729.528 units) units of LIC MF liquid fund growth plan (NAV as on 31.03.2010 Rs.14.6371 each) (NAV as on 31.03.2009 Rs.16.0734 each) | 11,444,507 | 50,000,000 |
| Total | 22,496,507 | 50,500,000 |

| NOTE | | |
|--|-------------------|------------|
| Aggregate cost of unquoted investments | 22,496,507 | 50,500,000 |

Details of current investments purchased and sold during the year are as under

| Sl.No. | Description | No. of units | Purchase cost (In Rs.) |
|--------|--|--------------|---------------------------|
| 1. | LIC MF Floating Rate Fund- Growth Fund | 38,710,719 | 570,000,000 |
| 2. | LIC MF Liquid Fund- Growth Fund | 82,241,243 | 1,360,000,000 |
| 3. | LIC MF Saving Plus Fund- Growth Fund | 82,461,483 | 1,178,833,960 |

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Amount in Rs.) | As at 31.03.2009 (Amount in Rs.) |
|---|--|--|
| SCHEDULE – 7 | | |
| Current assets, loans and advances | | |
| Sundry debtors (unsecured, considered good) | | |
| Other debts [refere note no. B (12a) of schedule 13] | 8,198,934 | – |
| Total | 8,198,934 | – |
| Inventories | | |
| (At lower of cost and net realisable value) | | |
| Fuel,oil and lubricants | 7,308,705 | – |
| Stores and spares | 661,077 | – |
| Total | 7,969,782 | – |
| Cash and bank balances | | |
| Cash on hand | – | 1,727 |
| Balances with schedule banks | | |
| In current accounts | 106,634,884 | 11,763,464 |
| In term deposits (including margin money of Rs.61,89,98,446 (previous year Rs.35,000)) | 618,998,446 | 35,000 |
| Total | 725,633,330 | 11,800,191 |
| Loans and advances (unsecured, considered good) | | |
| Advances recoverable in cash or in kind or for value to be received | 6,597,202 | 6,976,218 |
| Inter Company deposits [refere note no. B (12b) of schedule 13] | 33,000,000 | – |
| Advance tax and tax deducted at source (net of provision for tax) | 3,904,698 | 2,017,747 |
| Minimum alternate tax | 1,206,512 | – |
| Cenvatable claim | 617,820,063 | 206,075,005 |
| Advance towards investment in shares | – | 4,246,000 |
| Other current assets | 4,617,630 | – |
| Prepaid expenses | 15,934,635 | 644,478 |
| Total | 683,080,740 | 219,959,448 |
| SCHEDULE – 8 | | |
| Current liabilities and provisions | | |
| Current liabilities | | |
| Sundry creditors | | |
| – due to micro and small enterprises* | – | – |
| – for capital expenses | 876,995,344 | 1,151,741,306 |
| – for other expenses | 13,321,371 | – |
| Bills Payable | 3,375,870,941 | – |
| Interest accrued but not due | 30,936,837 | – |
| Other liabilities | 8,680,521 | 10,374,342 |
| | 4,305,805,014 | 1,162,115,648 |
| *(refer note B(14) of schedule 13) | | |
| Provisions | | |
| Provision for fringe benefits tax (net of advance taxes paid) | – | 30,000 |
| Provision for gratuity | 2,122,640 | 261,794 |
| Provision for compensated absences | 9,235,249 | 742,049 |
| | 11,357,889 | 1,033,843 |
| Total | 4,317,162,903 | 1,163,149,491 |

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Amount in Rs.) | As at 31.03.2009 (Amount in Rs.) |
|---|--|--|
| SCHEDULE – 9 | | |
| Miscellaneous expenditure | | |
| Share issue expenses | 12,413,681 | 15,517,101 |
| Total | 12,413,681 | 15,517,101 |
| SCHEDULE – 10 | | |
| Other income | | |
| Equipment hire charges | 520,000 | – |
| Miscellaneous receipts | 497,550 | – |
| Total | 1,017,550 | – |
| SCHEDULE – 11 | | |
| Operating expenditure | | |
| Repairs-plant and machinery | 7,797,397 | – |
| Consumption of stores and spares | 576,001 | – |
| Power and fuel charges | 7,464,806 | – |
| Hire charges | 8,184,481 | – |
| Manning management expenses | 19,608,640 | – |
| Preliminary expenditure written off | 3,103,369 | – |
| Security maintenance charges | 613,054 | – |
| Rates and taxes | 480,000 | – |
| Professional fees | 289,434 | – |
| Auditor's remuneration [refer note B(3) of Schedule 13] | 250,000 | – |
| Total | 48,367,182 | – |
| SCHEDULE – 12 | | |
| Establishment and other expenses | | |
| Salaries,wages and related costs | 23,255,901 | – |
| Staff welfare expenses | 1,535,522 | – |
| Repairs others | 319,996 | – |
| Travelling and conveyance | 1,094,161 | – |
| Vehicle hire and maintenance charges | 764,095 | – |
| Miscellaneous expenses | 486,974 | – |
| Total | 27,456,649 | – |

SCHEDULE – 13

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2010

A. SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

These financial statements are prepared under the historical cost convention, on accrual basis of accounting, and are in accordance with generally accepted accounting principles and in compliance with the applicable Accounting Standards (AS) referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

2. USE OF ESTIMATES

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets, liabilities and disclosures relating to contingent liabilities as at the reporting date and the reported amounts of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. FIXED ASSETS

a) Fixed assets are recorded at cost of acquisition or at revalued amounts less accumulated depreciation and impairment loss, if any.

Cost of acquisition of fleet includes brokerage, start up costs and cost of major improvements/ up gradation.

Cost of acquisition is inclusive of cost of construction including erection, installation and commissioning expenses, expenditure during construction, inseparable know how costs, gains or losses earned / incurred during the trial run , non refundable duties and taxes, borrowing costs and other incidental costs, where applicable.

b) Foreign exchange differences on conversion/translation/settlement in respect of long term monetary items used for acquisition of depreciable fixed assets are adjusted to the cost of fixed assets in terms of notification issued by the Central Government under the Companies (Accounting Standard) Amendment Rules,2009 dated 31st March, 2009.

4. CAPITAL WORK-IN PROGRESS AND EXPENDITURE DURING CONSTRUCTION

Direct expenditure on assets under construction is shown under capital work in progress.

Project management consultancy/ technical advisory fees and expenditure incidental to the construction of jetty that take substantial period of time to get ready for their intended use are accumulated as expenditure during construction pending allocation to fixed assets and other accounts, as applicable on completion of the project.

Advances on capital account include progress based payments made under contracts for assets under construction and other capital advances until the same are allocated to fixed assets and other accounts as applicable.

5. DEPRECIATION

a) Depreciation on fleet is provided by using the straight-line method based on a technical evaluation of the economic useful life of respective vessels at rates not less than those specified under Schedule XIV to the Companies Act, 1956.

b) Depreciation on impact hammer, turning plates, clamps and others included in plant and machinery are provided by using the straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

c) Depreciation on Booster Pump is provided by using the straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

d) All other assets are depreciated by using the written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing less than Rs.5,000 per item are depreciated at 100% in the year of acquisition.

e) Depreciation on additions to / deductions from fixed assets made during the year is provided on a pro-rata basis from / up to the date of such additions / deductions, as the case may be.

6. BORROWING COST

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as a part the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

7. INVESTMENTS

Long term investments are stated at cost. However, in the opinion of management, when there is an other than temporary decline in the value of long term investments with reference to their fair/market value, the carrying amount is reduced to recognise that decline. Current investments are carried at lower of cost or fair value.

8. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are accounted at standard exchange rates determined monthly which approximates the actual rates on the date of transaction. The difference between the standard rate and the actual rate of settlement is accounted in the Statement of Profit and Loss.

Monetary items denominated in foreign currency are translated at the rate prevailing exchange rate at the end of the year. Gains / losses arising on conversion / translation / settlement of foreign currency transactions are recognised in the Statement of Profit and Loss, except gains/losses on conversion /translation/settlement of long term foreign currency monetary items related to acquisition of a depreciable fixed asset are adjusted to the carrying amount to those depreciable assets.

Gain/Losses arising on conversion /translation/settlement of long term foreign currency items relates to other than an acquisition of depreciable assets are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance of such long term foreign currency item but not beyond 31st March ,2011.

9. TAXATION

Current tax is provided as per the provisions of the Income Tax Act, 1961.

The tax effect of timing differences occurring between taxable income and accounting income that are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations as at the balance sheet date.

Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation under tax laws are recognised only if there is virtual certainty of realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is reasonable certainty of realisation.

10. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised for present obligations arising out of the past events if it is probable that an outflow of economic resources, the amount of which can be reliably estimated, will be required to settle the obligations.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or the likelihood of an outflow of economic resources is remote.

Contingent assets are not recognised in the financial statements.

11. INVENTORY

Inventory is valued at lower of cost and net realisable value. Cost is determined on first in first out basis.

12. OPERATING INCOME

Operating income represents the value of cargo handling income and is accounted on accrual basis.

Other income is accounted on accrual basis.

13. OPERATING EXPENSES

Operating expenses represents expenses relating to the operation of cargo handling including hire charges, repairs, stores, power and fuel charges and other expenses and is accounted on accrual basis.

14. IMPAIRMENT OF ASSETS

The Company assesses on each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The amount so reduced is treated as an impairment loss and is recognised in the Statement of Profit and Loss or expenditure during construction, as applicable. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is carried at the recoverable amount subject to a maximum of depreciated historical cost.

15. EMPLOYEE BENEFITS

- a) Contribution to recognised provident fund, which is a fixed percentage of eligible employees' salary is charged to the statement of Profit and Loss and expenditure during construction.
- b) The liability for gratuity is actuarially determined at year end and funded to life insurance corporation of India to the extent demanded by them and balance taken to provisions.
- c) Provision for all accumulated compensated absences of eligible employees is based on an independent actuarial valuation.

16. MISCELLANEOUS EXPENDITURE

Miscellaneous expenses are to be written off within five years.

B. NOTES TO THE FINANCIAL STATEMENTS

- 1) From April 1, 2009, the Company started rendering cargo handling services from jetty owned and operated by Essar Steel Limited and hence the corresponding figures of previous year has not been given in the Statement of Profit and Loss.

Contingent liabilities

(Amount in Rs.)

| Particulars | Year ended | |
|--|-------------------|----------------|
| | 31.03.2010 | 31.03.2009 |
| Arrears of dividend on preference shares | 328,988 | 202,473 |
| Guarantee given by bank | 580,00,000 | – |
| Total | 583,28,988 | 202,473 |

2) Capital commitments

Outstanding commitments for capital expenditure not provided for: Rs.2,871,658,580 (previous year Rs.2,065,987,646).

3) Auditor's remuneration (including service tax)

(Amount in Rs.)

| Particulars | Year ended | |
|----------------------|----------------|----------------|
| | 31.03.2010 | 31.03.2009 |
| Basic salary | 0.33 | 0.33 |
| Audit fees | 100,000 | 100,000 |
| Other matters | 215,000 | – |
| Service tax on above | 32,445 | 10,300 |
| Total | 347,445 | 110,300 |

4) Earnings per share

Earnings per share are calculated based on the following data:

(Amount in Rs.)

| Particulars | Year ended | |
|---|---------------|------------|
| | 31.03.2010 | 31.03.2009 |
| Earnings for the purpose of basic and diluted earnings per share (net profit for the year) (in Rs.) | 37,849,919.92 | – |
| Equity shares at the beginning of the year (nos.) | 65,352,006 | 50,006 |
| Equity shares issued during the year (nos.) | 35,082,998 | 65,302,000 |
| Equity shares outstanding at the end of year (nos.) | 1,00,435,004 | 65,352,006 |
| Weighted average Equity shares for purpose of calculating basic earnings per share (nos.) | 65,832,595 | – |
| Add: Weighted average number of equity shares which would have been issued option of convertible preference shares was exercised (nos.) | 142,218,953 | – |
| Weighted average number of shares for purpose of calculating diluted earnings per share. (nos.) | 208,051,548 | – |
| Earnings per share of Rs. 10/- each - Basic | 0.57 | – |
| Earnings per share of Rs. 10/- each - Diluted | 0.18 | – |
| Face value per share (Rs.) | 10 | 10 |

5) Additional information pursuant to para 3 and 4 of Part II of Schedule VI to the companies Act,1956 to the extent applicable is given below:

(Amount in Rs.)

| Particulars | For the year ended | |
|--|----------------------|-------------------|
| | 31.03.2010 | 31.03.2009 |
| a) C.I.F. value of imports | | |
| Capital goods | 1,157,383,963 | 10,892,451 |
| Stores, spares and components | 2,728,037 | 34,043,778 |
| Total | 1,160,112,000 | 44,936,229 |
| b) Expenditure in foreign currency (on accrual basis) | | |
| Agency fees | – | 417,766 |
| Consultancy charges | – | 6,277,653 |
| Certification and survey charges | – | 214,343 |
| Repairs and maintenance | 51,145 | 10,860 |
| Freight and towing expenses | – | 103,328 |
| Interest and finance costs | 1,062,185 | 10,669 |
| Insurance charges | 2,707,216 | 1,991,488 |
| Professional charges | 2,02,920 | 1,831,479 |
| Foreign travel | 67,766 | – |
| Total | 4,091,232 | 10,857,586 |

6) Foreign currency exposure

- There were no forward /options contract entered in to by the Company during the financial year to hedge its foreign currency exposure.
- The year-end currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

| Particulars | Amount in Rs. | | Currency | Amount in foreign currency (in crore) | |
|--|------------------|--------------------------|--------------------|---------------------------------------|-----------------------|
| | 31.03.2010 | 31.03.2009 | | 31.03.2010 | 31.03.2009 |
| a) Amount receivable in foreign currency on account of advance to vendors | – 240,709 | 112,969,893 7,028,062 | EURO USD | – 5339 | 1,710,000 142,950 |
| b) Amount payable in foreign currency on account of Import of goods and services | – – 55,755 | 80,860 353,142 – | JPY USD EURO | – – 900 | 206,750 6,900 – |

7) Related party transactions

a) Holding companies

- Essar Global Limited, Cayman Island (ultimate holding Company)
- Essar Shipping & Logistics Limited, Cyprus
- Essar Shipping Ports & Logistics Limited, India (formerly known as Essar Shipping Limited)
- Essar Ports & Terminals Limited, Mauritius (Immediate holding Company)

b) Key Management Personnel

Capt. Subhas Das, Wholetime Director & CEO

c) Subsidiary

Essar Dredging Limited (with effect from 12th January, 2009)

d) Other related parties where there have been transactions

- i) Essar Projects (India) Limited (previously known as Essar Constructions (India) Limited
- ii) Futura Travels Limited
- iii) Essar Logistics Limited
- iv) Essar Steel Limited
- v) Essar House Services Limited
- vi) Essar Project Management Consultancy Limited
- vii) Essar Investments Limited
- viii) Essar Engineering Services Limited
- ix) Essar Heavy Engineering Services
- x) Hazira Pipe Mill Limited
- xi) Essar Oil Limited
- xii) Essar Bulk Terminal (Salaya) Limited
- xiii) Essar Information Technology Limited
- xiv) Vadinar Oil Terminal Limited
- xv) Bhandar Power Limited
- xvi) Essar Oilfield services (India) Limited
- xvii) Aegis Limited

The details of transactions with related parties

(Amount in Rs.)

| Nature of transaction | Holding and subsidiary Company | | Other related parties | | Key Management Personnel | | Total | |
|---|--------------------------------|-------------|-----------------------|-------------|--------------------------|---------|-------------|-------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Allotment of equity shares | | | | | | | | |
| Essar Steel Limited | - | - | 350,829,980 | - | - | - | 350,829,980 | - |
| Essar Ports & Terminals Limited | - | 653,020,000 | - | - | - | - | - | 653,020,000 |
| Share application money received | | | | | | | | |
| Essar Steel Limited | - | - | 525,000,000 | 5,000,000 | - | - | 525,000,000 | 5,000,000 |
| Essar Ports & Terminals Limited | 69,300,000 | - | - | - | - | - | 69,300,000 | - |
| Purchase of shares | | | | | | | | |
| Essar Bulk Terminal (Salaya) Limited | - | - | - | - | - | - | - | - |
| Essar Dredging Limited | - | 500,000 | - | - | - | - | - | 500,000 |
| Essar Logistics Limited | - | - | 130,000 | - | - | - | 130,000 | - |
| Essar Steel Limited | - | - | 10,422,000 | - | - | - | 10,422,000 | - |
| Sale of shares | | | | | | | | |
| Essar Ports & Terminals Limited | - | - | - | - | - | - | - | - |
| Purchase of Fixed assets | | | | | | | | |
| Essar Information Technology Limited | - | - | - | 1,700,000 | - | - | - | 1,700,000 |
| Jetty constructions and Project management consultancy | | | | | | | | |
| Essar Projects (India) Limited | - | - | 631,488,883 | 524,343,344 | - | - | 631,488,883 | 524,343,344 |
| Essar Engineering Services Limited | - | - | 1,985,400 | 4,465,186 | - | - | 1,985,400 | 4,465,186 |
| Essar Project Management Consultants Limited | - | - | 11,190,697 | 10,699,400 | - | - | 11,190,697 | 10,699,400 |
| Jetty construction expenses –Sale | | | | | | | | |
| Essar Projects (India) Limited | - | - | - | 71,364,153 | - | - | - | 71,364,153 |
| Miscellaneous Receipts | | | | | | | | |
| Essar Steel (Hazira) Limited | - | - | - | 12,000,000 | - | - | - | 12,000,000 |

(Amount in Rs.)

| Nature of transaction | Holding and subsidiary Company | | Other related parties | | Key Management Personnel | | Total | |
|--|--------------------------------|-----------|-----------------------|------------|--------------------------|-----------|-------------|------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Jetty construction expenses – procurement | | | | | | | | |
| Essar Steel Limited | – | – | 399,964,826 | 4,697,233 | – | – | 399,964,826 | 4,697,233 |
| Essar Heavy Engineering Services | – | – | 508,223 | 2,996,038 | – | – | 508,223 | 2,996,038 |
| Hazira Pipe Mill Limited | – | – | 471,557 | 12,789,060 | – | – | 471,557 | 12,789,060 |
| Essar Projects (India) Limited | – | – | 109,663 | – | – | – | 109,663 | – |
| Essar Logistics Limited | – | – | 283,098 | – | – | – | 283,098 | – |
| Construction of Building and Repairing work | | | | | | | | |
| Essar Projects (India) Limited | – | – | – | 2,307,229 | – | – | – | 2,307,229 |
| Remuneration | | | | | | | | |
| Subhas Das | – | – | – | – | 6,811,952 | – | 6,811,952 | – |
| Sampath Gopal | – | – | – | – | – | 2,620,030 | – | 2,620,030 |
| Repairs and Maintenance Work | | | | | | | | |
| Essar Projects (India) Limited | – | – | 718,746 | 6,260,101 | – | – | 718,746 | 6,260,101 |
| Essar Logistics Limited | – | – | 5,060,000 | – | – | – | 5,060,000 | – |
| Lodging and boarding expense | | | | | | | | |
| Essar House Services Limited | – | – | – | 11,404 | – | – | – | 11,404 |
| Purchase of Fuel(HSD Diesel) | | | | | | | | |
| Essar Oil Limited | – | – | 73,498,913 | 92,991,703 | – | – | 73,498,913 | 92,991,703 |
| Purchase of Pipes | | | | | | | | |
| Cargo handling Services Rendered | | | | | | | | |
| Essar Logistics Limited | – | – | 81,905,498 | – | – | – | 81,905,498 | – |
| Purchase of Power | | | | | | | | |
| Bhander Power Limited | – | – | 9,233,165 | – | – | – | 9,233,165 | – |
| Consultancy Services Rendered | | | | | | | | |
| Essar Logistics Limited | – | – | 300,623 | – | – | – | 300,623 | – |
| Consultancy Services Received | | | | | | | | |
| Essar Oil Limited | – | – | 37,961 | – | – | – | 37,961 | – |
| Aegis Limited | – | – | 53,385 | – | – | – | 53,385 | – |
| Freight charges | | | | | | | | |
| Essar Logistics Limited | – | – | 2,107,588 | 4,985,569 | – | – | 2,107,588 | 4,985,569 |
| Travel expenses | | | | | | | | |
| Futura Travels Limited | – | – | 1,690,367 | 1,523,649 | – | – | 1,690,367 | 1,523,649 |
| Employees Accommodation Expenses | | | | | | | | |
| Essar Steel Limited | – | – | 1,041,589 | 447,550 | – | – | 1,041,589 | 447,550 |
| Hire charges | | | | | | | | |
| Essar Projects (India) Limited | – | – | 23,927,507 | 1,937,649 | – | – | 23,927,507 | 1,937,649 |
| Essar Logistics Limited | – | – | 519,620 | – | – | – | 519,620 | – |
| Interest on Unsecured Loan | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | 706,849 | 1,688,527 | – | – | – | 706,849 | 1,688,527 | – |
| Essar Logistics Limited | – | – | 6,740,000 | – | – | – | 6,740,000 | – |
| Essar Projects (India) Limited | – | – | 3,033,332 | 4,550,001 | – | – | 3,033,332 | 4,550,001 |

(Amount in Rs.)

| Nature of transaction | Holding and subsidiary Company | | Other related parties | | Key Management Personnel | | Total | |
|--|--------------------------------|-------------|-----------------------|-------------|--------------------------|---------|-------------|-------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Interest earned on Inter corporate Deposits | | | | | | | | |
| Vadinar Oil Terminals Limited | - | - | 460,479 | - | - | - | 460,479 | - |
| Essar Oilfield Services (India) Limited. | - | - | 2,777,262 | - | - | - | 2,777,262 | - |
| Reimbursement of expenses | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | 13,932 | 1,106,031 | - | - | - | - | 13,932 | 1,106,031 |
| Essar Projects (India) Limited | - | - | - | - | - | - | - | - |
| Essar Logistics Limited | - | - | 3,747,481 | 451,817 | - | - | 3,747,481 | 451,817 |
| Essar Steel Limited | - | - | 74,500 | 224,465 | - | - | 74,500 | 224,465 |
| Essar Dredging Limited | 23,320 | 21,464 | - | - | - | - | 23,320 | 21,464 |
| Essar Oil Limited | - | - | - | 2,518,217 | - | - | - | 2,518,217 |
| Subhas Das | - | - | - | 656,764 | - | 656,764 | - | - |
| Sampath Gopal | - | - | - | - | - | 64,286 | - | 64,286 |
| Advance towards Investment in Shares | | | | | | | | |
| Essar Steel Limited | - | - | - | 4,246,000 | - | - | - | 4,246,000 |
| Essar Ports & Terminals Limited | - | - | - | - | - | - | - | - |
| Advances Given | - | - | - | - | - | - | - | - |
| Essar Bulk Terminal (Salaya) Limited | - | - | - | - | - | - | - | - |
| Unsecured Loan Received | | | | | | | | |
| Essar Projects (India) Limited | - | - | - | 100,000,000 | - | - | - | 100,000,000 |
| Essar Logistics Limited | - | - | 60,000,000 | - | - | - | 60,000,000 | - |
| Essar Shipping Ports & Logistics Limited | 290,000,000 | 169,500,000 | - | - | - | - | 290,000,000 | 169,500,000 |
| Inter Corporate Deposits Given | | | | | | | | |
| Essar Oilfield Services (India) Limited. | - | - | 78,000,000 | - | - | - | 78,000,000 | - |
| Vadinar Oil Terminal Limited | - | - | 415,000,000 | - | - | - | 415,000,000 | - |
| Advances received | | | | | | | | |
| Essar Logistics Limited | - | - | - | - | - | - | - | - |
| Vadinar Oil Terminal Limited | - | - | - | - | - | - | - | - |
| Essar Shipping Ports & Logistics Limited | - | - | - | - | - | - | - | - |
| Essar Investments Limited | - | - | - | - | - | - | - | - |

Outstanding as on 31st March 2010

(Amount in Rs.)

| Nature of balances | Holding and subsidiary Company | | Other related parties | | Key Management Personnel | | Total | |
|----------------------------------|--------------------------------|---------|-----------------------|-------------|--------------------------|---------|------------|-------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Sundry Creditors | | | | | | | | |
| Essar Steel Limited | - | - | 20,706,875 | 4,150,076 | - | - | 20,706,875 | 4,150,076 |
| Essar Logistics Limited | - | - | - | 7,028,506 | - | - | - | 7,028,506 |
| Essar House Services Limited | - | - | - | - | - | - | - | - |
| Essar Heavy Engineering Services | - | - | 203,302 | 1,960,813 | - | - | 203,302 | 1,960,813 |
| Futura Travels Limited | - | - | 351,234 | 804,376 | - | - | 351,234 | 804,376 |
| Essar Investments Limited | - | - | 48,000,000 | 118,500,000 | - | - | 48,000,000 | 118,500,000 |

(Amount in Rs.)

| Nature of balances | Holding and subsidiary Company | | Other related parties | | Key Management Personnel | | Total | |
|--|--------------------------------|---------------|-----------------------|--------------------|--------------------------|----------|----------------------|--------------------|
| | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 | 2009-10 | 2008-09 |
| Essar Project Management Consultants Limited | – | – | 5,409,726 | 3,656,238 | – | – | 5,409,726 | 3,656,238 |
| Essar Engineering Services Limited | – | – | 1,762,920 | 3,062,613 | – | – | 1,762,920 | 3,062,613 |
| Hazira Pipe Mill Limited | – | – | – | 12,789,060 | – | – | – | 12,789,060 |
| Essar Information Technology Limited | – | – | – | 1,693,703 | – | – | – | 1,693,703 |
| Essar Oil Limited | – | – | 10,755,114 | 46,568,671 | – | – | 10,755,114 | 46,568,671 |
| Aegis Limited | – | – | 48,045 | – | – | – | 48,045 | – |
| Bhander Power Limited | – | – | 4,814,250 | – | – | – | 4,814,250 | – |
| Essar Projects (India) Limited | – | – | 796,041 | 539,433,782 | – | – | 796,041 | 539,433,782 |
| Total | – | – | 92,847,507 | 739,647,838 | – | – | 92,847,507 | 739,647,838 |
| Loans and advances Given | | | | | | | | |
| Essar Oilfield Services (India) Limited | – | – | 33,000,000 | – | – | – | 33,000,000 | – |
| Advance towards investment in shares | | | | | | | | |
| Essar Steel Limited | – | – | – | – | – | – | – | – |
| Total | – | – | 33,000,000 | – | – | – | 33,000,000 | – |
| Interest receivable on loan | | | | | | | | |
| Essar Oilfield Services (India) Limited | – | – | 2,367,492 | – | – | – | 2,367,492 | – |
| Total | – | – | 2,367,492 | – | – | – | 2,367,492 | – |
| Share application money | | | | | | | | |
| Essar Steel Limited | – | – | 174,170,020 | – | – | – | 174,170,020 | – |
| Essar Ports & Terminals Limited | 69,300,000 | – | – | – | – | – | 69,300,000 | – |
| Total | 69,300,000 | – | 174,170,020 | – | – | – | 243,470,020 | – |
| Unsecured loan | | | | | | | | |
| Essar Projects (India) Limited | – | – | – | 100,000,000 | – | – | – | 100,000,000 |
| Essar Logistics Limited | – | – | 60,000,000 | – | – | – | 60,000,000 | – |
| Essar Shipping Ports & Logistics Limited | 280,000,000 | – | – | – | – | – | 280,000,000 | – |
| Total | 280,000,000 | – | 60,000,000 | 100,000,000 | – | – | 340,000,000 | 100,000,000 |
| Interest accrued but not due on loan | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | 500,054 | – | – | – | – | – | 500,054 | – |
| Essar Logistics Limited | – | – | 5,756,000 | – | – | – | 5,756,000 | – |
| Total | 500,054 | – | 5,756,000 | – | – | – | 6,256,054 | – |
| Capital advances | | | | | | | | |
| Essar Projects (India) Limited | – | – | 16,299,687 | – | – | – | 16,299,687 | – |
| Essar Steel Limited | – | – | 100,000,000 | – | – | – | 100,000,000 | – |
| Essar Dredging Limited | 44,784 | 21,464 | – | – | – | – | 44,784 | 21,464 |
| Total | 44,784 | 21,464 | 116,299,687 | – | – | – | 116,344,471 | 21,464 |
| Sundry Debtors | | | | | | | | |
| Essar Logistics Limited | – | – | 8,198,935 | – | – | – | 8,198,935 | – |
| Total | – | – | 8,198,935 | – | – | – | 8,198,935 | – |
| Guarantee availed for loan taken | | | | | | | | |
| Essar Shipping & Logistics Limited | 5,120,000,000 | – | – | – | – | – | 5,120,000,000 | – |
| Essar Shipping, Ports & Logistics Limited | 2,237,000,000 | – | – | – | – | – | 2,237,000,000 | – |
| Total | 7,357,000,000 | – | – | – | – | – | 7,357,000,000 | – |

8) Remuneration to Wholetime Director

(Amount in Rs.)

| Particulars | For the year ended | |
|--|--------------------|------------------|
| | 31.03.2010 | 31.03.2009 |
| Consultancy charges | – | 2,620,030 |
| Basic salary | 2,520,000 | – |
| Allowances, other benefits and perquisites | 3,611,552 | – |
| Contribution to provident fund | 680,400 | – |
| Total | 6,811,952 | 2,620,030 |

Note: The above does not include the amount payable towards gratuity and compensated absences by the Company to the whole time director as the same is calculated for the Company as a whole on actuarial basis.

9) Deferred tax asset

The components of net deferred tax asset are as follows:

(Amount in Rs.)

| Details | As at 31.03.2010 | As at 31.03.2009 |
|---|-------------------|------------------|
| Deferred tax asset | | |
| Unabsorbed depreciation on fixed assets | 26,890,157 | – |
| Employee benefits liability | 3,860,546 | – |
| Total deferred tax asset | 30,750,703 | – |

10) Employee benefits

Accounting Standard (AS) 15 'Employee Benefits' has been adopted by the Company effective from 1st April 2007. The Company has classified the various benefits provided to employees as under:

I. Defined contribution plans

- a. Provident fund
- b. Group accident policy cover

During the year, the Company has recognised the following amounts in the Statement of Profit and Loss and Expenditure during construction:

(Amount in Rs.)

| Particulars | Year ended | |
|---|------------|------------|
| | 31.03.2010 | 31.03.2009 |
| – Employer's contribution to provident fund | 2,602,362 | – |
| – Group accident policy cover | 100,064 | 23,498 |

II. Defined benefit plans

- a. Contribution to gratuity fund
- b. Provision for compensated absences (CA)

In accordance with the Accounting Standards (AS) 15 (Revised), relevant disclosures are as under:

a. Contribution to gratuity fund

(A) Change in present value of defined benefit obligation

(Amount in Rs.)

| Particulars | Gratuity (funded) year ended 31.03.2010 | Gratuity (non-funded) year ended 31.03.2009 | Gratuity (non-funded) year ended 31.03.2008 |
|---|--|--|--|
| Present value of defined obligation at the beginning of the year | 261,794 | 138,222 | 16,827 |
| Current service cost | 188,512 | 175,197 | 16,827 |
| Interest cost | 14,856 | 11,058 | 1,346 |
| Benefits paid | (132,629) | – | – |
| Actuarial (gain) / loss on obligations | 3,889,333 | (62,683) | 103,222 |
| Present value of defined benefit obligation at the end of the year | 4,221,866 | 261,794 | 138,222 |

(B) Changes in the fair value of plan assets

(Amount in Rs.)

| Particulars | Gratuity (funded) year ended 31.03.2010 | Gratuity (non-funded) year ended 31.03.2009 | Gratuity (non-funded) year ended 31.03.2008 |
|---|--|--|--|
| Fair value of plan assets at the beginning of the year | – | – | – |
| Expected return on plan assets | 80,637 | – | – |
| Actuarial gains / (losses) | 2,653 | – | – |
| Contributions by the employer | 2,148,565 | – | – |
| Benefits paid | (132,629) | – | – |
| Fair value of plan assets at the end of the year | 2,099,226 | – | – |

(C) Amount recognised in the Balance Sheet

(Amount in Rs.)

| Particulars | Gratuity (funded) year ended 31.03.2010 | Gratuity (non-funded) year ended 31.03.2009 | Gratuity (non-funded) year ended 31.03.2008 |
|--|--|--|--|
| Present value of defined benefit | 4,221,866 | 261,794 | 138,222 |
| Fair value of plan assets at the end of the year | 2,099,226 | – | – |
| Liability recognised in the balance sheet (included in current liabilities and provisions schedule 8) | 2,122,640 | 261,794 | 138,222 |

(D) Amount recognised in the Statement of Profit and Loss / expenditure during construction

(Amount in Rs.)

| Particulars | Gratuity (funded) year ended 31.03.2010 | Gratuity (non-funded) year ended 31.03.2009 | Gratuity (non-funded) year ended 31.03.2008 |
|--|--|--|--|
| Current service cost | 188,512 | 175,197 | 16,827 |
| Interest cost | 14,856 | 11,058 | 1,346 |
| Expected return on plan assets | (80,637) | – | – |
| Net actuarial (gain) / loss recognised in the period | 3,886,680 | (62,683) | 103,222 |
| Total expenses recognised in the Statement of Profit and Loss /Expenditure during construction (Included in salary expenses in schedule 5(b) and schedule 12) | 4,009,411 | 123,572 | 121,395 |

(E) Experience history

(Amount in Rs.)

| Particulars | Gratuity (funded) | Gratuity (non-funded) | Gratuity (non-funded) |
|--|-----------------------|-----------------------|-----------------------|
| | year ended 31.03.2010 | year ended 31.03.2009 | year ended 31.03.2008 |
| Defined benefit obligation at end of the period | (4,221,886) | (261,794) | – |
| Plan assets at end of the period | 2,099,226 | – | – |
| Funded status | (2,122,640) | (261,794) | – |
| Experience gain/(loss) adjustments on plan liabilities | (3,823,426) | 62,683 | – |
| Experience gain/(loss) adjustments on plan assets | 2,653 | – | – |
| Actuarial gain/(loss) due to change on assumptions | (65,907) | – | – |

(F) Category of plan assets

The Company's plan assets in respect of gratuity are funded through the group gratuity scheme administered by the Life Insurance Corporation of India.

b. Provision for compensated absences (CA) (paid leave)

(A) Change in present value of defined benefit obligation

(Amount in Rs.)

| Particulars | CA (non funded) | | |
|---|-----------------------|-----------------------|-----------------------|
| | year ended 31.03.2010 | year ended 31.03.2009 | year ended 31.03.2008 |
| Present value of defined obligation at the beginning of the year | 742,049 | 69,159 | 10,936 |
| Current service cost | 736,116 | 684,123 | 125,866 |
| Interest cost | 45,369 | 6,017 | 875 |
| Benefits paid | (290,189) | – | – |
| Actuarial (gain) / loss on obligations | 8,001,904 | (17,250) | (68,518) |
| Present value of defined benefit obligation at the end of the year | 9,235,249 | 742,049 | 69,159 |

(B) Amount recognised in the Balance Sheet

(Amount in Rs.)

| Particulars | CA (non funded) | | |
|--|-----------------------|-----------------------|-----------------------|
| | year ended 31.03.2010 | year ended 31.03.2009 | year ended 31.03.2008 |
| Present value of defined benefit | 9,235,249 | 742,049 | 69,159 |
| Fair value of plan assets at the end of the year | – | – | – |
| Liability recognised in the balance sheet (included in current liabilities and provisions schedule 8) | 9,235,249 | 742,049 | 69,159 |

(C) Amount recognised in the Statement of Profit and Loss / expenditure during construction

(Amount in Rs.)

| Particulars | CA (non funded) | | |
|--|--------------------------|--------------------------|--------------------------|
| | year ended 31.03.2010 | year ended 31.03.2009 | year ended 31.03.2008 |
| Current service cost | 736,116 | 684,123 | 125,866 |
| Interest cost | 45,369 | 6,016 | 875 |
| Expected return on plan assets | – | – | – |
| Net actuarial (gain) / loss recognised in the period | 8,001,904 | (17,250) | (68,518) |
| Total expenses recognised in the Statement of Profit and Loss/ Expenditure during construction (included in salary expenses in schedule 5 (b) and schedule 12) | 8,783,389 | 672,890 | 121,395 |

(D) Experience history

(Amount in Rs.)

| Particulars | CA (non funded) | | |
|--|--------------------------|--------------------------|--------------------------|
| | year ended 31.03.2010 | year ended 31.03.2009 | year ended 31.03.2008 |
| Defined benefit obligation at the end of the year | (9,235,249) | (742,049) | – |
| Plan assets at the end of the period | – | – | – |
| Funded status (9,235,249) | (742,049) | – | – |
| Experience gain/(loss) adjustments on plan liabilities | (7,347,966) | 16,765 | – |
| Actuarial gain/(loss) due to change on assumptions | (653,938) | – | – |

Actuarial assumptions

In accordance with Accounting Standard (AS)15 (Revised), actuarial valuation as at the year end was done in respect of the aforesaid defined benefit plans on the following assumptions:

i) General assumptions - Gratuity

| Particulars | CA (non funded) | | |
|---|--------------------------|--------------------------|--------------------------|
| | year ended 31.03.2010 | year ended 31.03.2009 | year ended 31.03.2008 |
| Discount rate (per annum)t | 7.80% | 7.60% | 8.00% |
| Rate of return on plan assets (for funded scheme) | 8.50% | N.A. | NA |
| Expected retirement age of employees (years) | 58 | 58 | 58 |
| Withdrawal rate of employees | 8.00% | 11.00% | 11.00% |
| Rate of increase in compensation | 9.00% | 8.00% | 8.00% |

General assumptions-Compensated absences

| Particulars | CA (non funded) | | |
|---|--------------------------|--------------------------|--------------------------|
| | year ended 31.03.2010 | year ended 31.03.2009 | year ended 31.03.2008 |
| Discount rate (per annum) | 7.80% | 7.60% | 8.00% |
| Rate of return on plan assets (for funded scheme) | N.A | N.A. | N.A. |
| Expected retirement age of employees (years) | 58 | 58 | 58 |
| Withdrawal rate of employees | 8.00% | 11.00% | 11.00% |
| Rate of increase in compensation | 9.00% | 8.00% | 8.00% |

- ii) Mortality rates considered are as per the published rates in the Life Insurance Corporation (1994-96) Mortality table.
- iii) Leave availment pattern
 - a) Sick leave balance as at the valuation date and each subsequent year following the valuation date will be availed by the employee against future sick leave. The sick leave balance is not available for encashment.
 - b) Leave balance as at the valuation date and each subsequent year following the valuation date to the extent not availed by the employee is available for encashment on separation from the Company.
- iv) As this is the third year of implementation of Accounting Standard (AS) -15 (Revised), only last two previous year's figures have been furnished.
- 11) The segment reporting as required by Accounting Standard (AS) 17– Segment Reporting as notified under the Companies (Accounting Standards) Rules, 2006 has not been made, since the Company has a single reporting segment of port and terminal services and its currently running through pre-operative phase.
- 12) a) Sundry debtors includes the Company under the same management :
 - Essar Logistics Limited: Rs.81,98,934. (previous year Rs.NIL)
 - b) Advance recoverable in cash or in kind or for value to be received includes amounts due from the Company under the same management:
 - i) Essar Dredging Limited: Rs.44,784 (previous year Rs. 21,464)
 - ii) Essar Oilfield Services (India) Limited: Rs.3,53,67,492 (previous year Rs.NIL)
- 13) During the year, the Company had subscribed to 3,86,000 equity shares of the face value of Rs, 10/- each in Bhandar Power Limited and 1,30,000 equity shares of the face value of Rs.10/- each in Essar Bulk Terminal (Paradip) Limited.
- 14) The Company has not received any intimation from its suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act) and hence the disclosures as required under the said Act have not been furnished. The Company is making effort to get confirmation from the suppliers as regards their status under the Act
- 15) The Company has commenced its operations from 1st May,2010.
- 16) Previous year's figures have been regrouped / reclassified wherever necessary to conform to figures of the current year.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

Subhas Das
Wholetime Director & CEO

V. Ashok
Director

Satish Rathi
Company Secretary

Mumbai
May 26, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(As per Schedule VI, part (iv) of the Companies Act, 1956)

I. Registration Details

Registration No. State Code

Balance Sheet
 Date Month Year

II. Capital Raised During the year (Amounts Rs. in Thousands)

| | | | |
|--------------|--|--------------------|---|
| Public Issue | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> | Rights Issue | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> |
| Bonus Shares | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> | Private Placement* | <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="0"/> |

III. Position of Mobilisation and Deployment of Funds (Amount Rs. in Thousands)

| | | | |
|-------------------|--|--------------|--|
| Total Liabilities | <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="8"/> | Total Assets | <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="8"/> |
|-------------------|--|--------------|--|

Source of Funds

| | | | |
|---------------------|--|------------------------|---|
| Paid-up-Capital | <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="1"/> | Reserves & Surplus | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="7"/> |
| Secured Loans | <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="0"/> | Unsecured Loans | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> |
| # Other Liabilities | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="0"/> | Deferred Tax Liability | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> |

Application of Funds

| | | | |
|--------------------|--|--------------------|--|
| Net Fixed Assets | <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value=""/> | Investments | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="7"/> |
| Net Current Assets | <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="0"/> | Misc. Expenditure | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="4"/> |
| Other Assets* | <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="4"/> | Accumulated Losses | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> |

(Including Capital work in progress and Expenditure during construction)

IV. Performance of Company (Amount Rs. in Thousands)

| | | | |
|------------------------------|--|-----------------------------|---|
| Turnover | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="3"/> | Total Expenditure | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="4"/> |
| + - Profit/(Loss) Before Tax | <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="9"/> | + - Profit/(Loss) After Tax | <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="0"/> |
| Earning Per Share in Rs. | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="7"/> | Dividend Rate % | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> |

V. Generic Names of Three Principal Products/services of Company

| | | | |
|-------------------------|---|---------------------|---|
| Item code No (ITC Code) | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text" value=""/> <input type="text" value=""/> | Product Description | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="Dry Bulk Port Services"/> |
| Item code No (ITC Code) | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text" value=""/> <input type="text" value=""/> | Product Description | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text" value=""/> <input type="text" value=""/> |
| Item code No (ITC Code) | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text" value=""/> <input type="text" value=""/> | Product Description | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text" value=""/> <input type="text" value=""/> |
| Item code No (ITC Code) | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text" value=""/> <input type="text" value=""/> | Product Description | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text" value=""/> <input type="text" value=""/> |

* Preferential Allotment # Share Application Money

Note: for ITC code of Products please refer to the publication "Indian Trade Classification" based on harmonised Commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics Kolkata - 700 001.

For and on behalf of the Board

Subhas Das
Wholetime Director & CEO

V. Ashok
Director

Satish Rathi
Company Secretary

Mumbai
May 26, 2010

Mumbai
May 26, 2010

ESSAR BULK TERMINAL (SALAYA) LIMITED

BOARD OF DIRECTORS

Sanjay Mehta
Director

K. K. Sinha
Director

V. Ashok
Director

AUDITORS

Deloitte Haskins & Sells

REGISTERED & CORPORATE OFFICE

Essar House
11, K. K. Marg, Mahalaxmi,
Mumbai 400 034

DIRECTORS' REPORT

The Directors have pleasure in presenting the Third Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

The Company is yet to commence its operations, however, in view of miscellaneous expenditure, the Company has prepared the Profit & Loss Account. The summary of financial results of your Company for the year ended 31st March, 2010 is furnished below:

(Amount in Rs.)

| Particulars | For the Year ended March 31, 2010 | For the Year ended March 31, 2009 |
|--|--------------------------------------|--------------------------------------|
| Total Income | – | – |
| Total Expenditure | 100,000 | 110,300 |
| Net Profit / (Loss) | (1,00,000) | (110,300) |
| Add: Balance in the Profit and Loss Account as per last Balance Sheet. | (403,515) | (293,215) |
| Balance Carried forward to Balance Sheet | (503,515) | (403,515) |

PROJECT REVIEW

Your Company is setting up a ten million tonne dry bulk port facility at Salaya in Gujarat. The port will handle bulk commodities. The facility would include a dedicated all weather channel, 434 meters long jetty, ship loaders and unloaders, storage facilities for cargo, conveyors for transportation of cargo to the stock yard, a rail network, tugs and mooring boats.

The Company has entered into various Engineering, Procurement and Construction Contracts for setting up the said marine material handling facility. The project cost is estimated at Rs. 863 crore. The project is expected to commence commercial operations during financial year 2011-12.

DIRECTORS

In accordance with the provisions of the Companies Act 1956, and the Articles of Association of the Company, Mr. V. Ashok retires at the ensuing Annual General Meeting of the Company and being eligible, offers himself for re-appointment.

AUDITORS

Your Company's Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. It is proposed to re-appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting.

HOLDING COMPANY

Your Company continues to be the wholly owned subsidiary of Essar Ports & Terminals Limited, Mauritius.

SECRETARIAL AUDIT REPORT

Your Company has appointed M/s Martinho Ferrao & Associates, Practicing Company Secretaries, to conduct Secretarial Audit of the Company for the financial year ended 31st March, 2010. The Secretarial Audit Report is annexed and forms part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors), Rules 1988, relating to Energy Conservation and Technology Absorption are not applicable to your Company.

As regards foreign exchange earnings and outgo, the Company did not earn nor did it spend any foreign exchange during the year.

PARTICULARS OF EMPLOYEES

There are no employees, who are in receipt of remuneration in the aggregate of the prescribed sum as specified under Section 217(2A) the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended. Hence these provisions are not applicable to your Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 the Board of Directors hereby state that:

- (i) in preparation of the annual accounts, the applicable accounting standards had been followed (along with proper explanation relating to material departures) and that there were no material departures;
- (ii) the Directors have selected the 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 or loss of the Company for the year under review;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the accounts on a going concern basis.

APPRECIATION AND ACKNOWLEDGEMENTS

Your Directors express their sincere thanks and appreciation to all the employees for their commendable teamwork and contribution to the growth of the Company.

Your Directors also thank its bankers and other business associates for their continued support and co-operation during the year.

For and on behalf of the Board

Mumbai
May 25, 2010

K. K. Sinha
Director

V. Ashok
Director

AUDITORS' REPORT

TO THE MEMBERS OF
ESSAR BULK TERMINAL (SALAYA) LIMITED

1. We have audited the attached Balance Sheet of ESSAR BULK TERMINAL (SALAYA) LIMITED ("the Company") as at 31st March, 2010, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give 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:
 - (i) 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;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (iii) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai
May 25, 2010

**Annexure to the Auditor's Report to the members of Essar Bulk Terminal (Salaya) Limited
(Referred to in paragraph 3 of our report of even date)**

In our opinion and according to the information and explanations given to us, the nature of the Company's business/activities during the year are such that clauses (vi), (viii), (x), (xiii), (xiv), (xviii), (xix) and (xx) of Para 4 of the Order are not applicable to the Company.

1. The reporting requirements on fixed assets are not applicable as there are no capitalised fixed assets. The Company has only assets under construction.
2. The reporting requirements on inventory are not applicable as the Company does not have any inventory.
3. In our opinion and according to the information and explanations given to us, there are no companies, firms or parties required to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (a) to (g) of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of fixed assets and for sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal controls. The nature of the Company's business does not involve sale of goods.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956.
6. As the Company's operations are at a feasibility assessment stage and commercial activities have yet to commence, the Company has not installed an internal audit system.
7. According to the information and explanations given to us, in respect of statutory dues:
 - a. The Company has been generally regular in depositing undisputed statutory dues, including Income Tax, Service Tax, Custom Duty, Cess and any other material statutory dues, as applicable, with the appropriate authorities during the year. As explained to us, the provisions for Provident Fund, Investor Education and Protection Fund, Employees' State Insurance Scheme, Wealth Tax, Sales Tax, Value Added Tax and Excise Duty were not applicable to the Company during the year.

There are no material undisputed amounts payable in respect of above statutory dues outstanding as at 31st March, 2010 for a period exceeding six months from the date they became payable.
 - b. According to information and explanations given to us, there were no dues pending to be deposited on account of any dispute in respect of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess as on 31st March, 2010.
8. In our opinion, and according to the information and explanations given to us, the Company has not raised any term loan from bank, financial institution or through issue of debentures.
9. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
10. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
11. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.

12. According to the information and explanations given to us, and on an overall examination of the Balance sheet of the Company, we report that the funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
13. To the best of our knowledge and belief and according to the information and explanation given to us, no material fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins 1& Sells**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai
May 25, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | Schedule No. | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|--|--------------|---------------------------|---------------------------|
| SOURCES OF FUNDS | | | |
| SHAREHOLDERS' FUNDS | | | |
| Capital | 1 | 30,048,750 | 30,048,750 |
| | | <u>30,048,750</u> | <u>30,048,750</u> |
| LOAN FUNDS | | | |
| Unsecured loans | 2 | 212,500,000 | 100,000,000 |
| | | <u>212,500,000</u> | <u>100,000,000</u> |
| Total | | <u><u>242,548,750</u></u> | <u><u>130,048,750</u></u> |
| APPLICATION OF FUNDS | | | |
| FIXED ASSETS | | | |
| Capital work-in-progress | | | |
| a) Capital -work-in-progress (including capital advances) | 3(a) | 158,834,143 | 143,745,099 |
| b) Expenditure during construction | 3(b) | 22,853,290 | 4,431,611 |
| | | <u>181,687,433</u> | <u>148,176,710</u> |
| CURRENT ASSETS, LOANS AND ADVANCES | | | |
| Current assets | 4 | | |
| Cash and bank balances | | 73,836,522 | 7,768,704 |
| Loans and advances | | 31,795,449 | 3,814 |
| | | <u>105,631,971</u> | <u>7,772,518</u> |
| LESS: CURRENT LIABILITIES AND PROVISIONS | | | |
| Creditors | 5 | 48,747,413 | 29,763,787 |
| | | <u>48,747,413</u> | <u>29,763,787</u> |
| NET CURRENT LIABILITIES | | | |
| Miscellaneous expenditure (to the extent not written off) | 6 | 3,473,244 | 3,459,794 |
| Statement of Profit and Loss (debit balance) | | 503,515 | 403,515 |
| | | <u>503,515</u> | <u>403,515</u> |
| Total | | <u><u>242,548,750</u></u> | <u><u>130,048,750</u></u> |

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants**Khurshed Pastakia**
PartnerMumbai
May 25, 2010

For and on behalf of the Board

K. K. Sinha
DirectorMumbai
May 25, 2010**V. Ashok**
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | Schedule No. | Year ended 31.03.2010 (Rs.) | Year ended 31.03.2009 (Rs.) |
|--|--------------|-----------------------------------|-----------------------------------|
| INCOME | | | |
| Total | | - | - |
| EXPENDITURE | | | |
| Audit fees | | 100,000 | 110,300 |
| Total | | <u>100,000</u> | <u>110,300</u> |
| NET LOSS FOR THE YEAR | | (100,000) | (110,300) |
| Balance brought forward from previous year | | <u>(403,515)</u> | (293,215) |
| Balance carried forward to balance sheet | | <u>(503,515)</u> | (403,515) |
| Earnings per share - basic and diluted (face value of Rs.10/- per share) (refer note B(5) of schedule 7) | | (0.03) | (0.11) |

**SIGNIFICANT ACCOUNTING POLICIES AND
NOTES TO FINANCIAL STATEMENTS**

7

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 25, 2010

For and on behalf of the Board

K. K. Sinha
Director

Mumbai
May 25, 2010

V. Ashok
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | Year ended 31.03.2010 (Rs.) | Year ended 31.03.2009 (Rs.) |
|---|-----------------------------------|-----------------------------------|
| A) Cash flow from operating activities | | |
| Loss as per Statement of Profit and Loss | (100,000) | (110,300) |
| Operating loss before working capital changes | (100,000) | (110,300) |
| Adjustment for: | | |
| Trade and other receivables | (31,791,635) | — |
| Trade and other payables | 10,137,045 | — |
| Net cash used in operating activities | (21,754,590) | (110,300) |
| B) Cash flow from investing activities | | |
| Capital work in progress and capital advances | (6,242,463) | (57,220,594) |
| Expenditure during construction | (18,659,084) | (56,194,369) |
| Proceeds from interest on fixed deposit | 237,405 | 171,460 |
| Net cash used in investing activities | (24,664,142) | (113,243,503) |
| C) Cash flow from financing activities | | |
| Proceeds from issuance of share capital | — | 21,586,250 |
| Payment of share issue expenses | — | (3,459,794) |
| Proceeds from unsecured loan | — | 104,000,000 |
| Repayment of unsecured loan | — | (4,000,000) |
| Proceeds from secured loans | 112,500,000 | — |
| Miscellaneous expenditure | (13,450) | — |
| Purchases of shares | (500,000) | — |
| Proceeds from sale of shares | 500,000 | — |
| Net cash flow from financing activities | 112,486,550 | 118,126,456 |
| Net increase in cash and cash equivalents | 66,067,818 | 4,772,653 |
| Cash and cash equivalents at the beginning of the period | 7,768,704 | 2,209,869 |
| Cash and cash equivalents at the end of the period | 73,836,522 | 7,768,704 |

Note

Cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 "Cash flow Statement" as notified under the Companies (Accounting Standards) Rules, 2006.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 25, 2010

For and on behalf of the Board

K. K. Sinha
Director

Mumbai
May 25, 2010

V. Ashok
Director

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|---|---------------------------|---------------------------|
| SCHEDULE 1 | | |
| CAPITAL | | |
| Authorised | | |
| 50,000,000 Equity shares of Rs.10/- each | 500,000,000 | 500,000,000 |
| Issued, subscribed and paid up | | |
| 3,004,875 (previous year 3,004,875) Equity shares of Rs.10/- each fully paid up [All the shares are held by Essar Ports & Terminals Limited, Mauritius the holding Company]" | 30,048,750 | 30,048,750 |
| Total | 30,048,750 | 30,048,750 |
| SCHEDULE 2 | | |
| UNSECURED LOANS | | |
| Loan from others | 212,500,000 | 100,000,000 |
| | 212,500,000 | 100,000,000 |
| SCHEDULE 3 | | |
| CAPITAL WORK-IN-PROGRESS | | |
| a) Capital work-in-progress including capital advances | | |
| Capital advances | 87,317,500 | 91,167,500 |
| Professional and technical fees | 12,488,050 | 9,105,205 |
| Consultancy charges | 59,028,593 | 43,472,394 |
| | 158,834,143 | 143,745,099 |
| b) Expenditure during construction | | |
| Survey charges | 2,155,728 | 2,155,728.00 |
| General expenses | 6,640,114 | 1,408,042.00 |
| Interest and finance expenses | 14,374,796 | 986,301.00 |
| Tax expenses | 155,411 | 53,000.00 |
| | 23,326,049 | 4,603,071 |
| Less: Interest income (inclusive of tax deducted at source Rs.NIL previous year Rs.36814/-) | (472,759) | (171,460) |
| | 22,853,290 | 4,431,611 |

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Rs.) | As at 31.03.2009 (Rs.) |
|---|---------------------------|---------------------------|
| SCHEDULE 4 | | |
| CURRENT ASSETS, LOANS AND ADVANCES | | |
| Current assets | | |
| Cash and bank balances | | |
| Balance with scheduled banks | | |
| – In current account | 50,001,168 | 255,376 |
| – In fixed deposit account | 23,600,000 | 7,508,250 |
| – Interest accrued on bank deposits | 235,354 | 5,078 |
| Total | 73,836,522 | 7,768,704 |
| Loans and advances | | |
| Advances recoverable in cash | 15,000.00 | |
| Advance tax (net of provision) | – | 3,814 |
| Prepaid expenses | 29,611,596.00 | – |
| Service tax credit receivable | 2,168,853.00 | – |
| Total | 31,795,449 | 3,814 |
| SCHEDULE 5 | | |
| CURRENT LIABILITIES AND PROVISIONS | | |
| Current liabilities | | |
| Sundry creditors | | |
| – due to micro and small enterprises * | – | – |
| – creditors for capital expense | 35,452,261 | 26,605,680 |
| – other liabilities | 774,685 | 2,395,302 |
| – Provision for Tax (net of advance TDS) | 86,777 | – |
| – interest accrued but not due on loans | 12,433,690 | 762,805 |
| Total | 48,747,413 | 29,763,787 |
| * (refer note B (2) of schedule 7) | | |
| SCHEDULE 6 | | |
| MISCELLANEOUS EXPENDITURE | | |
| Share issue expenses | 3,473,244 | 3,459,794 |
| | 3,473,244 | 3,459,794 |

SCHEDULE 7

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2010.

A. SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

These financial statements are prepared under the historical cost convention, on accrual basis of accounting, and are in accordance with generally accepted accounting principles and in compliance with the applicable Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

2. USE OF ESTIMATES

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the reporting date and the reported amounts of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. FIXED ASSETS, DEPRECIATION / AMORTISATION

Fixed assets are recorded at cost less accumulated depreciation and impairment loss, if any. Cost is inclusive of non-refundable duties and taxes, and cost of construction including erection, installation and commissioning expenses, borrowing costs, expenditure during construction, inseparable know how costs, gains or loss earned / incurred during the trial run and other incidental costs, where applicable.

Depreciation on additions / deductions to fixed assets made during the year is provided on a pro-rata basis from / up to the date of such additions / deductions, as the case may be.

4. CAPITAL WORK IN PROGRESS AND EXPENDITURE DURING CONSTRUCTIONS

Direct expenditure on asset under construction is shown under capital work-in-progress.

Project management consultancy, technical fees and other expenditure incidental to the construction of jetty that take substantial period of time to get ready for their intended use are accumulated as expenditure during construction pending allocation to fixed assets and other accounts, as applicable on completion of the project.

Advance on capital account include progress based payments made under the contracts for assets under construction and other capital advances until the same allocated to fixed assets and other accounts as applicable.

5. BORROWING COST

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets (i.e. the assets that take substantial period of time to get ready for intended use) are shown as interest expenses under capital work in progress. Other borrowing costs are recognised in the Statement of Profit and Loss.

6. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currency are accounted at the rate prevailing on the transaction date. Monetary items denominated in foreign currency are translated at the rate prevailing at the balance sheet date. Gains / losses on conversion / translation / settlement of foreign currency transactions are recognised in the Statement of Profit and Loss or Expenditure during Construction, as applicable.

7. TAXES ON INCOME

The provision for current taxation is computed in accordance with the relevant tax regulations. Deferred tax is recognised on timing differences between the accounting and the taxable income for the period 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 certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised in future. Deferred tax assets relating to unabsorbed business losses on unabsorbed depreciation are recognised when there is a virtual certainty supported by the convincing evidence that there will sufficient taxable profit to utilise them.

8. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised in the accounts for present obligations arising out of past events and would probably require an outflow of economic resources, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that is not recognised because a reliable estimate of the liability cannot be made or likelihood of an outflow of resources is remote. Contingent assets are not recognised in the financial statements.

9. IMPAIRMENT OF ASSETS

The Company assesses on each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount but limited to the carrying amount that would have been determined (net of depreciation / amortisation) had no impairment loss been recognised in prior accounting periods.

B. NOTES TO THE FINANCIAL STATEMENTS

1) Capital commitments

Outstanding commitments for capital expenditure not provided for is Rs. 6,418,100,000/- (previous year Rs. 6,235,900,000/).

2) The Company has not received any intimation from its suppliers regarding their status under the Micro, Small and Medium Enterprise development Act, 2006 and hence disclosures relating to amount unpaid as at the end of the year, together with interest paid / payable as required under the said Act has not been furnished and provision for interest, if any, on delayed payments, is not ascertainable at this stage.

3) Business segment and geographic data

The Company has one business segment of Jetty Operation, which is in feasibility assessment stage and only one geographical segment i.e. India

4) Auditors' remuneration

(Amount in Rs.)

| Particulars | Year ended | |
|--------------|------------------|------------------|
| | 31.03.2010 | 31.03.2009 |
| Audit fees | 100,000/- | 100,000/- |
| Total | 100,000/- | 100,000/- |

5) Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data: (Amount in Rs.)

| Particulars | Year ended | |
|---|------------|------------|
| | 31.03.2010 | 31.03.2009 |
| Earnings for the purpose of basic and diluted earnings per share (net loss for the year) (Rs.) | (100,000) | (110,300) |
| Equity shares at the beginning of the year (Nos.) | 30,04,875 | 50,000 |
| Add: Equity shares allotted during the year (Nos.) | – | 2,954,875 |
| Equity shares at the end of the year (Nos.) | 30,04,875 | 3,004,875 |
| Weighted average number of equity shares for the purpose of calculating basic and diluted earnings per share (Nos.) | 30,04,875 | 1,026,320 |
| Basic and diluted earnings per share of face value of Rs.10/- each (Rs.) | (0.03) | (0.11) |

6) Foreign currency exposure

a) There was no forward/options contracts entered in to by the Company during the financials year to hedge its foreign currency exposures.

- b) The year-end foreign currency exposures that have not been hedged by derivative instrument or otherwise are given below.

| Particulars | Amount in Rs. | | Currency | Amount in foreign currency | |
|--------------------|---------------|------------|----------|----------------------------|-----------|
| | 2009-10 | 2008-09 | | 2009-10 | 2008-09 |
| Advance to Vendors | 46,680,000 | 51,924,825 | USD | 1,000,000 | 1,000,000 |

7) Related party transactions

a) Holding Company

- i) Essar Global Limited, Cayman Islands (Ultimate Holding Company)
- ii) Essar Shipping & Logistics Limited, Cyprus
- iii) Essar Shipping Ports & Logistics Limited, India
- iv) Essar Ports & Terminals Limited, Mauritius

b) Other related parties where there have been transactions - Affiliates

- i) Essar Bulk Terminal Limited
- ii) Essar Shipping Ports & Logistics Limited
- iii) Essar Projects (India) Limited [Formerly known as Essar Constructions (India) Limited]
- iv) Global Supply FZE
- v) Essar Project Management Consultant Limited
- vi) Essar Engineering Services Limited
- vii) Vadinar Oil Terminal Limited
- viii) Essar Paradip Terminals Limited

The details of transactions with related parties

(Amount in Rs.)

| Nature of transactions | Holding Company | | Other related parties | | Key Management Personnel | | Total | |
|---|--------------------|--------------------|-----------------------|--------------------|--------------------------|----------|--------------------|--------------------|
| | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 |
| Allotment of equity shares | | | | | | | | |
| Essar Ports & Terminals Limited | - | 29,548,750 | - | - | - | - | - | 29,548,750 |
| Total | - | 29,548,750 | - | - | - | - | - | 29,548,750 |
| Unsecured Loans | | | | | | | | |
| Essar Bulk Terminal Limited | - | - | - | 4,000,000 | - | - | - | 4,000,000 |
| Essar Shipping Ports & Logistics Limited | 112,500,000 | 100,000,000 | - | - | - | - | 112,500,000 | 100,000,000 |
| Total | 112,500,000 | 100,000,000 | - | 4,000,000 | - | - | 112,500,000 | 104,000,000 |
| Capital Advances | | | | | | | | |
| Essar Projects (India) Limited | - | - | - | 38,000,000 | - | - | - | 38,000,000 |
| Essar Engineering Services Limited | - | - | 11,581,500 | 13,300,500 | - | - | 11,581,500 | 13,300,500 |
| Global Supplies FZE | - | - | - | 51,924,825 | - | - | - | 51,924,825 |
| Essar Projects Management Consultants Limited | - | - | 3,504,500 | - | - | - | 3,504,500 | - |
| Total | - | - | 15,086,000 | 103,225,325 | - | - | 15,086,000 | 103,225,325 |
| Reimbursement of expenses | | | | | | | | |
| Essar Power Gujarat Limited | - | - | - | 501,124 | - | - | - | 501,124 |
| Vadinar Oil Terminal Limited | - | - | 31,300 | - | - | - | 31,300 | - |
| Total | - | - | 31,300 | 501,124 | - | - | 31,300 | 501,124 |

The details of transactions with related parties (Contd.)

(Amount in Rs.)

| Nature of transactions | Holding Company | | Other related parties | | Key Management Personnel | | Total | |
|--|----------------------|----------------|-----------------------|----------|--------------------------|----------|----------------------|----------------|
| | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 |
| Investment in Shares | | | | | | | | |
| Essar Paradip Terminals Limited | - | - | 500,000 | - | - | - | 500,000 | - |
| Total | - | - | 500,000 | - | - | - | 500,000 | - |
| Sales of shares | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | 500,000 | - | - | - | - | - | 500,000 | - |
| Total | 500,000 | - | - | - | - | - | 500,000 | - |
| Interest expenses | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | 13,388,493 | 986,301 | - | - | - | - | 13,388,493 | 986,301 |
| Total | 13,388,493 | 986,301 | - | - | - | - | 13,388,493 | 986,301 |
| Guarantees given by ESPLL on behalf of Company | 6,796,000,000 | - | - | - | - | - | 6,796,000,000 | - |
| Total | 6,796,000,000 | - | - | - | - | - | 6,796,000,000 | - |

Outstanding as on 31st March 2010

(Amount in Rs.)

| Nature of balances | Holding Company | | Other related parties | | Key Management Personnel | | Total | |
|--|----------------------|--------------------|-----------------------|--------------------|--------------------------|----------|----------------------|--------------------|
| | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 | 31.03.10 | 31.03.09 |
| Unsecured Loan | | | | | | | | |
| Essar Shipping Ports & Logistics Limited | 212,500,000 | 100,000,000 | - | - | - | - | 212,500,000 | 100,000,000 |
| Interest accrued on loan | 12,433,690 | 762,805 | - | - | - | - | 12,433,690 | 762,805 |
| Total | 224,933,690 | 100,762,805 | - | - | - | - | 224,933,690 | 100,762,805 |
| Capital Advances | | | | | | | | |
| Essar Projects Management Consultants Limited | - | - | 7,163,000 | 10,667,500 | - | - | 7,163,000 | 10,667,500 |
| Essar Projects (India) Limited | - | - | 38,000,000 | 38,000,000 | - | - | 38,000,000 | 38,000,000 |
| Essar Engineering Services Limited | - | - | 23,569,816 | 13,300,500 | - | - | 23,569,816 | 13,300,500 |
| Global Supplies FZE | - | - | 46,680,000 | 50,530,000 | - | - | 46,680,000 | 50,530,000 |
| Total | - | - | 115,412,816 | 112,498,000 | - | - | 115,412,816 | 112,498,000 |
| Guarantees given by ESPLL on behalf of Company | 6,796,000,000 | - | - | - | - | - | 6,796,000,000 | - |
| Total | 6,796,000,000 | - | - | - | - | - | 6,796,000,000 | - |
| Sundry creditors | | | | | | | | |
| Vadinar Oil Terminal Limited | - | - | 31,300 | - | - | - | 31,300 | - |
| Total | - | - | 31,300 | - | - | - | 31,300 | - |

8) Miscellaneous Expenditure to the extent not written off or adjusted includes share issue expenses. This will be adjusted / written off through Statement of Profit & Loss upon commencement of commercial activities.

9) Previous year's figures have been regrouped / reclassified wherever necessary.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 25, 2010

For and on behalf of the Board

K. K. Sinha
Director

Mumbai
May 25, 2010

V. Ashok
Director

VADINAR PORTS & TERMINALS LIMITED

BOARD OF DIRECTORS

Sanjay Mehta
Director

K. K. Sinha
Director

V. Ashok
Director

AUDITORS

Deloitte Haskins & Sells

AUDIT COMMITTEE

Sanjay Mehta

K. K. Sinha

V. Ashok

REGISTERED & CORPORATE OFFICE

Essar Refinery Site
39 KM Stone, Okha Highway (SH-25)
Khambalia – 361 305, Gujarat

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the First Annual Report together with the Audited Accounts of the Company for the period ended 31st March, 2010.

FINANCIAL RESULTS

The summary of financial results of your Company for the period ended 31st March, 2010 is furnished below:

(Rs. in crore)

| Particulars | For the period ended 31 st March, 2010 |
|--|--|
| Total Income | – |
| Total Expenditure | 0.04 |
| Profit after tax | (0.04) |
| Balance Carried forward to Balance Sheet | (0.04) |

REVIEW OF OPERATIONS

The Company has been incorporated on 21st April, 2009 to cater to the expansion requirements of Essar Oil Limited by creating additional port and terminal facilities.

During the year, the Company has made significant progress in the execution of the expansion project and has commissioned a few key facilities like Berth B, Road Gantry, Tanks, etc. The financial closure for the project has been achieved and the Company has drawn down the requisite amount of debt. The Company is thus confident of completing the project during the financial year 2010-2011 as targeted.

During the year, your Company has already started berthing vessels on Berth B for evacuation of Petroleum products.

EXPANSION PLANS

During the year, the Company has acquired the expansion project from Vadinar Oil Terminal Limited (VOTL) and has settled the consideration partly by issue of shares to VOTL and partly by payment in cash out of the loan drawdown amount. Due to issue of shares, your Company has become a subsidiary of VOTL.

INDUSTRY SCENARIO

India in general and Jamnagar in particular is set to become a major refining hub in this part of the world, supplying some of the best quality fuel around the world. As you are aware, your Company's terminal is strategically located at Vadinar, Gujarat

which is the closest landfall point to India from the Arabian Gulf and connected to various trade lines. The Company is building adequate port and terminal facilities for handling the petroleum products of Essar's Refinery along with VOTL.

DIVIDEND

Your Directors have not recommended any dividend on equity shares for the period under review since the Company is still under project implementation stage.

HOLDING COMPANY

Your Company has become a subsidiary of Vadinar Oil Terminal Limited, following investment in equity.

FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year under review.

DIRECTORS

In accordance with the provisions of the Companies Act 1956, and the Articles of Association of the Company, all the Directors Mr. Sanjay Mehta, Mr. K. K. Sinha and Mr. V. Ashok retire at the ensuing Annual General Meeting of the Company and being eligible, offers themselves for reappointment.

AUDITORS

Deloitte Haskins & Sells, Chartered Accountants, who are the Statutory Auditors of the Company hold office, in accordance with the provisions of the Companies Act, 1956, upto the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors), Rules 1988, relating to Energy Conservation and Technology Absorption are not applicable to your Company.

The foreign exchange earnings and outgo position is as under:

The Company has neither earned nor spent any foreign exchange during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 the Board of Directors hereby state that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there have been no material departures;
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (d) the Directors have prepared the annual accounts on a going concern basis.

PERSONNEL

The Company has not paid any remuneration attracting the provisions of the Companies (Particulars of Employees) Rules, 1975 read with Section 217(2A) of the Companies Act, 1956. Hence, no information is required to be appended to this report in this regard.

ACKNOWLEDGEMENTS

Your Directors thank the Financial Institutions and Banks, Kandla Port Trust, Indian Coast Guards, other business associates, shareholders and employees for their continued support and co-operation.

For and on behalf of the Board of Directors

K. K. Sinha
Director

V. Ashok
Director

Mumbai
May 26, 2010

AUDITORS' REPORT

TO THE MEMBERS OF VADINAR PORTS & TERMINALS LIMITED

1. We have audited the attached Balance Sheet of VADINAR PORTS & TERMINALS LIMITED ("the Company") as at 31st March, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the period from 21st April, 2009 to 31st March, 2010, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose 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 as follows:
 - (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 it appears from our examination of those books;
 - (c) 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;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the period from 21st April, 2009 to 31st April, 2010 and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the period from 21st April, 2009 to 31st April, 2010.
6. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No. 31544)

Mumbai
May 26, 2010

Annexure To The Auditors' Report

(Referred to in paragraph 3 of our report of even date)

- (i) Having regard to the nature of the Company's business/activities/result, clauses (vi), (vii), (viii), (x), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the 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 in our opinion, is largely reasonable having regard to the size of the Company and the nature of its assets. As per the information given to us by the management, no material discrepancies as compared to book records were noticed in respect of fixed assets verified during the year.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) The Company does not have inventory in the current financial year, hence, provisions of clause (ii) are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets. There is no purchase of inventory or sale of services during the year. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vi) In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956.
- (vii) According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed dues, including Income-tax, Service Tax, Custom Duty, Cess and other material statutory dues applicable to it with the appropriate authorities during the year. As informed to us, the provisions for Investor Education and Protection Fund, Provident Fund, Employee's State Insurance, Sales Tax, Wealth Tax and Excise duty were not applicable to the Company during the year.
 - (b) There were no undisputed amounts payable in respect of above statutory dues in arrears as at 31st March, 2010 for a period of more than six months from the date they became payable.
 - (c) There were no dues pending to be deposited on account of any dispute in respect of Income Tax, Service Tax, Custom Duty and Cess as on 31st March, 2010.
- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company has not borrowed any sums through debentures.
- (ix) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- (x) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- (xi) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No. 31544)

Mumbai
May 26, 2010

BALANCE SHEET AS AT 31st MARCH, 2010

| Particulars | Schedule No. | As at 31.03.2010 (Amount in Rs.) |
|--|--------------|-------------------------------------|
| I. SOURCES OF FUNDS | | |
| Shareholders' funds | | |
| Capital | 1 | 2,461,344,570 |
| Loan funds | | |
| Secured loans | 2 | 2,502,934,345 |
| Total | | 4,964,278,915 |
| II. APPLICATION OF FUNDS | | |
| Capital work in progress | | |
| a) Capital work-in-progress (including advances on capital account) | 3A | 5,399,485,366 |
| b) Expenditure during construction (EDC) | 3B | 394,192,876 |
| Investments | 4 | 70,000,000 |
| Current assets, loans and advances | 5 | |
| Cash and bank balances | | 5,223,208 |
| Loans and advances | | 312,111,321 |
| | | 317,334,529 |
| Less: current liabilities and provisions | | |
| Liabilities | 6 | 1,217,133,856 |
| | | 1,217,133,856 |
| Net current liabilities | | (899,799,327) |
| Statement of Profit and Loss -debit balance | | 400,000 |
| Total | | 4,964,278,915 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS | 7 | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

K. K. Sinha
Director

Mumbai
May 26, 2010

V. Ashok
Director

**STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED
31ST MARCH, 2010**

| Particulars | Schedule No. | For the period from 21 st April 2009 to 31 st March 2010 (Amount in Rs.) |
|--|--------------|---|
| INCOME | | - |
| Total | | - |
| EXPENDITURE | | |
| Audit Fees | | 400,000 |
| Total | | 400,000 |
| LOSS FOR THE YEAR | | 400,000 |
| Balance carried forward to balance sheet | | 400,000 |
| Basic and diluted earnings per share (face value of Rs.10/- per share) (Refer note B(4) of schedule 7) | | (0.01) |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS | 7 | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

K. K. Sinha
Director

Mumbai
May 26, 2010

V. Ashok
Director

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2010

| | For the period from 21 st April 2009 to 31 st March 2010 (Amount in Rs.) |
|---|---|
| A) Cash flow from operating activities | |
| Loss for the year | (400,000) |
| Adjustment for: | |
| Current liabilities | 360,000 |
| Cash utilised in operations | (40,000) |
| Net cash used in operating activities | (40,000) |
| B) Cash flow from investing activities | |
| Purchase of capital work in progress including advances | (2,980,013,409) |
| Purchase of current investments | (70,000,000) |
| Net cash used in investing activities | (3,050,013,409) |
| C) Cash flow from financing activities | |
| Issue of share capital | 546,544,570 |
| Proceeds from secured loans | 2,500,000,000 |
| Proceeds from secured loans- short term | 500,000,000 |
| Repayment from secured loans- short term | (500,000,000) |
| Interest Paid | 8,732,047 |
| Net cash flow from financing activities | 3,055,276,617 |
| Net change in cash and cash equivalents (A+B+C) | 5,223,208 |
| Cash and cash equivalents at the beginning of the period | - |
| Cash and cash equivalents at the end of the period (Refer Schedule 5) | 5,223,208 |

Notes

1. Non cash transactions

The Company purchased capital work in progress amounting to Rs. 3,966,300,000 from Vadinar Oil Terminal Limited for against issue of 191,480,000 equity shares of Rs 10 each and the balance consideration was settled in cash.(Refer note B(1) of schedule 7)

2. Cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 "Cash flow Statement" as notified under the Companies (Accounting Standards) Rules, 2006.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

K. K. Sinha
Director

Mumbai
May 26, 2010

V. Ashok
Director

SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

| | | As at 31.03.2010 (Amount in Rs.) |
|---|--|-------------------------------------|
| SCHEDULE 1 | | |
| CAPITAL | | |
| Authorised | | |
| 280,000,000 | Equity shares of Rs.10/- each | 2,800,000,000 |
| Issued, subscribed and paid up | | |
| 246,134,457 | Equity shares of Rs.10/- each fully paid up. (Of the above 191,480,000 shares are held by Vadinar Oil Terminal Limited, the immediate holding Company and balance 54,654,397 shares are held by Essar Ports & Terminals Limited). (Out of above 191,480,000 shares are issued for consideration other than cash). | 2,461,344,570 |
| | | 2,461,344,570 |
| SCHEDULE 2 | | |
| SECURED LOANS | | |
| From Banks | | |
| Rupee term loans | | 2,500,000,000 |
| Interest Accrued on loans | | 2,934,345 |
| | | 2,502,934,345 |
| Note: The term loan of Rs. 2,500,000,000 is to be secured by first mortgage and charge of all present and future movable and immovable assets/ properties of the Company. The loan is further secured by Corporate Guarantee of Essar Shipping Ports & Logistics Limited of Rs.1,500,000,000 | | |
| SCHEDULE 3 | | |
| CAPITAL WORK IN PROGRESS | | |
| A) Capital work-in-progress (including advances on capital account) | | |
| Construction / supply / labour / engineering works | | 5,388,794,779 |
| Advances on capital account | | 10,690,587 |
| | | 5,399,485,366 |
| B) Expenditure during construction | | |
| Stores and consumables | 4,370,125 | |
| Consultancy and professional fees | 37,987,667 | |
| Hire charges - equipments | 4,620,000 | |
| Customs duty and clearing expenses | 55,688,674 | |
| Travelling and courier expenses | 18,575 | |
| Insurance expenses | 698,736 | |
| Stamp duty and registration charges | 249,355,779 | |
| Rent expenses | 6,558,818 | |
| Finance charges and bank Interest | 110,842,309 | |
| | | 470,140,683 |
| Add: Wharfage income | 4,470,245 | |
| Less: Wharfage expense | 4,470,245 | |
| Less: Income from operations during trial run | 75,947,807 | |
| | | 394,192,876 |

SCHEDULES ATTACHED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

| | As at 31.03.2010 (Amount in Rs.) |
|---|-------------------------------------|
| SCHEDULE 4 | |
| INVESTMENTS | |
| Current investments (Quoted) | |
| Mutual funds (at lower of cost and market value) | 70,000,000 |
| 4,784,008 units of LIC MF Savings Plus Fund-Growth Plan (Aggregate market value of investments is Rs.70,023,522/-) | |
| | 70,000,000 |
| SCHEDULE 5 | |
| CURRENT ASSETS, LOANS AND ADVANCES | |
| Cash and bank | |
| Balance with scheduled banks | |
| In current accounts | 5,223,208 |
| | (A) 5,223,208 |
| Loans and advances (unsecured, considered good) | |
| Advance recoverable in cash or in kind or for value to be received | 291,107,297 |
| Prepaid expenses | 21,004,024 |
| | (B) 312,111,321 |
| Total (A+B) | 317,334,529 |
| SCHEDULE 6 | |
| CURRENT LIABILITIES AND PROVISIONS | |
| Current liabilities | |
| Bills payables | 906,438,012 |
| Sundry creditors | |
| – Due to micro, small and medium enterprises (Refer note B (7) of Schedule 7) | – |
| – For expenses | 360,000 |
| – For capital expenses | 308,699,690 |
| Other liabilities | 1,636,154 |
| Total | 1,217,133,856 |

**SCHEDULE ATTACHED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR PERIOD
ENDED 31ST MARCH, 2010**

SCHEDULE 7

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

A. SIGNIFICANT ACCOUNTING POLICIES

i. Basis of accounting

The financial statements have been prepared under the historical cost convention, on accrual basis of accounting and are in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

ii. Use of estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the reporting date and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

iii. Revenue recognition

Revenue on sale of products is recognised when the seller has transferred to the buyer the property in the goods for a price or when all significant risks and rewards of ownership have been transferred to the buyer and the seller retains no effective control of the goods transferred to a degree usually associated with ownership and no significant uncertainty exists regarding the amount of consideration that will be derived from the sale of goods.

Revenue on transactions of rendering services is recognised either under the completed service contract method or under the proportionate completion method, as appropriate. Performance is regarded as achieved when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

iv. Intangible assets and amortisation

Intangible assets are recognised only when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any.

Intangible assets are amortised over the best estimate of their useful lives, subject to a rebuttable presumption that such useful lives will not exceed ten years.

v. Capital work-in-progress, expenditure during construction and capital advances

Direct expenditure on projects or assets under construction or development is shown under Capital work in progress.

Advances on capital account include progress / milestone based payments made under the contracts for projects, assets under construction and other capital advances until the same are allocated to fixed assets and other accounts, as applicable and the same is shown along with Capital work in progress.

Expenditure incidental to the construction of projects that take substantial period of time to get ready for their intended use is accumulated as Expenditure during construction pending allocation to fixed assets and other accounts, as applicable, on completion of the projects.

vi. Impairment of assets

The Company assesses on each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount but limited to the carrying amount that would have been determined (net of depreciation / amortisation) had no impairment loss been recognised in prior accounting periods.

vii. Foreign currency transactions

Transactions in foreign currency are recorded at the standard exchange rate determined monthly which approximates the actual rate on the date of the transaction. The difference between the standard rate and the actual rate of settlement is accounted in the Statement of Profit and Loss or Expenditure during construction, as applicable.

Monetary items denominated in foreign currency are translated at the rate prevailing at the end of the year. Gains/losses on conversion / translation / settlement of foreign currency transactions are recognised in the Statement of Profit and Loss or Expenditure during construction, as applicable.

viii. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction/development of qualifying asset are capitalised as a part of cost of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for the intended use. All other borrowing costs are charged to revenue. The borrowing costs pertaining to qualifying asset under construction are shown as "Expenditure during construction" to be capitalised as part of such asset on completion / commissioning.

ix. Taxation

Current tax are provided as per the provisions of the Income tax Act, 1961.

The tax effect of timing differences resulting between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations as at the balance sheet date.

Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation under tax laws are recognised, only if there is virtual certainty of its realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised only to the extent there is reasonable certainty of its realisation.

x. Provisions and contingent liabilities

Provisions are recognised for present obligations arising out of past events, if it is probable that an outflow of economic resources, the amount of which can be reliably estimated, will be required to settle the obligation.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or the likelihood of an outflow of economic resource is remote.

Contingent assets are not recognised in the financial statements.

xi. Investments

Current investments are carried at lower of cost or market value.

B. NOTES TO FINANCIAL STATEMENTS

1. The Company is incorporated as a public limited Company on 21st April, 2009. The Company's main objective is to engage in construction, ownership and operation of port, terminal and other infrastructure facilities for providing services relating to storage and handling of energy and petroleum products.

Accordingly, during the year, the Company has purchased certain assets under construction mainly comprising of pipelines, tankages and other terminal handling facilities (including expenditure during construction of Rs. 45,555,221) amounting to Rs. 3,966,300,000/- from its holding Company, Vadinar Oil Terminal Limited ("VOTL") for the expansion of oil and petroleum products handling facilities at Vadinar. The purchase consideration is settled by issue of 191,480,000 equity shares having face value of Rs. 10/- each of the Company at par to VOTL and balance in cash.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is Rs.1,855,281,098/-.
3. Corporate Guarantee given by Essar Shipping Ports & Logistics Limited in respect of loans obtained from banks of Rs.1,500,000,000.

4. Earnings per share

| Particulars | As at 31 st March, 2010 |
|---|---------------------------------------|
| Earnings for the purpose of earning per share (net loss for the year) (Rs.) | (400,000) |
| Number of equity shares at the beginning of the year (nos.) | NIL |
| Number of equity shares issued during the year (nos.) | |
| – 50,000 Shares issued on 5 th October, 2009 | 24,384 |
| – 54,604,457 Shares issued on 13 th November, 2009 | 20,794,574 |
| – 191,480,000 Shares issued on 20 th March, 2010 | 6,295,233 |
| Weighted average number of equity shares outstanding during the year (nos.) | 27,114,190 |
| Earnings per share – basic and diluted (Rs.) | (0.01) |
| Face value per share (Rs.) | 10 |

5. Related party disclosure

1. Holding companies

Essar Global Limited, Cayman Islands, ultimate holding company

Essar Shipping & Logistics Limited, Cyprus, intermediate holding company

Essar Shipping Ports & Logistics Limited, India, intermediate holding company

Vadinar Oil Terminal Limited (From 21st April, 2009 to 19th March, 2010)

Essar Ports & Terminals Limited (Effective from 20th March, 2010)

2. Other related parties / where there have been transactions

i) Essar Projects (India) Limited

ii) Essar Engineering Services Limited

iii) Essar Oil Limited

6. The Company has a single reporting segment of ports and terminal services located in India and currently is under pre-operative phase.
7. The Company has not received any intimation from the suppliers regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (the act) and hence the disclosures required under the said Act have not been made. The Company is making efforts to get confirmations from the suppliers as regards their status under the Act.
8. There are no corresponding numbers of previous year as this being the first year of operation of the Company.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

K. K. Sinha
Director

Mumbai
May 26, 2010

V. Ashok
Director

Related party transactions for the period ended 31st March, 2010

(Amount in Rs.)

| Nature of transactions | Holding Companies | Other related parties | Total |
|--|--------------------|-----------------------|----------------------|
| EXPENSES | | | |
| Reimbursement of expenses | | | |
| Essar Oil Limited | – | 1,149,604 | 1,149,604 |
| CWIP – Expansion – Engineering | | | |
| Essar Engineering Services Limited | – | 40,329,000 | 40,329,000 |
| CWIP – Expansion – Others | | | |
| Essar Projects (India) Limited | – | 1,422,390,000 | 1,422,390,000 |
| Essar Project Management Consultants Limited | – | 5,331,000 | 5,331,000 |
| Total | – | 1,427,721,000 | 1,427,721,000 |
| Purchase of CWIP/EDC during the year | | | |
| Vadinar Oil Terminal Limited | – | 3,969,743,693 | 3,969,743,693 |
| Security deposit received | | | |
| Essar Oil Limited | – | 500,000,000 | 500,000,000 |
| Issue of equity shares | | | |
| Vadinar Oil Terminal Limited | – | 1,914,800,000 | 1,914,800,000 |
| Essar Ports & Terminals Limited | 546,544,570 | – | 546,544,570 |
| Total | 546,544,570 | 1,914,800,000 | 2,461,344,570 |

Outstanding balances as on 31st March, 2010

(Amount in Rs.)

| Nature of balances | Holding Companies | Other related parties | Total |
|--|-------------------|-----------------------|--------------------|
| Sundry creditors | | | |
| Essar Projects (India) Limited | – | 302,601,026 | 302,601,026 |
| Essar Project Management Consultants Limited | – | 5,292,084 | 5,292,084 |
| Total | – | 307,893,110 | 307,893,110 |
| Loans and advances | | | |
| Vadinar Oil Terminal Limited | – | 48,104,140 | 48,104,140 |
| Essar Engineering Services Limited | – | 8,724,739 | 8,724,739 |
| Essar Oil Limited | – | 1,149,604 | 1,149,604 |
| Total | – | 57,978,483 | 57,978,483 |
| Guarantees given by others on behalf of Company | | | |
| Essar Shipping Ports & Logistics Limited | 1,500,000,000 | – | 1,500,000,000 |

ESSAR PARADIP TERMINALS LIMITED

BOARD OF DIRECTORS

Sanjay Mehta

Director

K. K. Sinha

Director

V. Ashok

Director

AUDITORS

Deloitte Haskins & Sells

REGISTERED & CORPORATE OFFICE

Essar House
11, K. K. Marg
Mahalaxmi
Mumbai 400 034

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the First Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

The summary of financial results of your Company for the year ended 31st March, 2010 is furnished below:

(Rs. in crore)

| Particulars | For the Year ended 31 st March, 2009 |
|---|--|
| Total Income | – |
| Total Expenditure | 0.02 |
| Gross Profit | (0.02) |
| Less: Interest & Finance Charges | – |
| Less: Depreciation | – |
| Profit / (Loss) before Tax | (0.02) |
| Less: Provision for tax | – |
| Profit after tax | (0.02) |
| Add: Balance in the Profit and Loss Account as per last Balance Sheet | – |
| Balance Carried forward to Balance Sheet | (0.02) |

REVIEW OF OPERATIONS

Your directors are pleased to inform you that subsequent to submission of bid by the parent Company viz., Essar Shipping Ports & Logistics Limited for development of coal terminal at Paradip Port on Build-Operate-Transfer (BOT) basis ("the Project), Paradip Port Trust awarded the Project, and consequently your Company viz., Essar Paradip Terminals Limited, has been formed as a SPV for undertaking development of the Project. Your Company entered into a 30 year Concession Agreement with Paradip Port Trust for development and operation of the Project on 10th November, 2009.

The Project envisages development of deep draft berth of 14 million metric tonnes per annum (MMTPA) capacity for import of coking and thermal coal for steel, power and process plants. The estimated project cost of Rs. 559 crore is proposed to be financed by way of long term debt of Rs. 447 crore and equity of Rs. 112 crore. The Company has obtained term debt sanction of Rs. 447 crore from banks.

The Company has already awarded the EPC contract for the Project, and currently design and engineering works is in progress and orders for long lead items being placed. The project is expected to be commissioned March 2013.

INDUSTRY SCENARIO

India has an extensive coastline of 7,517 kilometers (excluding the Andaman and Nicobar Islands). The ports and shipping industry in India have been in greater demand due to the growth in imports and exports on account of India's economic expansion. Indian ports handled approximately 95% of the total volume of the country's trade and about 70% in terms of value.

The total cargo traffic carried by both Major and non-Major Ports in fiscal 2009 was 733 million tonnes, of which 530 million tonnes, or 72%, was handled at Major Ports and the remaining 203 million tonnes at the non-Major Ports. The traffic at ports in India is expected to increase to 877 million tonnes per year by fiscal 2012 and 962 million tonnes per year by fiscal 2014.

Total dry bulk cargo handled by Indian ports grew at a CAGR of 8.7% over the last five years, from 230 million MT in fiscal 2004 to 350 million MT in Financial Year 2009, mainly driven by higher imports of fertilizer, export of iron ore and coal imports. In fiscal 2009, Major Ports handled around 75% of the total bulk traffic, which has grown at a CAGR of 8.7% in the last five years.

It is expected that the dry bulk cargo traffic at Indian ports would grow at a CAGR of 11.5%, from 350 million MT in Financial Year 2009 to 604 million MT in fiscal 2014, led by coal imports and iron ore exports. The demand for thermal coal is set to be driven by the rise in capacities of coal-based power plants, steel plants and cement plants. Total coal traffic at Indian ports is expected to grow at a CAGR of 15.5%, from 90 million MT in fiscal 2009 to 184.5 million MT, by fiscal 2014.

DIVIDEND

Your Directors have not recommended any dividend on equity shares for the period under review.

HOLDING COMPANY

Your Company has become a subsidiary of Essar Shipping Ports & Logistics Limited, following investment in equity.

FIXED DEPOSITS

The Company has not accepted any fixed deposits during the year under review.

DIRECTORS

In accordance with the provisions of the Companies Act 1956, and the Articles of Association of the Company, all the Directors Mr. Sanjay Mehta, Mr. K. K. Sinha and Mr. V. Ashok retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment.

AUDITORS

Deloitte Haskins & Sells, Chartered Accountants, who are the statutory auditors of the Company hold office, in accordance with the provisions of the Companies Act, 1956, upto the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors), Rules 1988, relating to Energy Conservation and Technology Absorption are not applicable to your Company.

The foreign exchange earnings and outgo position is as under:

The Company has neither earned nor spent any foreign exchange during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 the Board of Directors hereby state that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there have been no material departures;
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors have prepared the annual accounts on a going concern basis.

PERSONNEL

The Company has not paid any remuneration attracting the provisions of the Companies (Particulars of Employees) Rules, 1975 read with Section 217(2A) of the Companies Act, 1956. Hence, no information is required to be appended to this report in this regard.

ACKNOWLEDGEMENTS

Your Directors thank the Financial Institutions and Banks, Paradip Port Trust, Indian Coast Guards, other business associates, shareholders and employees for their continued support and co-operation.

For and on behalf of the Board of Directors

Mumbai
May 25, 2010

K. K. Sinha
Director

V. Ashok
Director

AUDITORS' REPORT

TO THE MEMBERS OF ESSAR PARADIP TERMINAL LIMITED

1. We have audited the attached Balance Sheet of ESSAR PARADIP TERMINAL LIMITED ("the Company") as at 31st March, 2010, the Statement of Profit and Loss for the period from November 04, 2009 to March 31, 2010 and the Cash Flow Statement of the Company for the period ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give 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:
 - (i) 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;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (iii) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the period from November 04, 2009 to March 31, 2010 and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the period from November 04, 2009 to March 31, 2010.
5. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai
May 25, 2010

Annexure to the Auditor's Report to the members of Essar Paradip Terminal Limited

(referred to in paragraph 3 of our report of even date)

In our opinion and according to the information and explanations given to us, the nature of the Company's business/activities during the year are such that clauses (vi), (viii), (x), (xiii), (xiv), (xvi), (xvii), (xviii), (xix) and (xx) of Para 4 of the Order are not applicable to the Company.

1. The reporting requirements on fixed assets are not applicable as there are no capitalized fixed assets.
2. The reporting requirements on inventory are not applicable as the Company does not have any inventory.
3. In our opinion and according to the information and explanations given to us, there are no companies, firms or parties required to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (a) to (g) of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal controls. The nature of the Company's business does not involve purchase of inventory, sale of goods or services.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956.
6. The provisions relating to internal audit are not applicable to the Company.
7. According to the information and explanations given to us, in respect of statutory dues:
 - a. As the Company is newly incorporated, there were no undisputed dues in respect of which Company is liable. As explained to us Investor Education and Protection Fund, Employee's State Insurance Scheme, Provident Fund, Wealth Tax, Sales Tax, Value added Tax, Service tax and Excise Duty were not applicable to the Company during the year.

There are no material undisputed amounts payable in respect of above statutory dues outstanding as at 31st March, 2010 for a period exceeding six months from the date they became payable.
 - b. According to information and explanations given to us, there were no dues pending to be deposited on account of any dispute in respect of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess as on 31st March, 2010.
8. In our opinion, and according to the information and explanations given to us, the Company has not raised any term loan from bank, financial institution or through issue of debentures.
9. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

10. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
11. To the best of our knowledge and belief and according to the information and explanation given to us, no material fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai
May 25, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

| Schedule No. | As at 31.03.2010 (Amount in Rs.) |
|--|-------------------------------------|
| I. SOURCES OF FUNDS | |
| Shareholder's funds | |
| Capital | |
| Authorised capital | |
| 50,000 Equity shares of Rs.10/- each | 500,000 |
| | <u>500,000</u> |
| Issued, Subscribed and Paid up | |
| 50,000 Equity shares of Rs.10/- each fully paid up [37,500 shares held by Essar Shipping Ports & Logistics Limited, Indian holding Company and 12,500 shares held by Essar Shipping & Logistics Limited, Cyprus] | 500,000 |
| Total | <u>500,000</u> |
| II. APPLICATION OF FUNDS | |
| Current assets, loans and advances: | |
| Current assets | |
| Cash and bank balances | |
| Balance with scheduled bank in current account | 464,561 |
| | <u>464,561</u> |
| Less: Current liabilities and provisions | |
| Other liabilities | 137,470 |
| | <u>137,470</u> |
| Net current assets | 327,091 |
| Statement of Profit and Loss (debit balance) | 172,909 |
| Total | <u>500,000</u> |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS | |
| 1 | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountant**Khurshed Pastakia**
PartnerMumbai
May 25, 2010

For and on behalf of the Board

V. Ashok
DirectorMumbai
May 25, 2010**K. K. Sinha**
Director

**STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM
04.11.2009 TO 31.03.2010**

| Particulars | Schedule No. | For the period from 04.11.2009 to 31.03.2010 (Amount in Rs.) |
|--|--------------|--|
| Income | | - |
| Expenditure | | - |
| Administration expenses | | 56,364 |
| Audit fees | | 116,545 |
| | | <u>172,909</u> |
| Net loss for the period | | (172,909) |
| Balance carried forward to balance sheet | | <u>(172,909)</u> |
| Earnings per share - basic and diluted (face value of Rs.10/- per share) (refer note B(3) of schedule 1) | | (22.14) |

**SIGNIFICANT ACCOUNTING POLICIES
AND NOTES TO FINANCIAL STATEMENTS**

1

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountant

Khurshed Pastakia
Partner

Mumbai
May 25, 2010

For and on behalf of the Board

V. Ashok
Director

Mumbai
May 25, 2010

K. K. Sinha
Director

CASH FLOW STATEMENT FOR PERIOD FROM 04.11.2009 TO 31.03.2010

| Particulars | As at 31.03.2010 (Amount in Rs.) |
|--|-------------------------------------|
| A Cash flow from operating activities | |
| Loss as per Statement of Profit and Loss | (172,909) |
| Operating loss before working capital changes | (172,909) |
| Adjustment for: | |
| Current liabilities | 137,470 |
| Net cash used in operating activities | (35,439) |
| B Cash flow from financing activities | |
| Proceeds from issuance of shares | 500,000 |
| Net cash flow from financing activities | 500,000 |
| Increase in cash and cash equivalents | 464,561 |
| Cash and cash equivalents at the beginning of the year | - |
| Cash and cash equivalents at the end of the year | 464,561 |

Note: Cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 "Cash Flow Statement" as notified under the Companies (Accounting Standards) Rules, 2006.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountant

Khurshed Pastakia
Partner

Mumbai
May 25, 2010

For and on behalf of the Board

V. Ashok
Director

Mumbai
May 25, 2010

K. K. Sinha
Director

SCHEDULE 1

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 04.11.2009 TO 31.03.2010.

A. SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

These financial statements are prepared under the historical cost convention, on accrual basis of accounting, and are in accordance with generally accepted accounting principles and in compliance with the applicable Accounting Standards (AS) referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

2. USE OF ESTIMATES

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the reporting date and the reported amounts of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. TAXATION

The provision for current taxation is computed in accordance with the relevant tax regulations. Deferred tax is recognised on timing differences between the accounting and the taxable income for the period 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 certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised in future. Deferred tax assets relating to unabsorbed business losses on unabsorbed depreciation are recognised when there is a virtual certainty supported by the convincing evidence that there will sufficient taxable profit to utilise them.

4. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised in the accounts for present obligations arising out of past events and would probably require an outflow of economic resources, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or likelihood of an outflow of resources is remote. Contingent assets are not recognised in the financial statements.

B. NOTES TO THE FINANCIAL STATEMENTS

1) The Company has been incorporated on 04.11.2009 with the purpose of providing port and terminal handling services and is running through pre-operation phase wherein it is constructing jetty at Paradip, India.

2) **Auditors' remuneration**

(Amount in Rs.)

| Particulars | For the perio from 04.11.2009 to 31.03.2010 |
|--|--|
| Audit fees | 100,000 |
| Other services (including service tax) | 16,545 |
| Total | 116,545 |

3) Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

(Amount in Rs.)

| Particulars | For the period from 04.11.2009 to 31.03.2010 |
|--|---|
| Earnings for the purpose of earning per share (net loss for the year) | 172,909 |
| Equity shares at the beginning of the year (nos.) | – |
| Equity shares issued during the year (nos.) | 50,000 |
| Equity shares at the end of the year (nos.) | 50,000 |
| Weighted average equity shares outstanding during the year (nos.) | 7,808 |
| Earnings per share - basic and diluted (Rs.) | (22.14) |
| Face value per share (Rs.) | 10 |

4) Foreign currency exposure

There were no forward / options contracts entered in to by the Company during the financials year to hedge its foreign currency exposures.

5) Related party transactions

a) Holding companies

- i) Essar Global Limited, Cayman Islands (Ultimate holding Company)
- ii) Essar Shipping & Logistics Limited, Cyprus (Intermediate holding Company)
- iii) Essar Shipping Ports & Logistics Limited, India (Immediate holding Company)

b) Other related parties / affiliates where there have been transactions:

- i) Essar Bulk Terminal (Salaya) Limited

Details of transactions with related parties:

(Amount in Rs.)

| Nature of transactions | Holding companies 31.03.2010 | Other related parties 31.03.2010 | Key management personnel 31.03.2010 | Total 31.03.2010 |
|--|------------------------------------|--|---|---------------------|
| Issued of shares Essar Bulk Terminal (Salaya) Limited | – | 500,000 | – | 500,000 |
| Total | – | 500,000 | – | 500,000 |

For and on behalf of the Board

V. Ashok
Director

K. K. Sinha
Director

Mumbai
May 25, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(As per Schedule VI, part (iv) of the Companies Act, 1956)

I Registration Details

| | | | |
|--------------------|-----------------|------------|-----|
| Registration No. | 0 4 3 4 7 7 | State Code | 1 1 |
| Balance Sheet Date | 3 1 0 3 2 0 1 0 | | |

II Capital Raised During the year (Amounts Rs. in Thousands)

| | | | |
|--------------|-------|--------------------|-------|
| Public Issue | N I L | Right Issue | N I L |
| Bonus Issue | N I L | Private Placement* | 5 0 0 |

* Initial Subscription

III Position of Mobilisation and Deployment of Funds (Amount Rs. in Thousands)

| | | | |
|-------------------|-------|-------------|-------|
| Total Liabilities | 5 0 0 | Total Asset | 5 0 0 |
|-------------------|-------|-------------|-------|

Source of Funds

| | | | |
|-------------------|-------|------------------------|-------|
| Paid-up Capital | 5 0 0 | Reserves & Surplus | N I L |
| Secured Loans | N I L | Unsecured loans | N I L |
| Other Liabilities | N I L | Deffered Tax Liability | N I L |

Application of Funds

| | | | |
|--------------------|-------|--------------------|-------|
| Net Fixed Assets | N I L | Investments | N I L |
| Net Current Assets | 3 2 7 | Misc. Expenditure | N I L |
| Other Assets* | N I L | Accumulated Losses | 1 7 3 |

(Including Capital work in progress and Expenditure during construction)

IV Performance of Company (Amount Rs. in Thousands)

| | | | |
|--------------------------------|-------|-----------------------------|-------|
| Turnover | N I L | Total Expenditure | 1 7 3 |
| + - Profit / (Loss) Before Tax | 1 7 3 | + - Profit / Loss After Tax | 1 7 3 |
| + - Earning Per Share in Rs. | N I L | Dividend Rate % | N I L |

V Generic Names of Three Principal Products/services of Company

| | | | |
|--------------------------|-----|---------------------|------------------------|
| Item Code No. (ITC Code) | N A | Product Description | Dry Bulk Port Services |
| Item Code No. (ITC Code) | N A | Product Description | N A |
| Item Code No. (ITC Code) | N A | Product Description | N A |
| Item Code No. (ITC Code) | N A | Product Description | N A |

Note: For ITC code of Products please refer to the publication "Indian Trade Classification " based on harmonised Commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics Kolkata - 700 001.

For and on behalf of the Board

Mumbai
May 25, 2010

K. K. Sinha
Director

V. Ashok
Director

ESSAR DREDGING LIMITED

BOARD OF DIRECTORS

Sanjay Mehta
Director

K. K. Sinha
Wholetime Director

V. Ashok
Director

AUDITORS

Deloitte Haskins & Sells

REGISTERED & CORPORATE OFFICE

Essar House
11, K. K. Marg, Mahalaxmi,
Mumbai 400 034

DIRECTORS' REPORT

The Directors have pleasure in presenting the First Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

The summary of financial results of your Company for the year ended 31st March, 2010 is furnished below:

(Amount in Rs.)

| Particulars | For the period ended 31 st March, 2010 |
|--|--|
| Total Income | – |
| Total Expenditure | 138,205 |
| Net Profit / (Loss) and Carried forward to Balance Sheet | (138,205) |

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, all the Directors of your Company viz. Mr. Sanjay Mehta,

Mr. K. K. Sinha and Mr. V. Ashok retire at the ensuing Annual General Meeting of the Company and being eligible, offers themselves for re-appointment.

AUDITORS

Your Company's Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, retire at the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. It is proposed to re-appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting.

HOLDING COMPANY

Your Company continues to be the wholly owned subsidiary of Essar Bulk Terminal Limited.

SUBSIDIARY COMPANY

Subsequent to 31st March, 2010, Essar Ports & Terminals Limited, India has become a wholly owned subsidiary of your Company effective from 16th April, 2010.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors), Rules 1988, relating to Energy Conservation and Technology Absorption are not applicable to your Company.

As regards foreign exchange earnings and outgo, the Company did not earn nor did it spend any foreign exchange during the year.

PARTICULARS OF EMPLOYEES

There is no employee, who is in receipt of remuneration in the aggregate of the prescribed sum under the Companies Act, 1956, hence provisions of Section 217(2A) of the Companies Act, 1956 is not applicable.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 the Board of Directors hereby state that:

- (i) in preparation of the annual accounts, the applicable accounting standards had been followed and that there were no material departures;
- (ii) the Directors have selected the 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 or loss of the Company for the year under review;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors have prepared the accounts on a going concern basis.

APPRECIATION AND ACKNOWLEDGEMENTS

Your Directors thank its bankers and other business associates for their continued support and co-operation during the year.

For and on behalf of the Board

Mumbai
May 25, 2010

K. K. Sinha
Director

V. Ashok
Director

AUDITORS' REPORT

TO THE MEMBERS OF ESSAR DREDGING LIMITED

1. We have audited the attached Balance Sheet of ESSAR DREDGING LIMITED ("the Company") as at 31st March, 2010, the Statement of Profit and Loss for the period from January 12, 2009 to March 31, 2010 and the Cash Flow Statement of the Company for the period ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give 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:
 - (i) 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;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (iii) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the period from January 12, 2009 to March 31, 2010 and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the period from January 12, 2009 to March 31, 2010.
5. On the basis of the written representations received from the Directors as on 31st March, 2010 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai
May 25, 2010

Annexure to the Auditor's Report to the members of Essar Dredging Limited

(referred to in paragraph 3 of our report of even date)

In our opinion and according to the information and explanations given to us, the nature of the Company's business/activities during the year are such that clauses (vi), (viii), (x), (xiii), (xiv), (xvi), (xvii), (xviii), (xix) and (xx) of Para 4 of the Order are not applicable to the Company.

1. The reporting requirements on fixed assets are not applicable as there are no capitalized fixed assets.
2. The reporting requirements on inventory are not applicable as the Company does not have any inventory.
3. In our opinion and according to the information and explanations given to us, there are no companies, firms or parties required to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (a) to (g) of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchase of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal controls. The nature of the Company's business does not involve purchase of inventory, sale of goods or services.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained in pursuance of Section 301 of the Companies Act, 1956.
6. The provisions relating to internal audit are not applicable to the Company.
7. According to the information and explanations given to us, in respect of statutory dues:
 - a. As the Company is newly incorporated, there were no undisputed dues in respect of which Company is liable. As explained to us Investor Education and Protection Fund, Employee's State Insurance Scheme, Provident Fund, Wealth Tax, Sales Tax, Value added Tax, Service tax and Excise Duty were not applicable to the Company during the year.

There are no material undisputed amounts payable in respect of above statutory dues outstanding as at 31st March, 2010 for a period exceeding six months from the date they became payable.
 - b. According to information and explanations given to us, there were no dues pending to be deposited on account of any dispute in respect of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess as on 31st March, 2010.
8. In our opinion, and according to the information and explanations given to us, the Company has not raised any term loan from bank, financial institution or through issue of debentures.
9. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
10. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
11. To the best of our knowledge and belief and according to the information and explanation given to us, no material fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai
May 25, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | Schedule No. | As at 31.03.2009 (Amount in Rs.) |
|--|--------------|-------------------------------------|
| SOURCES OF FUNDS | | |
| Shareholders' funds | | |
| Capital | 1 | 500,000 |
| Total | | 500,000 |
| APPLICATION OF FUNDS | | |
| Current assets, loans and advances | | |
| Cash and bank balances | 2 | 498,700 |
| | | 498,700 |
| Less: Current liabilities and provisions | | |
| Current liabilities | 3 | 44,784 |
| Provisions | | 110,300 |
| | | 155,084 |
| Net current assets | | 343,616 |
| Miscellaneous expenditure (to the extent not written off) | 4 | 18,179 |
| Statement of Profit and loss (debit balance) | | 138,205 |
| Total | | 500,000 |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS | | |
| | 6 | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 25, 2010

For and on behalf of the Board

K. K. Sinha
Director

Mumbai
May 25, 2010

V. Ashok
Director

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM 12.01.2009 TO 31.03.2010

| Particulars | Schedule No. | For the period from 12.01.2009 to 31.03.2010 (Amount in Rs.) |
|--|-----------------|--|
| Income | | - |
| Total | | - |
| Expenditure | | |
| Establishment and other expnses | 5 | 138,205 |
| Total | | 138,205 |
| Net loss for the period carried to Balance Sheet | | (138,205) |
| Earnings per share - basic and diluted (face value of Rs. 10/- per share) (refer note B (4) of schedule 6) | | (2.76) |
| SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS | 6 | |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 25, 2010

For and on behalf of the Board

K. K. Sinha
Director

Mumbai
May 25, 2010

V. Ashok
Director

CASH FLOW STATEMENT FOR THE PERIOD FROM 12.01.2009 TO 3.03.2010

| Particular | As at 31.03.2010 (Amount in Rs.) |
|---|-------------------------------------|
| A) CASH FLOW FROM OPERATING ACTIVITIES | |
| Loss as per Statement of Profit and Loss | (138,205) |
| Operating loss before working capital changes | (138,205) |
| Adjustment for: | |
| Other payables | 155,084 |
| Net cash flow from operating activities | 16,879 |
| B) CASH FLOW FROM FINANCING ACTIVITIES | |
| Proceeds from issue of shares | 500,000 |
| Paymnet to share issue expenses | (18,179) |
| Net cash flow from financing Activities | 481,821 |
| Net increase in cash and cash equivalents | 498,700 |
| Cash and cash equivalents at the beginning of the year | - |
| Cash and Cash equivalents at the end of the year | 498,700 |

Note: Cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 "Cash Flow Statement" as notified under the Companies (Accounting Standards) Rules, 2006.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 25, 2010

For and on behalf of the Board

K. K. Sinha
Director

Mumbai
May 25, 2010

V. Ashok
Director

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 (Amount in Rs.) |
|---|-------------------------------------|
| SCHEDULE 1 | |
| CAPITAL | |
| Authorised | |
| 50,000 Equity shares of Rs.10/- each | 500,000 |
| Issued, subscribed and paid up | |
| 50,000 Equity shares of Rs.10/- each fully paid up [All the shares are held by Essar Bulk Terminal Limited the immediate holding Company] | 500,000 |
| | 500,000 |
| SCHEDULE 2 | |
| CURRENT ASSETS, LOANS AND ADVANCES | |
| Current assets | |
| Cash and bank balances | |
| Balance with scheduled banks | |
| In current account | 498,700 |
| Total | 498,700 |
| SCHEDULE 3 | |
| CURRENT LIABILITIES AND PROVISIONS | |
| Current liabilities | |
| Sundry creditors | |
| – due to micro and small enterprises (refer note B (9) of schedule 6) | – |
| – for capital expenses | 44,784 |
| | 44,784 |
| Provisions | |
| Provision for audit fees | 110,300 |
| Total | 155,084 |
| SCHEDULE 4 | |
| MISCELLANEOUS EXPENDITURE | |
| Share issue expenses | 18,179 |
| Total | 18,179 |
| SCHEDULE 5 | |
| ESTABLISHMENT AND OTHER EXPENSES | |
| Bank charges | 1,300 |
| Auditor's remuneration | 132,360 |
| Preliminary expense written off | 4,545 |
| Total | 138,205 |

SCHEDULE 6

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 12.01.2009 TO 31.03.2010.

A. SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

These financial statements are prepared under the historical cost convention, on accrual basis of accounting, and are in accordance with generally accepted accounting principles and in compliance with the applicable Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

2. USE OF ESTIMATES

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

3. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised for present obligations arising out of the past events if it is probable that an outflow of economic resources, the amount of which can be reliably estimated, will be required to settle the obligations.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or the likelihood of an outflow of economic resources is remote.

Contingent assets are not recognised in the financial statements.

B. NOTES TO THE FINANCIAL STATEMENTS

1) The Company has prepared the financial statements first time for the period 12th January 2009 to 31st March 2010.

2) Contingent liabilities

There are no Contingent liabilities for the period 12th January 2009 to 31st March 2010

3) Auditors' remuneration (including service tax)

(Amount in Rs.)

| Particulars | For the period ended 31.03.2010 |
|---------------|---------------------------------|
| Audit fees | 100,000 |
| Other matters | 20,000 |
| Service Tax | 12,360 |
| Total | 132,360 |

4) Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

| Particulars | For the period ended 31.03.2010 |
|---|---------------------------------|
| Earnings for the purpose of basic and diluted earnings per share (net loss for the period) (Rs.) | (138,205) |
| Equity shares at the beginning of the period (Nos.) | 50,000 |
| Add: Equity shares allotted during the period (Nos.) | — |
| Equity shares at the end of the period (Nos.) | 50,000 |
| Weighted average number of equity shares for the purpose of calculating basic and diluted earnings per share (Nos.) | 50,000 |
| Basic and diluted earnings per share of face value of Rs.10/- each (Rs.) | (2.76) |

5) **Related party transactions**

a) **Holding companies**

Essar Global Limited, Cayman Island (ultimate holding Company)

Essar Shipping & Logistics Limited, Cyprus

Essar Shipping Ports & Logistics Limited, India

Essar Ports & Terminals Limited, Mauritius

Essar Bulk Terminal Limited (Immediate holding Company)

| Nature of transactions | Holding Company | Other related parties | Key management personnel | Total |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | For the period ended 31.03.10 | For the period ended 31.03.10 | For the period ended 31.03.10 | For the period ended 31.03.10 |
| Allotment of equity shares | | | | |
| Essar Bulk Terminal Limited | 500,000 | – | – | 500,000 |
| Reimbursement of expenses | | | | |
| Essar Bulk Terminal Limited | 44,784 | – | – | 44,784 |
| Outstanding as on 31st March 2010 | | | | |
| Loans and advances Taken | | | | |
| Essar Bulk Terminal Limited | 44,784 | – | – | 44,784 |

6) Miscellaneous expenditure to the extent not written off or adjusted includes share issue expenses.

7) **Employee benefits**

Since there are no employees in the Company, Accounting Standard (AS) 15 'Employee Benefits' is not applicable.

8) **Business segment and geographic data**

The Company has one business segment of dredging services, which is in feasibility assessment stage and only one geographical segment i.e. India.

9) The Company has not received any intimation from its suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act) and hence the disclosures as required under the said Act have not been furnished. The Company is making effort to get confirmation from the suppliers as regards their status under the Act.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 25, 2010

For and on behalf of the Board

K. K. Sinha
Director

Mumbai
May 25, 2010

V. Ashok
Director

ESSAR INTERNATIONAL LIMITED

BOARD OF DIRECTORS

Ovaco Limited
Corporate Director

Lapco Limited
Corporate Director

Oyvind B. Castberg
Director

AUDITORS

Deloitte Haskins & Sells

COMPANY SECRETARY
Legis Corporate Services Limited
Guernsey

REGISTERED & CORPORATE OFFICE

1, Le Merchant Street
Guernsey, Channel Islands

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements for the year ended March 31, 2010.

REVIEW OF BUSINESS

Towards augmenting its revenue and profit, your Company had entered into Long Term Charter agreements with various cargo owners and also traded ships on the spot markets and achieved an operating surplus of US\$ 2,436,597 (Previous year US\$ 10,171,732) during the year. The Company has made a profit of US\$ 4,980,727 (Previous year US\$ 20,986,094).

The Company is exploring acquisition of new tonnage and other business prospects.

The results of the Company for the year are set out in detail in the Annexure. Reserves standing to the credit of Profit and Loss account as at March 31, 2010 is US\$ 113,912,018 (Previous year US\$ 108,981,291).

DIRECTORS

The following were the Directors of the Company for the year under review

Ovaco limited

Lapco limited

Mr.Oyvind B. Castberg

None of the directors has any beneficial interest in the shares of the Company.

AUDITORS

A resolution to reappoint M/S Deloitte Haskins & Sells, Chartered Accountants, as statutory Auditors of the Company will be proposed in the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board on May 26, 2010.

For and on behalf of the Board

Guernsey
May 26, 2010

Ovaco Limited
Director

Lapco Limited
Director

AUDITORS' REPORT

TO THE MEMBERS OF ESSAR INTERNATIONAL LIMITED

We have audited the attached Balance Sheet of Essar International Limited (the Company) , a Company incorporated in Guernsey, Channel Islands, as at March 31, 2010, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Mumbai
May 26, 2010

Khurshed Pastakia
Partner
(Membership No. 31544)

BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at | As at | As at | As at |
|--|--------------------|-----------------------|--------------------|-----------------------|
| | 31.03.2010 US\$ | 31.03.2010 Rs. | 31.03.2009 US\$ | 31.03.2009 Rs. |
| | | Refer Note B(1) | | Refer Note B(1) |
| SOURCES OF FUNDS | | | | |
| Shareholders' funds | | | | |
| Capital | | | | |
| Authorised capital | | | | |
| 150,000,000 equity shares of US\$ 1 each | 150,000,000 | 6,837,000,000 | 150,000,000 | 7,642,500,000 |
| Issued, subscribed and paid-up capital | | | | |
| 125,840,000 equity shares of US\$ 1 each fully paid-up. (The entire share capital is held by Essar Shipping Ports & Logistics Limited, the holding Company) | 125,840,000 | 5,735,787,200 | 125,840,000 | 6,411,548,000 |
| Reserves and surplus | | | | |
| Balance in Statement of Profit and Loss | 113,912,018 | 5,192,109,780 | 108,981,291 | 5,552,596,776 |
| Unsecured Loan | | | | |
| From subsidiary Company | 1,975,000 | 90,020,500 | 2,000,000 | 101,900,000 |
| TOTAL | 241,727,018 | 11,017,917,480 | 236,821,291 | 12,066,044,776 |
| APPLICATION OF FUNDS | | | | |
| Investments | | | | |
| Investments in subsidiaries (Unquoted, at cost) | | | | |
| 1,952,000 equity shares of Energy Transportation International Limited of US\$ 1 each fully paid up | 1,952,000 | 88,972,160 | 1,952,000 | 99,454,400 |
| 12,000 equity shares of Energy II Limited of US\$ 1 each, fully paid up | 12,000 | 546,960 | 12,000 | 611,400 |
| | 1,964,000 | 89,519,120 | 1,964,000 | 100,065,800 |
| Current assets, loans and advances | | | | |
| Inventories | | | | |
| Stock of fuel oil and diesel oil | – | – | 223,651 | 11,395,018 |
| Sundry debtors (Unsecured, considered good) | | | | |
| Outstanding for more than six months | 225,777 | 10,290,916 | 440,110 | 22,423,605 |
| Others | – | – | 42,893 | 2,185,398 |
| | 225,777 | 10,290,916 | 483,003 | 24,609,002 |
| Bank balances | | | | |
| In current accounts- with scheduled bank | 44,541 | 2,030,179 | 165,700 | 8,442,415 |
| In current account- American Express Bank (Geneva) (Maximum amount outstanding during the year Nil - Previous year US\$ 517,057 - Rs.26,364,736) | – | – | 368 | 18,750 |
| In current account- HSBC Middle East Limited, (Dubai) (Maximum amount outstanding during the year US\$45 - Rs.2,080 - Previous year US\$ 9,408,785 - Rs.479,753,947) | 45 | 2,051 | 45 | 2,293 |
| | 44,586 | 2,032,230 | 166,113 | 8,463,458 |
| Loans and advances (unsecured, considered good) | | | | |
| Loan to bodies corporate | 231,899,773 | 10,569,991,653 | 228,314,773 | 11,632,637,684 |
| Interest accrued but not due (refer note no. B (5) to schedule 1) | 8,241,561 | 375,650,350 | 5,797,832 | 295,399,540 |
| Advance recoverable in cash or in kind or for value to be received | 37,848 | 1,725,112 | 11,615 | 591,784 |
| Prepaid expenses | 12,859 | 586,113 | 169,298 | 8,625,733 |
| | 240,192,041 | 10,947,953,228 | 234,293,518 | 11,937,254,741 |
| | 240,462,404 | 10,960,276,373 | 235,166,285 | 11,981,722,220 |
| Less: Current liabilities and provisions | | | | |
| Due to holding Company | 669,464 | 30,514,169 | – | – |
| Sundry creditors (amounts due to micro and small enterprises Nil - previous year Nil) | 29,922 | 1,363,845 | 270,854 | 13,800,011 |
| Freight received in advance | – | – | 38,140 | 1,943,233 |
| | 699,386 | 31,878,014 | 308,994 | 15,743,244 |
| Net current assets | 239,763,018 | 10,928,398,360 | 234,857,291 | 11,965,978,976 |
| TOTAL | 241,727,018 | 11,017,917,480 | 236,821,291 | 12,066,044,776 |

NOTES TO FINANCIAL STATEMENTS - Refer Schedule 1

In terms of our report attached

For Deloitte Haskins & Sells
Chartered AccountantsKhurshed Pastakia
PartnerMumbai
May 26, 2010

For and on behalf of the Board

Ovaco Limited
Corporate DirectorGuernsey
May 26, 2010Lapco Limited
Corporate Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | For the year ended | | For the year ended | |
|---|--------------------|----------------------|--------------------|----------------------|
| | 31.03.2010 US\$ | 31.03.2010 Rs. | 31.03.2009 US\$ | 31.03.2009 Rs. |
| | Refer Note B(1) | | Refer Note B(1) | |
| INCOME | | | | |
| Fleet operating and chartering earnings | 15,246,233 | 694,923,300 | 44,916,062 | 2,288,473,359 |
| Income from current investments | – | – | 610 | 31,080 |
| Interest income from banks | – | – | 12,775 | 650,886 |
| Interest income from others | 2,548,729 | 116,171,068 | 5,913,991 | 301,317,841 |
| Dividend from subsidiary | – | – | 5,200,000 | 264,940,000 |
| | 17,794,962 | 811,094,368 | 56,043,438 | 2,855,413,166 |
| EXPENDITURE | | | | |
| Fleet operating expenses | | | | |
| Hire charges | 10,126,687 | 461,574,393 | 26,239,879 | 1,336,921,835 |
| Brokerage commission | 92,777 | 4,228,776 | 212,816 | 10,842,975 |
| Bunker cost | 1,949,864 | 88,874,801 | 7,116,842 | 362,603,100 |
| Other direct voyage expenses | 524,885 | 23,924,258 | 1,050,833 | 53,539,941 |
| Foreign exchange fluctuation (gain) / loss | 467 | 21,286 | (9,058) | (461,505) |
| Total (A) | 12,694,680 | 578,623,514 | 34,611,312 | 1,763,446,346 |
| Establishment and other expenses | | | | |
| Administrative expenses | 11,941 | 544,271 | 37,016 | 1,885,965 |
| Directors fees | 16,873 | 769,071 | 19,369 | 986,851 |
| Professional fees | 80,092 | 3,650,593 | 71,029 | 3,618,928 |
| Audit fees | 6,050 | 275,759 | 5,604 | 285,524 |
| Total (B) | 114,956 | 5,239,695 | 133,018 | 6,777,268 |
| Total (A)+(B) | 12,809,636 | 583,863,209 | 34,744,330 | 1,770,223,615 |
| PROFIT BEFORE FINANCE EXPENSE | 4,985,326 | 227,231,158 | 21,299,108 | 1,085,189,552 |
| Interest and finance charges | 4,599 | 209,622 | 313,014 | 15,948,063 |
| NET PROFIT FOR THE YEAR | 4,980,727 | 227,021,536 | 20,986,094 | 1,069,241,489 |
| Balance brought forward from last year | 108,981,291 | 4,967,367,244 | 88,045,197 | 4,485,902,787 |
| Interim dividend paid | (50,000) | (2,279,000) | (50,000) | (2,547,500) |
| BALANCE CARRIED FORWARD TO BALANCE SHEET | 113,912,018 | 5,192,109,780 | 108,981,291 | 5,552,596,776 |
| Earnings per share - basic and diluted (face value US\$1 each) (refer note No. B (6) to Schedule 1) | 0.04 | 1.80 | 0.17 | 8.50 |

NOTES TO FINANCIAL STATEMENTS - Refer Schedule 1

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

Ovaco Limited
Corporate Director

Guernsey
May 26, 2010

Lapco Limited
Corporate Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| Particular | For the year ended | For the year ended | For the year ended | For the year ended |
|---|--------------------|----------------------|---------------------|------------------------|
| | 31.03.2010 | 31.03.2010 | 31.03.2009 | 31.03.2009 |
| | US\$ | Rs. | US\$ | Rs. |
| | Refer Note B(1) | | Refer Note B(1) | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net profit as per Statement of Profit and Loss | 4,980,727 | 227,021,537 | 20,986,094 | 1,069,241,489 |
| Adjustments : | | | | |
| Income from current investments | – | – | (610) | (31,080) |
| Dividend received from subsidiary | – | – | (5,200,000) | (264,940,000) |
| Interest income | (2,548,729) | (116,171,068) | (5,926,766) | (301,968,728) |
| Interest and finance expenses | 4,599 | 209,622 | 313,014 | 15,948,063 |
| Exchange fluctuation on translation | – | (892,027) | – | 96,350,528 |
| Operating profit before working capital changes | 2,436,597 | 110,168,064 | 10,171,732 | 614,600,272 |
| Adjustments for: | | | | |
| Trade and other receivables | 387,432 | 17,659,151 | 86,592 | 4,411,860 |
| Inventories | 223,651 | 10,194,013 | 173,681 | 8,849,047 |
| Sundry creditors | 390,392 | 17,794,067 | (519,763) | (26,481,925) |
| Net cash flow from operating activities | 3,438,072 | 155,815,295 | 9,912,242 | 601,379,252 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Inter corporate deposit | (3,585,000) | (163,404,300) | 11,311,883 | 576,340,439 |
| Income from investments | – | – | 610 | 31,080 |
| Dividend received from subsidiary | – | – | 5,200,000 | 264,940,000 |
| Dividend paid | (50,000) | (2,279,000) | (50,000) | (2,547,500) |
| Interest received | 105,000 | 4,785,900 | 495,584 | 25,250,005 |
| Net cash flow from investing activities | (3,530,000) | (160,897,400) | 16,958,077 | 864,014,024 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Unsecured loan taken | – | – | 2,000,000 | 101,900,000 |
| Repayment of unsecured loan | (25,000) | (1,139,500) | (37,000,000) | (1,885,150,000) |
| Interest and finance expenses | (4,599) | (209,622) | (361,037) | (18,394,835) |
| Net cash flow from financing Activities | (29,599) | (1,349,122) | (35,361,037) | (1,801,644,835) |
| Net (decrease) / increase in cash and cash equivalents | (121,527) | (6,431,228) | (8,490,718) | (336,251,559) |
| Cash and cash equivalents at the beginning of the year | 166,113 | 8,463,458 | 8,656,831 | 344,715,011 |
| Cash and cash equivalents at the end of the year | 44,586 | 2,032,230 | 166,113 | 8,463,458 |

Note: Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) - 3 'Cash flow statement' as notified by The Institute of Chartered Accountants of India.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 26, 2010

For and on behalf of the Board

Ovaco Limited
Corporate Director

Guernsey
May 26, 2010

Lapco Limited
Corporate Director

SCHEDULE - 1

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

A SIGNIFICANT ACCOUNTING POLICIES

1) Basis of accounting

The financial statements are prepared in United States Dollar (US\$) under historical cost convention and on accrual basis of accounting and in accordance with Generally Accepted Accounting Principles in India. The figures in rupees have been converted following the exchange rate as mentioned in note B(1) below for presentation purpose only.

2) Use of estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which results are known / materialised.

3) Inventories

Inventories of fuel oil and diesel oil are carried at lower of cost or net realisable value. Cost is determined on first-in-first-out basis.

4) Investments

Long term investments are carried at cost. The diminution in value of investment is recognised in Statement of Profit and Loss, if such diminution is of other than temporary in nature in the opinion of the management.

Current investments are carried at lower of cost or fair value.

5) Revenue recognition

Fleet operating earnings:

Fleet operating earnings represent the value of charter hire earnings, freight earnings, demurrage earnings and are accounted on accrual basis.

Income from current investments:

Income from current investments is accounted on accrual basis.

Dividend income:

Dividend income from the subsidiary is recognised if it is in respect of period which closed on or before the date of the balance sheet of the Company.

Interest income:

Interest income is recognised on an accrual basis.

6) Fleet operating expenses

All expenses relating to the operation of the fleet, including charter hire / freight charges, bunker, port expenses, insurance and brokerage charges are expensed under fleet operating expenses.

7) Foreign currence translation

Transactions in foreign currency are accounted at the exchange rate prevailing on the transaction date. Monetary items in foreign currency are translated at the closing exchange rate. Gains / losses on conversion / translation / settlement are recognised in the Statement of Profit and Loss.

8) Provisions, contingent liabilities and contingent assets

"Provisions are recognised for present obligations arising out of past events if it is probable that an outflow of economic resources, the amount of which can be reliably estimated, will be required to settle the obligation. Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or the likelihood of an outflow of economic resources is remote. Contingent assets are not recognised in the financial statements.

B NOTES TO FINANCIAL STATEMENTS**1) Convenience translation**

The reporting currency of the Company is United States Dollar (US\$). The Central Government of India, vide order no. 47/14/2010-CL-III dated 19th March 2010, has directed Essar Shipping Ports & Logistics Limited, the holding Company, to present the financial statements of the Company alongwith the Indian Rupees (Rs.) equivalent of the US\$ amounts appearing in the financial statements for the year ended 31st March 2010 translated at the exchange rate as on 31st March 2010. Accordingly the figures in US\$ for the year ended 31st March 2010 have been translated at US\$ 1 = Rs. 45.58 being the exchange rate as on 31st March 2010. The figures in US\$ for the previous year ended 31st March 2009 have been translated at US\$ 1 = Rs. 50.95 being the exchange rate as on 31st March 2009 on the basis of corresponding previous year approval from The Central Government of India.

2) The Company primarily operates in one business segment of ship operation and chartering and one geographical segment.

3) The Company has no tax liability as per the taxation laws of its domicile country.

4) Related party disclosure:

a) Holding companies

Essar Global Limited, Cayman island (Ultimate holding Company)

Essar Shipping & Logistics Limited, Cyprus

Essar Shipping Ports & Logistics Limited, India (Immediate holding Company)

b) Subsidiary companies

Energy Transportation International Limited, Bermuda

Energy II Limited, Bermuda

c) Other related parties where there have been transactions

Essar Ports & Terminal Limited, Mauritius

Essar Steel Limited

Essar Logistics Limited

d) Transactions made with related parties

| Nature of transactions with the related parties | For the year ended 31.03.10 US\$ | For the year ended 31.03.10 Rs. | For the year ended 31.03.09 US\$ | For the year ended 31.03.09 Rs. |
|--|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Fleet operating income | | | | |
| Essar Shipping Ports & Logistics Limited | 10,326,235 | 470,669,791 | 29,864,666 | 1,521,604,733 |
| Essar Steel Limited | 824,054 | 37,560,381 | 124,449 | 6,340,677 |
| Interest receipts | | | | |
| Essar Ports & Terminals Limited, Mauritius | 660,441 | 30,102,901 | 4,928,977 | 251,131,378 |
| Essar Shipping & Logistics Limited, Cyprus | 1,888,288 | 86,068,167 | 985,014 | 50,186,463 |
| Dividend receipt | | | | |
| Energy Transportation International Limited, Bermuda | – | – | 5,200,000 | 264,940,000 |
| Despatch money received | | | | |
| Essar Shipping Ports & Logistics Limited | – | – | 86,342 | 4,399,125 |
| Freight charges paid | | | | |
| Essar Shipping Ports & Logistics Limited | 784,096 | 35,739,096 | 1,024,613 | 52,204,032 |

| Nature of transactions with the related parties | For the year ended 31.03.10 US\$ | For the year ended 31.03.10 Rs. | For the year ended 31.03.09 US\$ | For the year ended 31.03.09 Rs. |
|--|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Interest on loan paid | | | | |
| Essar Shipping & Logistics Limited, Cyprus | – | – | 306,169 | 15,599,311 |
| Dividend paid | | | | |
| Essar Shipping Ports & Logistics Limited | 50,000 | 2,279,000 | 50,000 | 2,547,500 |
| Loan received | | | | |
| Energy Transportation International Limited, Bermuda | – | – | 20,000,000 | 1,019,000,000 |
| Reimbursement of expenses paid | | | | |
| Essar Logistics Limited | 96,880 | 4,415,790 | 225,709 | 11,499,852 |
| Essar Shipping Ports & Logistics Limited | 55,815 | 2,544,048 | – | – |
| Loans and advances given | | | | |
| Essar Shipping & Logistics Limited, Cyprus | 3,585,000 | 163,404,300 | 45,185,118 | 2,302,181,762 |

| | As at 31.03.10 US\$ | As at 31.03.10 Rs. | As at 31.03.09 US\$ | As at 31.03.09 Rs. |
|--|---------------------|--------------------|---------------------|--------------------|
| Balance outstanding | | | | |
| Sundry creditors | | | | |
| Essar Shipping Ports & Logistics Limited | 669,464 | 30,514,169 | – | – |
| Sundry debtors | | | | |
| Essar Steel Limited | – | – | 2,899 | 147,704 |
| Loans and advances given | | | | |
| Essar Ports & Terminals Limited, Mauritius | 183,129,655 | 8,347,049,675 | 183,129,655 | 9,330,455,922 |
| Essar Shipping & Logistics Limited, Cyprus | 48,770,118 | 2,222,941,978 | 45,185,118 | 2,302,181,762 |
| Essar Logistics Limited | – | – | 7,308 | 372,343 |
| Energy Transportation International Limited, Bermuda | 1,975,000 | 90,020,500 | 20,000,000 | 1,019,000,000 |
| Interest receivable | | | | |
| Essar Ports & Terminal Limited | 5,473,259 | 249,471,145 | 4,812,818 | 245,213,077 |
| Essar Shipping & Logistics Limited | 2,768,302 | 126,179,205 | 985,014 | 50,186,463 |
| Investment in subsidiaries | | | | |
| Energy Transportation International Limited | 1,952,000 | 88,972,160 | 1,952,000 | 99,454,400 |
| Energy II Limited | 12,000 | 546,960 | 12,000 | 611,400 |

5) **Dues from the Companies under the same management (Loans and advances inclusive of interest accrued but not due) :**

| | As at 31.03.10 US\$ | As at 31.03.10 Rs. | As at 31.03.09 US\$ | As at 31.03.09 Rs. |
|------------------------------------|---------------------|--------------------|---------------------|--------------------|
| Balance outstanding | | | | |
| Essar Ports & Terminals Limited | 188,602,914 | 8,596,520,820 | 187,942,473 | 9,575,668,999 |
| Essar Shipping & Logistics Limited | 51,538,420 | 2,349,121,184 | 46,170,132 | 2,352,368,225 |
| Essar Logistics Limited | – | – | 7,308 | 372,343 |

| 6) Earnings per share | | | | |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Particulars | For the year ended 31.03.10 US\$ | For the year ended 31.03.10 Rs. | For the year ended 31.03.09 US\$ | For the year ended 31.03.09 Rs. |
| Net Profit for the year attributable to equity shareholders | 4,980,727 | 227,021,536 | 20,986,094 | 1,069,241,489 |
| Average number of equity shares outstanding during the year | 125,840,000 | 125,840,000 | 125,840,000 | 125,840,000 |
| Earnings per share - basic and diluted | 0.04 | 1.80 | 0.17 | 8.50 |

- 7) The Company has not received any intimation from the suppliers regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) and hence the disclosures required by the Act have not been made. The Company is making efforts to get confirmations from the suppliers as regards their status under the Act
- 8) Previous year figures have been regrouped / reclassified wherever necessary.

For and on behalf of the Board

Ovaco Limited
Corporate Director

Guernsey
May 26, 2010

Lapco Limited
Corporate Director

ENERGY TRANSPORTATION INTERNATIONAL LIMITED

BOARD OF DIRECTORS

Sanjay Mehta
Director

Somdatt Kurdikar
Director

Company Secretary
Ms. Susie Grant
Codan Services Limited
Bermuda

AUDITORS
Deloitte Haskins & Sells

REGISTERED OFFICE
Clarendon House
2, Church Street
Hamilton HM 11
Bermuda

DIRECTORS' REPORT

The Directors submit their report and the Audited financial statements for the financial year ended 31st March, 2010. The Company is a wholly owned subsidiary of Essar International Limited, a company incorporated in Guernsey, Channel Islands, United Kingdom.

PRINCIPAL ACTIVITIES

The principal activities of the company are ship owning, operating and chartering.

REVIEW OF BUSINESS AND RESULTS

The Company is in the business of providing crude oil transportation and crude oil transportation management services. The Company is exploring various opportunities for owning, operating and chartering of vessels. However, in view of very high asset prices, the Company is waiting for the right opportunity to acquire/charter vessels.

DIRECTORS

During the year Mr. Ravi Ruia, Director resigned from the Company.

The following were the directors of the Company for the year under review:

Mr. Sanjay Mehta

Mr. Somdatt Kurdikar

None of the directors have any beneficial interest in the shares of the Company.

AUDITORS

A resolution to reappoint Messrs. Deloitte Haskins & Sells, Chartered Accountants, as statutory auditors of the Company will be proposed in the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

For and on behalf of the Board

Mumbai
May 25, 2010

Sanjay Mehta
Director

Somdatt Kurdikar
Director

AUDITORS' REPORT

TO THE MEMBERS OF ENERGY TRANSPORTATION INTERNATIONAL LIMITED

We have audited the attached Balance Sheet of Energy Transportation International Limited (the Company), a Company incorporated in the State of Bermuda, as at March 31, 2010, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Mumbai
May 25, 2010

Khurshed Pastakia
Partner
(Membership No. 31544)

BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at | As at | As at | As at |
|--|------------------|-------------------|------------------|--------------------|
| | 31.03.2010 | 31.03.2010 | 31.03.2009 | 31.03.2009 |
| | US\$ | Rs. | US\$ | Rs. |
| | (Refer Note B1) | | (Refer Note B1) | |
| SOURCES OF FUNDS | | | | |
| Shareholders' funds | | | | |
| Capital | | | | |
| Authorised capital | | | | |
| 14,000,000 equity shares of US\$ 1 each | 14,000,000 | 638,120,000 | 14,000,000 | 713,300,000 |
| Issued, Subscribed and Paid up capital | | | | |
| 1,952,000 equity shares of US\$ 1 each fully paid-up (The entire equity share capital is held by Essar International Limited, the holding Company, incorporated in the State of Guernsey) | 1,952,000 | 88,972,160 | 1,952,000 | 99,454,400 |
| Reserves and surplus | | | | |
| Balance in Statement of Profit and Loss | 73,884 | 3,367,633 | 96,186 | 4,900,677 |
| TOTAL | 2,025,884 | 92,339,793 | 2,048,186 | 104,355,077 |
| APPLICATION OF FUNDS | | | | |
| Current assets, loans and advances | | | | |
| Bank balances | | | | |
| In current account with scheduled bank | 3,649 | 166,321 | 390 | 19,870 |
| In current account with other bank – HSH Nordbank Hamburg. | 42,609 | 1,942,118 | 42,609 | 2,170,929 |
| [Maximum amount outstanind during the year US\$ 42,609 - Rs.19,42,118 (previous year US\$ 42,609 - Rs.31,70,929)] | | | | |
| Loans and advances (unsecured, considered good) | | | | |
| Loan to body corporate | 1,975,000 | 90,020,500 | 2,000,000 | 101,900,000 |
| Prepaid expenses | 9,466 | 431,460 | 9,389 | 478,370 |
| | 2,030,724 | 92,560,400 | 2,052,388 | 104,569,169 |
| Less: Current liabilities and provisions | | | | |
| Sundry creditors (amounts due to micro, small and medium enterprises nil, previous year nil) | 4,840 | 220,607 | 4,202 | 214,092 |
| | 4,840 | 220,607 | 4,202 | 214,092 |
| Net current assets | 2,025,884 | 92,339,793 | 2,048,186 | 104,355,077 |
| TOTAL | 2,025,884 | 92,339,793 | 2,048,186 | 104,355,077 |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants**Khurshed Pastakia**
PartnerMumbai
May 25, 2010

For and on behalf of the Board

Sanjay Mehta
DirectorMumbai
May 25, 2010**Somdatt Kurdikar**
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | For the year ended | For the year ended | For the year ended | For the year ended |
|---|--------------------|--------------------|--------------------|--------------------|
| | 31.03.2010 US\$ | 31.03.2010 Rs. | 31.03.2009 US\$ | 31.03.2009 Rs. |
| | (Refer Note B1) | | (Refer Note B1) | |
| INCOME | | | | |
| Interest income from bank | - | - | 149 | 7,592 |
| Interest income from others | - | - | 126,744 | 6,457,607 |
| | - | - | 126,893 | 6,465,199 |
| EXPENDITURE | | | | |
| Professional fees and other administrative expenses | 17,195 | 783,748 | 21,361 | 1,088,343 |
| Audit fees | 4,840 | 220,607 | 4,202 | 214,092 |
| | 22,035 | 1,004,355 | 25,563 | 1,302,435 |
| (Loss) / Profit before finance charges and depreciation | (22,035) | (1,004,355) | 101,330 | 5,162,764 |
| Interest and bank charges | 267 | 12,170 | 139 | 7,082 |
| Net (loss) / profit for the year | (22,302) | (1,016,525) | 101,191 | 5,155,681 |
| Balance brought forward from last year | 96,186 | 4,384,158 | 5,194,995 | 264,684,995 |
| | 73,884 | 3,367,633 | 5,296,186 | 269,840,677 |
| APPROPRIATION | | | | |
| Interim dividend paid | - | - | 5,200,000 | 264,940,000 |
| BALANCE CARRIED FORWARD TO BALANCE SHEET | 73,884 | 3,367,633 | 96,186 | 4,900,677 |
| Earnings per share - basic and diluted (face value US\$ 1 each) [Refer Note B(5)] | (0.01) | (0.52) | 0.05 | 2.64 |

NOTES TO FINANCIAL STATEMENTS - Refer Schedule 1

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 25, 2010

For and on behalf of the Board

Sanjay Mehta
Director

Mumbai
May 25, 2010

Somdatt Kurdikar
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | For the year ended 31.03.2010 US\$ | For the year ended 31.03.2010 Rs. | For the year ended 31.03.2009 US\$ | For the year ended 31.03.2009 Rs. |
|---|---|--|---|--|
| | (Refer Note B1) | | (Refer Note B1) | |
| A) Cash flow from operating activities | | | | |
| Net (loss) / profit as per Statement of Profit and Loss | (22,302) | (1,016,527) | 101,191 | 5,155,679 |
| Adjustments : | | | | |
| Interest income | - | - | (149) | (7,592) |
| Interest and bank charges | 267 | 12,170 | 139 | 7,082 |
| Exchange fluctuation on translation | - | (230,903) | - | 513,540 |
| Operating (loss) / profit before working capital changes | (22,035) | (1,235,260) | 101,181 | 5,668,711 |
| Adjustments for: | | | | |
| Trade and other receivables | (77) | (3,510) | (590) | (30,061) |
| Sundry creditors | 638 | 29,080 | | |
| Net cash flow from operating activities | (21,474) | (1,209,690) | 100,591 | 5,638,650 |
| B) Cash flow from investing activities | | | | |
| Repayment of loan given | 25,000 | 1,139,500 | 5,096,258 | 259,654,345 |
| Interest received | - | - | 149 | 7,592 |
| Net cash flow from investing activities | 25,000 | 1,139,500 | 5,096,407 | 259,661,937 |
| C) Cash flow from financing activities | | | | |
| Interest and other finance charges paid | (267) | (12,170) | (139) | (7,082) |
| Dividend paid | - | - | (5,200,000) | (264,940,000) |
| Net cash flow from financing activities | (267) | (12,170) | (5,200,139) | (264,947,082) |
| Net increase in cash and cash equivalents (A+B+C) | 3,259 | (82,359) | (3,141) | 353,504 |
| Cash and cash equivalents at the beginning of the year | 42,999 | 2,190,799 | 46,140 | 1,837,295 |
| Cash and cash equivalents at the end of the year | 46,258 | 2,108,440 | 42,999 | 2,190,799 |

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 25, 2010

For and on behalf of the Board

Sanjay Mehta
Director

Mumbai
May 25, 2010

Somdatt Kurdikar
Director

SCHEDULE ANNEXED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE - 1

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

A SIGNIFICANT ACCOUNTING POLICIES

1. Basis of accounting

The financial statements are prepared in United States Dollar (US\$) under historical cost convention and on accrual basis of accounting and in accordance with Generally Accepted Accounting Principles in India. The figures in rupees have been converted following the exchange rate as mentioned in note B(1) below for presentation purpose only.

2. Use of estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which results are known / materialise.

3. Translation of foreign currency items

Transactions in foreign currency are accounted at the rate prevailing on the transaction date. Monetary items in foreign currency are translated at the closing rate. Gains / losses on conversion/translation / settlement are recognised in the Profit and Loss account.

B NOTES TO FINANCIAL STATEMENTS

1. Convenience translation

The reporting currency of the Company is United States Dollars (US\$). The Central Government of India, vide order no. 47/14/2010-CL-III dated 19th March, 2010, has directed Essar Shipping Ports & Logistics Limited, the ultimate holding Company, to present the financial statements of the Company alongwith the Indian Rupees (Rs.) equivalent of the US\$ amounts appearing in the financial statements for the year ended 31st March, 2010 translated at the exchange rate as on 31st March, 2010. Accordingly the figures in US\$ for the year ended 31st March, 2010 have been translated at US\$ 1 = Rs. 45.58 being the exchange rate as on 31st March 2010. The figures in US\$ for the Previous year ended 31st March, 2009 have been translated at US\$ 1 = Rs. 50.95 being the exchange rate as on 31st March, 2009.

2. The Company was incorporated in Bermuda in 2001 under the local corporate laws of the State of Bermuda.

3. The Company has no tax liability as per the taxation laws of its domicile country.

4. Related party transactions

a) Holding companies

- i) Essar Shipping Ports & Logistics Limited - ultimate holding Company
- ii) Essar International Limited - holding Company

b) Individuals having significant influence over the Company

Somdatt Kurdikar (w.e.f. 30th June, 2009)

Sanjay Mehta

Ravi Ruia (resigned w.e.f. 30th June, 2009)

c) Other related party where there have been transactions

Essar Shipping & Logistics Limited

d) Transactions made with related parties

| Particulars | for the year ended 31.03.2010 | | for the year ended 31.03.2009 | |
|--|----------------------------------|-----|----------------------------------|-------------|
| | US\$ | Rs. | US\$ | Rs. |
| Interest receipt from Essar Shipping & Logistics Limited | – | – | 126,744 | 6,457,607 |
| Loan given to Essar International Limited | – | – | 2,000,000 | 101,900,000 |
| Dividend paid to Essar International Limited | – | – | 5,200,000 | 264,940,000 |

e) Balance outstanding

| Particulars | As at 31.03.2010 US\$ | As at 31.03.2010 Rs. | As at 31.03.20089 US\$ | As at 31.03.2009 Rs. |
|--|---|----------------------------|------------------------------|----------------------------|
| | Receivable from Essar International Limited | 1,975,000 | – | 2,000,000 |
| Guarantee given on behalf of Company | | | | |
| Essar Shipping Ports & Logistics Limited | – | – | 3,000,000 | 152,970,000 |

5. Earning per share

| Particulars | As at 31.03.2010 US\$ | As at 31.03.2010 Rs. | As at 31.03.2009 US\$ | As at 31.03.2009 Rs. |
|--|-----------------------------|----------------------------|-----------------------------|----------------------------|
| Net (Loss) / Profit for the year attributable to equity shareholders | (22,302) | (1,016,525) | 101,191 | 5,155,681 |
| Average number of equity shares during the year | 1,952,000 | 1,952,000 | 1,952,000 | 1,952,000 |
| Basic and diluted earning per share | (0.01) | (0.52) | 0.05 | 2.64 |

6. Previous year's figures have been regrouped / reclassified wherever necessary.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants**Khurshed Pastakia**
PartnerMumbai
May 25, 2010

For and on behalf of the Board

Sanjay Mehta
DirectorMumbai
May 25, 2010**Somdatt Kurdikar**
Director

ENERGY II LIMITED

BOARD OF DIRECTORS

Sanjay Mehta
Director

Somdatt Kurdikar
Director

Company Secretary
Ms. Susie Grant
Codan Services Limited
Bermuda

AUDITORS
Deloitte Haskins & Sells

REGISTERED OFFICE
Clarendon House
2, Church Street
Hamilton HM 11
Bermuda

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements for the financial year ended 31st March, 2010. The Company is a wholly owned subsidiary of Essar International Limited, a company incorporated in Guernsey, Channel Islands, United Kingdom.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to provide Ship Management Services.

REVIEW OF BUSINESS AND RESULTS

The Company was incorporated to own and operate Crude Oil Tankers and provide ship management services. During the year under review, the Company has provided ship management services towards operation of a Very Large Crude Carrier (VLCC). The Company is constantly exploring opportunities to provide crude oil transportation and management services and operations and commercial management services to international oil majors and ship owners.

The Company recorded a Total Income of USD 166,335 during the year as against USD 162,320 during the previous year and a Net Loss of USD 13,773 during the year under review against a Net Loss of USD 5,305 during the previous year. The loss is attributed to increase in establishment and administrative expenses.

DIRECTORS

During the year Mr. Ravi Ruia, Director resigned from the Company.

The following were the directors of the Company for the year under review.

Mr. Sanjay Mehta

Mr. Somdatt Kurdikar

None of the directors have any beneficial interest in the shares of the Company.

AUDITORS

A resolution to reappoint Messrs. Deloitte Haskins & Sells, Chartered Accountants, as statutory auditors of the Company will be proposed in the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

Mumbai
May 21, 2010

Sanjay Mehta
Director

Somdatt Kurdikar
Director

AUDITORS' REPORT

TO THE MEMBERS OF ENERGY II LIMITED

We have audited the attached Balance Sheet of Energy II Limited (the Company), a Company incorporated in the State of Bermuda, as at March 31, 2010, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117366W)

Mumbai
May 25, 2010

Khurshed Pastakia
Partner
(Membership No. 31544)

BALANCE SHEET AS AT 31ST MARCH, 2010

| Particulars | As at 31.03.2010 US\$ | As at 31.03.2010 RS. | As at 31.03.2009 US\$ | As at 31.03.2009 RS. |
|---|-----------------------------|----------------------------|-----------------------------|----------------------------|
| | (Refer Note B1) | | (Refer Note B1) | |
| Sources of funds | | | | |
| Shareholders' funds: | | | | |
| Capital | | | | |
| Authorised capital | | | | |
| 12,000 equity shares of US\$ 1 each. | 12,000 | 546,960 | 12,000 | 611,400 |
| Issued, subscribed and paid up capital | | | | |
| 12,000 equity shares of US\$ 1 each fully paid-up. | 12,000 | 546,960 | 12,000 | 611,400 |
| (The entire share capital is held by Essar International Limited, the holding Company, incorporated in the State of Guernsey) | | | | |
| Reserves and surplus | | | | |
| Balance in Statement of Profit and Loss | (9,549) | (435,243) | 4,224 | 215,213 |
| TOTAL | 2,451 | 111,717 | 16,224 | 826,613 |
| Application of funds | | | | |
| Current assets, loans and advances | | | | |
| Current assets | | | | |
| Bank balances | | | | |
| In current account with scheduled bank | | | | |
| – State Bank of India, London | 1,960 | 89,337 | 1,960 | 99,862 |
| In current accounts with other banks | | | | |
| – Berenberg Bank, Hamburg US\$ current account [maximum amount outstanding during the year US\$ 486,791.34 - Rs. 2,17,44,969 (previous year US\$ 500,269 - Rs. 2,54,88,705)] | 3,492 | 159,165 | – | – |
| – Berenberg Bank, Hamburg Euro Current Account [Maximum amount outstanding during the year US\$ 31,594.53 - Rs. 14,11,328 (Previous year US\$ 38,383 - Rs. 19,55,614)] | 1,209 | 55,106 | 580 | 29,551 |
| Loans and advances (unsecured, considered good) | | | | |
| Advance recoverable in cash or in kind or for value to be received | 40,749 | 1,857,339 | 62,686 | 3,193,852 |
| Prepaid expenses | 4,746 | 216,323 | 4,591 | 233,911 |
| | 52,156 | 2,377,270 | 69,817 | 3,557,176 |
| Less: Current liabilities and provisions | | | | |
| Temporary overdraft from bank | – | – | 1,263 | 64,350 |
| – Berenberg Bank, Hamburg US\$ current account Sundry creditors (amounts due to micro, small and medium enterprises nil, previous year nil) | 49,705 | 2,265,554 | 52,330 | 2,666,214 |
| | 49,705 | 2,265,554 | 53,593 | 2,730,563 |
| Net current assets | 2,451 | 111,717 | 16,224 | 826,613 |
| TOTAL | 2,451 | 111,717 | 16,224 | 826,613 |

NOTES TO FINANCIAL STATEMENTS - Refer Schedule 1

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants**Khurshed Pastakia**
PartnerMumbai
May 25, 2010

For and on behalf of the board

Sanjay Mehta
DirectorMumbai
May 21, 2010**Somdatt Kurdikar**
Director

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | For the year ended | For the year ended | For the year ended | For the year ended |
|---|--------------------|--------------------|--------------------|--------------------|
| | 31.03.2010 US\$ | 31.03.2010 RS. | 31.03.2009 US\$ | 31.03.2009 RS. |
| | (Refer Note B1) | | (Refer Note B1) | |
| INCOME | | | | |
| Management fees | 166,335 | 7,581,549 | 162,320 | 8,270,204 |
| | <u>166,335</u> | <u>7,581,549</u> | <u>162,320</u> | <u>8,270,204</u> |
| EXPENDITURE | | | | |
| Management charges and other expenses | 175,151 | 7,983,383 | 163,111 | 8,310,505 |
| Audit fees | 4,840 | 220,607 | 4,202 | 214,092 |
| | <u>179,991</u> | <u>8,203,990</u> | <u>167,313</u> | <u>8,524,597</u> |
| LOSS BEFORE FINANCE CHARGES | (13,656) | (622,440) | (4,993) | (254,393) |
| Bank charges | 117 | 5,333 | 312 | 15,896 |
| NET LOSS FOR THE YEAR | (13,773) | (627,773) | (5,305) | (270,290) |
| Balance brought forward from last year | 4,224 | 192,530 | 9,529 | 485,503 |
| BALANCE CARRIED FORWARD TO BALANCE SHEET | (9,549) | (435,243) | 4,224 | 215,213 |
| Earnings per share - basic & diluted (face value US\$ 1 each) (refer note B-5 of Schedule1) | (1.15) | (52.31) | (0.44) | (22.52) |
| NOTES TO FINANCIAL STATEMENTS - Refer Schedule 1 | | | | |

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
Khurshed Pastakia
Partner
Mumbai
May 25, 2010

For and on behalf of the board

Sanjay Mehta
Director

Somdatt Kurdikar
Director

Mumbai
May 21, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

| Particulars | For the year ended 31.03.2010 US\$ | For the year ended 31.03.2010 Rs. | For the year ended 31.03.2009 US\$ | For the year ended 31.03.2009 Rs. |
|---|---|--|---|--|
| | (Refer Note B1) | | (Refer Note B1) | |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Net loss as per Statement of Profit and Loss | (13,773) | (627,773) | (5,305) | (270,290) |
| Adjustments : | | | | |
| Interest and finance expenses | 117 | 5,333 | 312 | 15,896 |
| Exchange fluctuation on convenience translation | - | (13,640) | - | 109,029 |
| Operating loss before working capital changes | (13,656) | (636,080) | (4,993) | (145,364) |
| Adjustments for: | | | | |
| Trade and other receivables | 21,782 | 992,824 | (55,544) | (2,829,967) |
| Trade payables | (3,888) | (177,215) | 46,412 | 2,444,616 |
| Net cash flow from operating activities | 4,238 | 179,528 | (14,125) | (530,715) |
| B. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Bank charges paid | (117) | (5,333) | (312) | (15,896) |
| Net cash flow from financing activities | (117) | (5,333) | (312) | (15,896) |
| Net increase / (decrease) in cash and cash equivalents (A+B) | 4,121 | 174,195 | (14,437) | (546,611) |
| Cash and cash equivalents at the beginning of the year | 2,540 | 129,413 | 16,977 | 676,024 |
| Cash and cash equivalents at the end of the year | 6,661 | 303,608 | 2,540 | 129,413 |

Note: Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) - 3 'Cash flow statement' as notified by The Institute of Chartered Accountants of India.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 25, 2010

For and on behalf of the board

Sanjay Mehta
Director

Mumbai
May 21, 2010

Somdatt Kurdikar
Director

SCHEDULES ATTACHED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE - 1

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

A SIGNIFICANT ACCOUNTING POLICIES

1. Basis of accounting

The financial statements are prepared in United States Dollar (US\$) under historical cost convention and on accrual basis of accounting and in accordance with Generally Accepted Accounting Principles in India. The figures in rupees have been converted following the exchange rate as mentioned in note B(1) below for presentation purpose only.

2. Use of estimates

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which results are known/ materialise.

3. Revenue recognition

Management fees are recognised on accrual basis.

4. Translation of foreign currency items

Transactions in foreign currency are accounted at the rate prevailing on the transaction date. Monetary items in foreign currency are translated at the closing rate. Gains / losses on conversion/translation / settlement are recognised in the Statement of Profit and Loss.

B NOTES TO FINANCIAL STATEMENTS

1. Conversion translation

The reporting currency of the Company is United States Dollars (US\$). The Central Government of India, vide order no. 47/14/2010-CL-III dated 19th March 2010, has directed Essar Shipping Ports & Logistics Limited, the ultimate holding Company, to present the financial statements of the Company alongwith the Indian Rupees (Rs.) equivalent of the US\$ amounts appearing in the financial statements for the year ended 31st March 2010 translated at the exchange rate as on 31st March 2010. Accordingly the figures in US\$ for the year ended 31st March 2010 have been translated at US\$ 1 = Rs. 45.58 being the exchange rate as on 31st March 2010. The figures in US\$ for the Previous year ended 31st March 2009 have been translated at US\$ 1 = Rs. 50.95 being the exchange rate as on 31st March 2009.

2. The Company has only one business segment of Ship Management activities and one Geographical segment.

3. The Company has no tax liability as per the taxation laws of its domicile country.

4. Related party transactions

a. Holding companies

Essar International Limited, Guernsey (the immediate holding company)

Essar Shipping Ports & Logistics Limited, India - the ultimate holding company

b. Individuals having significant influence over the Company

Sanjay Mehta

Somdatt Kurdikar (w.e.f. 30th June, 2009)

Ravi Ruia (Resigned w.e.f. 30th June, 2009)

c. Transactions made with related parties

| Particulars | for the year ended 31.03.2010 | | for the year ended 31.03.2009 | |
|---|----------------------------------|-----------|----------------------------------|-----------|
| | US\$ | Rs. | US\$ | Rs. |
| Advance received - Essar Shipping Ports & Logistics Limited | 88,877 | 4,051,014 | 48,128 | 2,452,122 |

d. Balance outstanding

| Particulars | As at 31.03.2010 | As at 31.03.2010 | As at 31.03.2009 | As at 31.03.2009 |
|--|---------------------|---------------------|---------------------|---------------------|
| | US\$ | Rs. | US\$ | Rs. |
| Loans and advances | | | | |
| Essar Shipping Ports & Logistics Limited | 40,749 | 1,857,339 | – | – |
| Sundry Creditors | – | – | – | – |
| Essar Shipping Ports & Logistics Limited | – | – | 48,128 | 2,452,122 |

5. Earning per share

| Particulars | As at 31.03.2010 | As at 31.03.2010 | As at 31.03.2009 | As at 31.03.2009 |
|---|---------------------|---------------------|---------------------|---------------------|
| | US\$ | Rs. | US\$ | Rs. |
| Net loss for the year attributable to equity shareholders | (13,773) | (627,773) | (5,305) | (270,290) |
| Average number of equity shares during the year | 12,000 | 12,000 | 12,000 | 12,000 |
| Earning per share basic and diluted | (1.15) | (52.31) | (0.44) | (22.52) |

6. Previous year's figures have been regrouped / reclassified wherever necessary.

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
May 25, 2010

For and on behalf of the board

Sanjay Mehta
Director

Mumbai
May 21, 2010

Somdatt Kurdikar
Director

