

VARUN SHIPPING COMPANY LIMITED

ANNUAL REPORT

31ST MARCH 2014

Directors' Report

Your Directors have pleasure in presenting the Forty-second Annual Report together with the audited statements of account of the Company for the 18 months period ended 31st March, 2014.

| | (Figures in millions of Rupees) | |
|--|--|--|
| | 18 months period ended 31.03.2014 | 18 months period ended 30.09.2012 |
| PROFIT/LOSS BEFORE TAX | (4,890.77) | 377.27 |
| Less: Provision for Taxation | | |
| Current Tax | - | 17.50 |
| Short/(Excess) provision of Income-Tax for prior years written back | 8.59 | (23.88) |
| PROFIT/LOSS AFTER TAX | (4,899.96) | 383.65 |
| Add: Surplus brought forward from previous year | 1,239.40 | 942.92 |
| Amount available for appropriation | (3,659.96) | 1326.57 |

In view of losses incurred by the Company, your Directors are unable to recommend any Dividend for Financial year under review

Freight and charter hire income for the 18 months period ended 31st March, 2014 was Rs.1753.15 million compared to Rs. 4655.02 million for the 18 months period ended 30th September, 2012. Profit before tax was Rs.(4890.77) million for the 18 months period ended 31st March, 2014 as against Rs. 377.27 million during the 18 months period ended 30th September, 2012. Net profit after tax was Rs. 4899.36 million for the 18 months period ended 31st March, 2014 as against Rs.383.65 million during the 18 months period ended 30th September, 2012.

With a view to realign businesses and increase focus on individual growth strategies of each business, the Company together with other companies has proposed to rearrange its businesses by segregating its traditional Shipping Business, Ship Management (technical and commercial management) & Shipping Investment Business (presently confined to holding investment in group companies) into separate entities through a Composite Scheme of Arrangement and Amalgamation ("the Scheme") under the provisions of the Companies Act, 1956 to primarily pursue their individual growth strategies, thereby resulting in enhancement of business prospects and shareholder's value. The company has received approval of Hon'ble Bombay High Court for the said Scheme.

During the period under review, the company invested in the following wholly owned subsidiary companies:

Varun Global Private Limited and acquired 400,000 equity shares of Re.1 each. The existing subsidiary companies namely Varun Resources Pvt Ltd and Varun Global Pvt Ltd, were converted into public limited companies during the period under review.

Further, during the period under review your Company had invested in redeemable preference shares of Varun Asia Pte. Ltd., Singapore and Varun Cyprus Ltd, Cyprus. The details of investment made are mentioned in the attached financial statements.

Effect of 'Global Crisis' to Shipping industry

Due to the global recession in shipping industry there was a downturn in the shipping business of your Company. This has led to lower capacity utilization and has adversely affected the operations of the Company. A combination of these factors has affected the liquidity of the Company and thereby facing problems in servicing the debt in timely manner. Further to this, the vessels are due for drydocking as it is mandatory requirement to drydock the vessels every two and half years. And hence are non operational till past more than a year resulting to a steep fall in the total operating income. Despite the loss of revenues, the Company was incurring fixed operating costs, including settlement of unpaid crew wages and seafarers repatriation. These fixed operating expenses in the form of employee cost, bunker cost and other fixed costs resulted to severe liquidity crisis to the Company and increase in the outstaying debts. Therefore in order for the Company to survive it was imperative to find the solution to service these huge debts. Further, the survival of the Company and resulting companies as result of the proposed demerger and merger, is very crucial as the shareholders of the Company will be receiving the shares of the resulting companies in exchange of their existing shareholding in the Company. If the Company is not revived then the shareholding value of the current shareholders of the Company will be completely eroded.

Therefore, with a view to revive the shipping business of the Company and the resulting Company namely Varun Resources Limited (VRL) and to enable VRL to survive, the Promoters (being the Yudhishtir D Khatau group) and the management together with our bankers (led by the State Bank of India) have decided to restructure the debts under the "Framework for Revitalising Distressed Assets in the Economy – Guidelines on Joint Lenders' Forum (JLF) and Corrective Action Plan (CAP)" issued by the Reserve Bank of India is vide its circular dated February 26, 2014, bearing number RBI/2013-14/503DBOD.BP.BC.No.97/ 21.04.132/2013-14, (hereinafter referred to as the "JLF Mechanism").

The various Joint Lenders Meetings held since 11.04.2014 based on the guidelines and RBI circulars on "Early Recognition of Financial Distress, Prompt, steps for Resolution and Fair Recovery for Lenders" under which the Reserve Bank of India has formulated the JLF Mechanism. The Joint Lenders Forum had decided to restructure the existing loan facilities and to provide incremental funding to the Company for revival of the business. The Bankers had appointed PwC, an independent agency to do Technical Evaluation Study to examine the viability of the business. Based on their viability report, forensic report and the subsequent clearance from Independent Evaluation Committee, it will be agreed by the joint lenders to restructure the account under JLF mechanism.

Management Discussion and Analysis:

(a) Industry Structure and Development :

Transportation by sea is the leading and also most preferred mode of transportation the world over. The international shipping industry transports

hydrocarbons and bulk commodities in wet bulk, dry bulk, liquefied gas, bulk chemicals and container sectors. Further, specialized vessels are also used to carry passengers, automobiles and project cargoes the world over. In addition thereto, offshore support vessels are used to provide services to offshore oil and gas exploration and production industry. The Company owns and/or operates a diversified fleet of in the oil, gas and offshore support services sector.

According to market report, the steady relationship between the global GDP growth and sea-borne trade growth continued in 2014. According to the report of International Monetary Fund's April 2014, World Economic Outlook, looking ahead, global growth is projected to strengthen to 3.6 % in 2014 from 3% in 2013 and 3.9% in 2015. Growth is expected to increase to about 2.25% in 2014-15 in advanced economies, which is about 1% improvement compared with 2013. Main drivers are a reduction in fiscal tightening, except in Japan, and still highly accommodative monetary conditions. In emerging market and developing economies, growth is projected to pick up gradually from 4.7 % in 2013 to about 5% in 2014 and 5.25% in 2015. Growth will be helped by stronger external demand from advanced economies, but tighter financial conditions will dampen domestic demand growth.

According to the Market Report, the shipping market continues to face difficulty due to overcapacity and it is estimated that on an average there is about 25% more shipping capacity than demand. This overcapacity was created by over-enthusiastic ordering from 2004 to 2008 and again in 2013 as ship-owners attempt to build new, efficient and cheaper vessels to replace inefficient and obsolete older ships. The market for oil tankers is changing rapidly as global flows of oil are transformed by the advent of unconventional oil. United States of America's domestic crude oil production has displaced millions of barrels of crude oil imports. Some of that displaced crude oil is now refined closer to source in the Middle East and India, while some is shipped to a growing refining market in China. The change in oil trade has dampened demand growth for crude oil tankers, but has boosted demand growth for petroleum product tankers.

LPG markets began a transition period in 2008. The year 2009 was the end of this beginning and start of a new era of sharply rising seaborne LPG supplies. The year 2012 has started seeing better utilisation of LPG vessels. Due to large expansion of Qatar Gas and Ras Gas LNG plants and establishment of new LNG export/import terminals, more LPG production and transportation is expected to take place during the times to come. Seaborne LPG supply is forecast to rise 47 per cent to 83 mm t/year between 2008 and 2016. The growth a difference of 27 mm t/year of exports in 2016 v/s 2008 will alter the way LPG markets trade, changing trade dynamics and forcing product to new buyers.

(b) Opportunities and Threats :

Indian flag ships have a "Right of First Refusal" for any cargo of Indian Public Sector Undertakings which are imported into India. This enables Indian companies to ensure better utilisation of its vessels in Indian trade.

India is the 4th largest consumer of LPG in the world after USA, China and Japan, but Indian LPG consumption per capita is very low compared to other countries. There is a tremendous growth prospect for LPG consumption/demand in India in future and total LPG demand is expected to grow at the rate of 8-9 per cent per annum. With vision 2015 of the Government of India, the Rajiv Gandhi Gramin Vitrak Yojna, LPG penetration in rural areas will improve.

The freight rates are mainly determined by the fine balance between future demand and supply of vessels and therefore may get adversely affected in case of mismatch between demand and supply of vessels over a period of time.

The Indian shipping industry continues to be burdened with several taxes such as service tax and withholding tax on interest which prevent healthy growth and development of shipping industry. In order to be globally competitive, it is essential that taxes are rationalised to ensure that Indian shipping companies are able to achieve a level playing field in the international arena.

Also, shortage of skilled and quality manpower due to continuous drifting of qualified seafarers to foreign shipping companies on account of peculiar tax provisions continues to be an area of grave concern for Indian shipping companies.

(c) Segment-wise Performance

The Company is primarily engaged in the business of shipping and there are no separate reportable segments.

The Company together with its subsidiaries and associates, owns and/or operates a fleet of nine LPG carriers, including seven mid-size Gas Carriers (MGC's), one Large Gas Carrier (LGC). In the crude oil sector, as a ship manager, the Company operates three double hull Aframax crude oil tankers. In the offshore support services sector, as a ship manager, the company operates a fleet of five Anchor Handling Towing and Supply (AHTS) vessels.

(d) Outlook :

It is expected that 2014 will be another challenging year for world shipping markets. Increasing focus on fuel efficiency and new regulations for new tonnage might help boost ordering activity, as shipyards respond by offering new, improved designs. Another factor that will affect the balance in the new building markets is the potential downsizing of the building capacity. In conclusion, we foresee an oversupplied new building market in the coming year.

On the tanker markets, the supply side of the market, will be the biggest challenge as more fleet is scheduled to be delivered in the coming years. This will continue the downward pressure on fleet utilisation through 2014.

LPG demand growth has been strong in Asia and the Middle East and while Asia is the largest LPG consuming region, it is still expanding. The Middle East has become a significant LPG demand centre due to rapid expansion of petrochemical industry and continued growth in both residential and commercial sectors. Overall demand in Europe and North America is reasonably flat but could increase if price sensitive LPG supplies are available. Also, demand will continue to expand slowly in Latin America due to rising consumption in residential and commercial markets. In the LPG sector, the order book is balanced considering the increased LPG demand in Asia, Middle East and Latin America. It is therefore expected that the freight rates will remain firm.

On a global basis, OSV day rates and fleet utilization for OSVs are forecast to rise but will vary by asset and region.

(e) Risks and Concerns:

Shipping industry being global in nature is prone to several risks and uncertainties including international competition, state of global economy, marine mishaps and accidents, force majeure such as tsunami, floods, earthquakes, volcanic eruptions, etc., amendments in Government policies, rules and regulations, new regulatory compliances, port state control, increase

in financial costs, exchange rate fluctuations, changes in tax laws, acts of terrorism, wars, piracy, arrest of vessel by maritime claimants, shortage of qualified seafarers, global recession etc. Incidences of attack by pirates are still continuing. However, international forces including India are taking maximum measures to monitor and protect shipping companies.

The Company endeavours to counteract these risks by adopting certain measures like hedging its freight rates through long term time charter contracts and pool arrangements, complying with international ship management practices, and also insuring its vessels against various maritime risks with hull and machinery underwriters and Protection and Indemnity Clubs. The companies are also adopting "Best Management Practices" to counter piracy risks.

The Board of Directors periodically reviews and assesses the adequacy of risk assessment and minimisation procedures so that various risks can be assessed and minimised through well defined framework/procedures.

(f) Internal Control Systems and their adequacy :

The Company has proper and effective internal control systems commensurate with its size of operations in order to ensure that all systems and procedures are functioning satisfactorily. Internal audit function is carried out by the Chief Internal Auditor on a regular basis.

The Audit Committee of the Board of Directors regularly reviews the effectiveness and adequacy of the internal control systems to monitor due and proper implementation thereof and for due compliance with various applicable laws, rules and regulations, accounting standards and regulatory guidelines.

(g) Discussion on financial performance with respect to operational performance :

The details of the financial performance of the company have already been dealt with in the earlier part of the report.

(h) Human Resources :

The relations between the employees and the company remained cordial throughout the year. The committed shore based staff provides its prompt and efficient support and guidance to the floating staff on a continuous basis, which helps to maintain effective performance and operational efficiency at all times. The company continues to focus on safety and training and development of the employees.

(i) Social Responsibility:

As a socially responsible corporate citizen, the company continues to support a wide spectrum of community initiatives through NGOs as well as programmes for health, education and environment.

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm to the best of their knowledge and belief that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgements 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;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies

Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and

iv) the Directors have prepared the annual accounts on a going concern basis.

As required by the Listing Agreement with Stock Exchanges on which shares of the company are listed, a Report on Corporate Governance of the Company regarding compliance with Corporate Governance is attached to this report.

During the period Dr. A.K.Bhattacharya, Mr. C.M. Maniar and Mr. Khurshed M Thanawalla resigned from the directorship of the Company.

After the last Annual General Meeting, Ms. Armin Pardiwala was appointed as additional director. In terms of the provisions of the Companies Act she holds office until the date of the ensuing Annual General Meeting. Her appointment as ordinary Director of the Company is placed before the Members for consideration. The Board recommends the resolution for adoption by the members

Mr.Praveen Singh retires by rotation and being eligible, offer himself for re-appointment. Separate resolution is being proposed for his re-appointments.

You are requested to appoint Auditors of the company and fix their remuneration. The retiring Auditors Messrs. Sorab S. Engineer & Co. being eligible, offer themselves for re-appointment.

As required by Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all shareholders of the company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretarial Department at the registered office of the Company.

Your Directors express their thanks to all the officers of the Ministry of Shipping, Directorate General of Shipping, Ministry of Petroleum and Natural Gas, Indian Navy, Indian Coast Guard, Mercantile Marine Department, Class, oil companies and charterers for the valuable help and co-operation extended by them to the Company. Your Directors also thank the banks for their continued support to the Company. Your Directors also thank the shareholders of the Company for their sustained confidence reposed in the Company and its management. Last but not the least, your Directors express their deep appreciation for the sincere and hard work put in by the floating as well as the shore based officers and staff of the Company.

On behalf of the Board of Directors

YUDHISHTHIR D. KHATAU

Chairman and Managing Director

Mumbai, 30th May 2014

CORPORATE GOVERNANCE REPORT

1. Company's Philosophy on Code of Governance

Corporate Governance is a combination of voluntary practices and compliance with laws and regulations leading to effective control and management of the Company. The Company believes that good corporate governance contemplates that corporate actions balance the interests of all stakeholders and satisfy the tests of accountability, transparency and fair play. The Company believes that all its operations and actions must be directed towards enhancing overall shareholder value.

2. Board of Directors

The composition of the Board of Directors, attendance of Board of Directors at Board Meetings and Annual General Meeting and other relevant details are given below:

| Name of the Director | Category | No. of Board meetings attended | Attendance at the previous Annual General Meeting held on 04.02.2013 | No. of other Directorships * | No. of memberships of other Board Committees ** | No. of other Committees of which the Director is a Chairperson ** |
|-----------------------------|---------------------------|--------------------------------|--|------------------------------|---|---|
| Mr.Yudhishthir D. Khatau | Promoter Executive | 7 | Present | 15 | Nil | Nil |
| Mr.C.M.Maniar*** | Independent Non-Executive | 4 | Present | 15 | 8 | Nil |
| Mr.Praveen Singh | Independent Non-Executive | 4 | Present | 1 | Nil | Nil |
| Dr.A.K.Bhattacharya@ | Independent Non-Executive | 3 | Present | Nil | Nil | Nil |
| Mr.Khurshed M. Thanawalla # | Independent Non-Executive | 7 | Present | 11 | 4 | 2 |
| Ms. Armin Pardiwala ^ | Independent Non-Executive | 4 | | 4 | Nil | Nil |

*Includes directorships in private limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956, but excludes alternate directorships. Number of directorships is as at 31st March, 2014

** Only covers membership/chairmanship of Audit Committee and Shareholders/Investors Grievance Committee.

*** Resigned from the directorship w.e.f 29th July, 2013

@ Resigned from the directorship w.e.f 10th May, 2013

Resigned from the directorship w.e.f. 30th March, 2014

^ Appointed as Additional Director w.e.f. 29th July, 2013.

During the 18 months period ended 31st March, 2014, seven Board meetings were held on 29th November, 2012, 04th February, 2013, 10th May, 2013, 29th July, 2013, 14th August, 2013, 13th November, 2013 and 13th February, 2014.

3. Audit Committee

The terms of reference of the Audit Committee are given below:

- To have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half yearly and annual financial statements before submission to the Board

and ensure compliance of internal control systems.

2. To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
3. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
4. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
5. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - b) Changes, if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgement by management.
 - d) Significant adjustments made in the financial statements arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualifications in the draft audit report.
6. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
7. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
8. Reviewing or approving all related party transactions to ensure they are conducted on an arm's length basis, that is, the transaction terms and prices are not more favourable to the related party than if they were transacted with a third party and will not be prejudicial to the interest of Company and its minority shareholders.
9. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
10. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
11. Discussion with internal auditors on any significant findings and follow up there on.
12. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
13. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
14. To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non payment of declared dividends) and creditors.

15. To review :
- Management discussion and analysis of financial condition and results of operations;
 - Statement of significant related party transactions (as defined by the audit committee), submitted by management;
 - Management letters/letters of internal control weaknesses issued by the statutory auditors;
 - Internal audit reports relating to internal control weaknesses; and
 - The appointment, removal and terms of remuneration of the chief internal auditor.
16. To review the financial statements, in particular the investments made by the unlisted subsidiary company, if any.
17. To approve appointment of Chief Financial Officer (CFO) (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate.

The Audit Committee comprises of independent non-executive Directors namely Mr.Praveen Singh, Ms. Armin Pardiwala and Mr Khurshed M. Thanawalla (till 30th March 2014) and the members meet the requirements of clause 49 of the Listing Agreement. Mr.Praveen Singh is the Chairman of the Audit Committee. Ms Armin Pardiwala was appointed as member of the Audit Committee at the Board meeting held on 29th July, 2013.

During the 18 months period ended 31st March, 2014, six Audit Committee Meetings were held on 29th November, 2012, 04th February, 2013, 10th May, 2013, 14th August, 2013, 13th November, 2013 and 13th February, 2014.

| Name of the Director | Category | No. of Audit Committee meetings attended |
|-----------------------------|---------------------------|--|
| Mr.C.M.Maniar*** | Independent Non-Executive | 3 |
| Mr.Praveen Singh | Independent Non-Executive | 3 |
| Dr.A.K.Bhattacharya@ | Independent Non-Executive | 2 |
| Mr.Khurshed M. Thanawalla # | Independent Non-Executive | 6 |
| Ms. Armin Pardiwala ^ | Independent Non-Executive | 4 |

*** Resigned from the directorship w.e.f 29th July, 2013

@ Resigned from the directorship w.e.f 10th May, 2013

Resigned from the directorship w.e.f. 30th March, 2014

^ Appointed as Additional Director w.e.f. 29th July, 2013

4. **Remuneration Committee**

The Remuneration Committee comprises of independent non-executive Directors, namely, Mr.Praveen Singh, Mr Khurshed M. Thanawalla (till 30th March 2014) and Ms. Armin Pardiwala. The Chairman of the Committee is Mr.Praveen Singh. During the 18 months period ended 31st March, 2014 no Remuneration Committee meeting was held.

The Remuneration Committee inter-alia determines the company policy on specific remuneration package for Executive Directors including pension rights and any compensation payment.

The remuneration of the Executive Directors is decided by the Board of Directors based on the recommendation of the Remuneration Committee.

The Company has no pecuniary relationship or transactions with its non-executive Directors other than payment of sitting fees to them for attending Board and Committee meetings, payment of commission, if any, which has been approved by the

shareholders, payment of dividend on equity shares held by the Directors in the Company and payment of professional fees, if any, paid to a firm in which one of the non-executive Directors is a partner.

The remuneration policy is directed towards rewarding performance. It is aimed at attracting and retaining high calibre talent. The criteria for making payment of remuneration to non-executive Directors is based on their roles and responsibilities and their contribution to the Company. The remuneration of non-executive Directors is already approved by shareholders. Distribution of this remuneration amongst non-executive Directors is determined by the Chairman.

Details of remuneration of Directors during the 18 months period ended 31st March, 2014 are given below

Executive Directors

(Amount in Rs.)

| Name of the Director | Salary and Allowances | Commission | Contribution to Provident & Superannuation Funds | Gratuity | Other Perquisites | Sitting Fees | Total |
|-------------------------|-----------------------|------------|--|----------|-------------------|--------------|-----------|
| Mr.Yudhishtir D. Khatau | 72,00,000 | -- | 10,14,000 | -- | 6,189 | -- | 82,20,189 |

Non-Executive Directors

(Amount in Rs.)

| Name of the Director | Salary and Allowances | Commission | Contribution to Provident & Superannuation Funds | Gratuity | Other Perquisites | Sitting Fees * | Total |
|---------------------------|-----------------------|------------|--|----------|-------------------|----------------|--------|
| Mr.C.M.Maniar | - | - | - | - | - | 35,000 | 35,000 |
| Mr.Praveen Singh | - | - | - | - | - | 35,000 | 35,000 |
| Dr.A.K.Bhattacharya | - | - | - | - | - | 25,000 | 25,000 |
| Mr.Khurshed M. Thanawalla | - | - | - | - | - | 65,000 | 65,000 |
| Ms. Armin Pardiwala | - | - | - | - | - | 40,000 | 40,000 |

* Including Audit Committee, Shareholders/Investors Grievance Committee and Remuneration Committee meetings.

The Company had entered into agreement dated 16th August, 2012 with Mr.Yudhishtir D. Khatau re-appointing him as Vice Chairman & Managing Director with effect from 25th August, 2012 to 30th September, 2012 and thereafter was appointed as Chairman & Managing Director with effect from 19th October, 2012 to 24th August, 2017. In terms of the said agreement, Mr.Yudhishtir D. Khatau may resign from his office upon giving three months notice in writing to the Company and his services can be terminated by the company by giving him three months notice in writing. Further, in the event of loss of his office, Mr.Yudhishtir D. Khatau shall be paid compensation which shall be equal to the remuneration which he would have earned if he had been in office for the unexpired residue of his term or for three years whichever is shorter, calculated on the basis of average remuneration actually earned by him during a period of three years immediately preceding the date on which he ceased to hold the office or where he held the office for a lesser period than three years, during such period, subject to the provisions of Section 318 and other applicable provisions of the Companies Act, 1956 including any statutory amendment(s) or modification(s) or re-enactment(s) thereof for the time being or from time to time in force.

The Company does not have any Stock Option Scheme.

The number of shares held in their own names by non-executive Directors in the Company is given below:

| Name of the Director | No of Shares held as on 31 st March, 2014 | % of holding on the paid up capital |
|---------------------------|--|-------------------------------------|
| Mr.Praveen Singh | -- | -- |
| Mr.Khurshed M. Thanawalla | 34,230 | 0.02 |

5. **Shareholders/Investors Grievance Committee**

The Shareholders/Investors Grievance Committee consists of three members and is headed by Mr. Praveen Singh, an independent non-executive Director. During the 18 months period ended 31st March, 2014, 701 complaints were received from the shareholders/investors in addition to 1 unresolved complaints carried forward from previous year. As on 31st March, 2014 out of 702, 119 complaints were replied/resolved to the satisfaction of the shareholders/investors and balance were carried forward to next quarter.

All valid requests for share transfers received during the 18 months period ended 31st March, 2014 have been acted upon by the Company/Datamatics Financial Services Limited, Registrar and Transfer Agents of the Company and no transfers were pending as on 31st March, 2014.

6. **General Body Meetings**

The previous three Annual General Meetings of the Company were held at 11.00 a.m. on 4th August, 2010, 11th August, 2011 and 04th February, 2013 at Y.B.Chavan Centre, General Jagannath Bhonsle Marg, Sachivalaya, Mumbai 400001.

Special Resolutions relating to re-appointment of and payment of remuneration to Mr.Haider Nawaz; ratification and confirmation of payment of excess remuneration to Mr.Arun Mehta, then Chairman & Managing Director and; Mr.Yudhishtir D. Khatau, then Vice Chairman & Managing Director for the financial year ended 31st March, 2010 and variation in terms of minimum remuneration, payable to Mr.Arun Mehta, then Chairman & Managing Director and Mr.Yudhishtir D. Khatau, then Vice Chairman & Managing Director for the period from 1st April, 2010 to 31st March, 2012 were passed at the Annual General Meeting held on 4th August, 2010.

Special Resolutions relating to re-appointment and payment of remuneration including minimum remuneration to Mr.Arun Mehta, then Chairman & Managing Director for the period 1/4/2012 to 30/9/2012 and appointment and payment of remuneration including minimum remuneration to Mr.Yudhishtir D. Khatau, Chairman & Managing Director for the period 25/8/2012 to 24/8/2017 were passed at the Annual General Meeting held on 4th February, 2013.

No Special Resolution was passed during the 18 months period ended 31st March, 2014 through postal ballot.

7. **Disclosures**

- a) There were no materially significant related party transactions that may have had potential conflict with the interests of the Company, at large.
- b) In the preparation of the financial statements, the Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India.
- c) The Company has complied with the requirements of Stock Exchanges, Securities and Exchange Board of India and other statutory authorities on matters relating to capital markets during the last three years and consequently no penalties, strictures have been imposed on the Company by these authorities.
- d) The Company has not adopted a Whistle Blower policy.
- e) The Company has complied with mandatory requirements of Clause 49 of the Listing Agreement and has not adopted the non-mandatory requirements specified under Clause 49 other than constitution of a Remuneration Committee.

8. Means of Communication

As half yearly results as well as quarterly and annual results are published in newspapers, submitted to the Stock Exchanges in accordance with the Listing Agreement and also hosted on Company's website www.varunship.com, the half yearly reports are not sent to each household of shareholders. These results are normally published in Free Press Journal and Navshakti.

The official news releases are intimated to the Stock Exchanges and also displayed on the Company's website. As and when presentations are made to Analysts, the same are hosted on the Company's website.

The Management Discussion and Analysis forms a part of the Directors' Report in the Annual Report.

9. General Shareholder Information

Financial Year : 1st October, 2012 to 31st March, 2014
(18 months period)

Financial Reporting for

Quarter ended December, 2012 4th February, 2013

Quarter ended March 2013 10th May, 2013

Quarter ended June, 2013 14th August, 2012

Quarter ended September, 2013 13th November, 2013

Quarter ended December, 2014 13th February, 2013

Results for the 18 months period ended 31st March, 2014 -----

Date of Book Closure _____

Listing on Stock Exchanges:

The Company's equity shares are listed on Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 and National Stock Exchange of India Limited, Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai– 400051. Annual listing fees are being paid to each of the said stock exchanges as and when they fall due for payment.

Stock Codes

| | Equity Shares (Physical form) | Equity Shares (Demat Form) |
|--|----------------------------------|-------------------------------|
| BSE Limited | 465 | 500465 |
| National Stock Exchange of India Limited | -- | VARUNSHIP |

ISIN

The Company's equity shares form part of SEBI's compulsory demat segment bearing ISIN No.INE 702A01013. All the equity shares have been admitted for dealing by both National Securities Depository Limited and Central Depository Services (India) Limited.

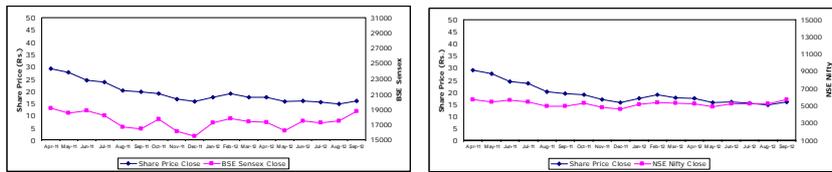
Stock Prices

The monthly high and low quotations of equity shares traded on the BSE Limited and National Stock Exchange of India Limited are as follows :

| Month | BSE Limited | | National Stock Exchange of India Limited | |
|---------------|-------------|-----------|--|-----------|
| | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| October, 2012 | 17.8 | 15.4 | 17.85 | 15.45 |

| | | | | |
|-----------------|------|-------|-------|-------|
| November, 2012 | 16.4 | 15.05 | 16.5 | 15 |
| December, 2012 | 16.7 | 15.05 | 16.4 | 14.95 |
| January, 2013 | 16.8 | 14 | 18 | 14.25 |
| February, 2013 | 15 | 10.45 | 14.75 | 10.4 |
| March, 2013 | 10.6 | 8.35 | 10.65 | 8.25 |
| April, 2013 | 9.6 | 8.01 | 9.7 | 8.25 |
| May, 2013 | 8.6 | 7 | 8.75 | 7 |
| June, 2013 | 7.25 | 5.12 | 7.2 | 5 |
| July, 2013 | 6.95 | 5.3 | 7.7 | 5.25 |
| August, 2013 | 6.7 | 5.12 | 6.55 | 5.1 |
| September, 2013 | 9.5 | 5.9 | 9.9 | 5.95 |
| October, 2013 | 8.85 | 7.2 | 8.95 | 7.15 |
| November, 2013 | 8.45 | 7.17 | 8.3 | 7.2 |
| December, 2013 | 10.3 | 7.56 | 10.25 | 7.45 |
| January, 2014 | 9.95 | 7.55 | 9.95 | 7.6 |
| February, 2014 | 8.5 | 6.67 | 8.25 | 6.7 |
| March, 2014 | 7.88 | 6.5 | 7.95 | 6.25 |

Performance of Company's share price in comparison to BSE and NSE index



[Source: www.bseindia.com ; www.nseindia.com]

Registrars and Transfer Agents:

Datamatics Financial Services Limited,
Plot No.A-16 & A-17,
Part "B" Crosslane, MIDC
Andheri (East), Mumbai – 400093
Tel : + 91 22 6671 2151-2160
Fax : + 91 22 2821 3404
E-mail : ysinvestors@dfssl.com

Share Transfer System :

Applications for transfer of shares in physical form are processed by the Company's Registrars and Transfer Agents, Datamatics Financial Services Limited. The Share Transfer Committee constituted for transfer/ transmission of shares, issue of duplicate share certificates and allied matters considers and approves the share transfers once in a fortnight subject to transfer instruments being valid and complete in all respects.

Demat requests are generally processed and completed within an average period of 14 days from the date of receipt provided they are otherwise in order.

| <u>Distribution of Shareholding as on 31st March, 2014 :</u> | | | | |
|--|---------------------|----------|---------------|----------|
| No. of Equity Shares held | Shareholders | | Shares | |
| | Nos. | % | Nos. | % |
| Upto 500 | 66,213 | 78.96 | 1,12,70,444 | 7.51 |
| 501 to 1000 | 8,475 | 10.11 | 69,54,141 | 4.64 |
| 1001 to 2000 | 4,569 | 5.45 | 70,05,241 | 4.67 |

| | | | | |
|-----------------|---------------|---------------|--------------------|---------------|
| 2001 to 3000 | 1,565 | 1.87 | 40,05,103 | 2.67 |
| 3001 to 4000 | 764 | 0.91 | 27,40,312 | 1.83 |
| 4001 to 5000 | 569 | 0.68 | 26,98,512 | 1.80 |
| 5001 to 10000 | 928 | 1.11 | 67,80,296 | 4.52 |
| 10001 to 50000 | 674 | 0.80 | 1,37,40,073 | 9.16 |
| 50001 and above | 104 | 0.12 | 9,48,13,651 | 63.21 |
| Total | 83,861 | 100.00 | 150,007,773 | 100.00 |

| Category | No. of Shares | % of Shareholding |
|---|----------------------|--------------------------|
| Promoters/Persons acting in concert | 56,691,562 | 37.79 |
| Venture Capital Fund | 1,500,000 | 1.00 |
| Insurance Companies | 10,050,528 | 6.70 |
| Foreign Institutional Investors/Foreign MFs | 223,931 | 0.15 |
| Other Institutions/Banks/MFs | 14,410 | 0.01 |
| Bodies Corporate | 6,580,175 | 11.08 |
| Non-Residents | 16,613,709 | 4.39 |
| Indian Public | 58,333,458 | 38.89 |
| Total | 150,007,773 | 100.00 |

Promoter Group Disclosures

The promoter of the Company is Yudhishtir D. Khatau Group which is controlled by Mr. Yudhishtir D. Khatau.

For the purposes of inter-se transfer of shares under Regulation 10(1)(a) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 [erstwhile SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 1997], the following persons/entities/individuals are included in the “Group” as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969):

| <u>Sr. No.</u> | <u>Name of the Person/Entities</u> |
|-----------------------|--|
| 1. | Mr. Yudhishtir D. Khatau |
| 2. | Varun Corporation Limited (formerly known as Khatau International Limited) |
| 3. | Tarun Shipping and Industries Limited |
| 4. | Sunbeam Talc Private Limited |
| 5. | Realpoint (Mauritius) Limited, Mauritius |
| 6. | Azure Seas Logistics |
| 7. | Mountview Investments Limited |
| 8. | Yuka Plantations Pvt Ltd |
| 9. | Varun Maritime Ltd |
| 10. | Varun Resources Ltd |
| 11. | Varun Global Ltd |

The Company has received intimation in this regard from the Promoters.

Dematerialisation of Shares and liquidity:

97.89 % of the equity shares have been dematerialized as on 31st March, 2014. The Company’s shares are regularly traded on Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments :

There are no outstanding GDRs/ADRs/Warrants or any other Convertible Instruments.

Plant Locations:

The Company does not have any plants since it is primarily engaged in the business of shipping and ship management activities.

Address for Correspondence :

With the Registrars and Transfer Agents

Datamatics Financial Services Limited,
Plot No.A-16 & A-17,
Part "B" Crosslane, MIDC
Andheri (East),
Mumbai - 400093
Tel : + 91 22 6671 2151-2160
Fax : + 91 22 2821 3404
E-mail : vsinvestors@dfssl.com

With the Company

Varun Shipping Company Limited,
Laxmi Building,
6, Shoorji Vallabhdas Marg,
Ballard Estate,
Mumbai – 400 001.
Tel : + 91 22 6635 0100-09
Fax : + 91 22 6635 0274
E-mail: secretarial@varunship.com
E-mail of grievance redressal division :
investors@varunship.com

Declaration by the Chairman & Managing Director under Clause 49 of the Listing Agreement

To

The Members of Varun Shipping Company Limited

I, Yudhishthir D. Khatau, Chairman & Managing Director, to the best of my knowledge and belief, do hereby declare that all the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct for the eighteen months period ended 31st March, 2014.

Yudhishthir D. Khatau

Chairman & Managing Director

Mumbai, 30th May, 2014

SORAB S. ENGINEER & CO. (Regd.)
CHARTERED ACCOUNTANTS



TELEPHONE : 2204 17 89
 : 2204 08 61
FAX : (022) 2284 63 19
EMAIL : sorabsengineer@yahoo.com
WEB : www.sseco.in

ISMAIL BUILDING,
381, DR. D. NAOROJI ROAD, FO
MUMBAI-400 001.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
VARUN SHIPPING COMPANY LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of **VARUN SHIPPING COMPANY LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the period of 18 months then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ('the Act') read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

MS. Co.

accounting estimates made by the 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 qualified audit opinion.

Basis for Qualified Opinion

Attention is invited to the following:

- i. *Note No. 31 regarding Long Term strategic investments made by the Company which are carried at cost and also other exposures of the Company in its various subsidiaries and associates in which there has been a significant erosion in the net worth on account of temporary reduction in revenues due to lack of working capital that has affected operations of the vessels. The management is in the process of raising resources to streamline the operations of the vessels in the future. The Company regards the diminution in the value of its investments and the recoverability of the receivables from its subsidiaries and associates to be temporary in nature considering the Company's strategic and long term commitment to these investments. The Company has made a provision of Rs. 14,000 Lacs as on 31st March 2014 against the Receivables from Varun Cyprus Ltd. Consequently Management is of the view that the outstandings are good and recoverable and that no further provision is required for the reasons stated in the note.*

We are unable to express an opinion on the recoverability / realizability of the above mentioned items and the impact of the same on the Loss for the year.

- ii. *Note No. 40 regarding non payment of Dividend of Rs. 750.03 Lacs and Dividend Distribution Tax of Rs. 121.67 Lacs for the period ended 30th September 2012.*

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss of the Company for the period ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the period ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

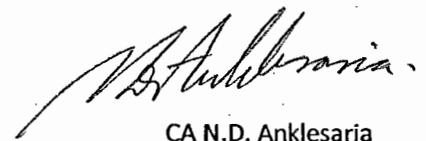
MS. Co.

2. As required by Section 227(3) of the Act, we report that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b. *Except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, 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 Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d. *Except for the effects of the matter described in the Basis for Qualified Opinion paragraph*, in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956 ('the Act') read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
- e. *As the Company has failed to pay the Dividend for the period ended 30th September, 2012 which had been approved by the Shareholders of the Company at the Annual General Meeting held on 4th February, 2013, and such failure has continued for a period of over one year, all the directors are disqualified as on March 31, 2014 from being appointed as directors in any other public company, under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956. Refer Note No. 40.*

M.S.G.

For SORAB S. ENGINEER & CO.
Chartered Accountants
Firm Registration No. 110417W



CA N.D. Anklesaria
(Partner)
(Membership No. 10250)

Place : Mumbai.
Date : 30th May, 2014

Annexure to the Auditor's Report

Annexure referred to in Para 1 of our report of even date to the members of Varun Shipping Company Limited

- i
- a) The Company is maintaining proper records of its fixed assets except Furniture and Fixtures.
 - b) The fixed assets have been physically verified by the Management during the period under review at reasonable intervals and no material discrepancies were noticed.
 - c) According to the information and explanations given to us, the Company has not disposed off substantial part of its fixed assets during the period under review.
- ii
- The Company owns and operates ships and hence a comment on inventory does not apply in this case. The Company does purchase stores and spare parts for its ships, which are directly treated as consumed as and when supplied to its ships. Stocks of bunkers have been physically verified by the Management.
- iii
- In respect of loans, secured or unsecured, granted or taken by the Company to / from Companies, Firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
- a. The Company has granted unsecured loans to 2 companies covered in the register maintained under Section 301 of the Companies Act, 1956. In respect of the said loans, the maximum balance outstanding at any time during the period under review is ₹ 6396.39 Lacs and the year end balance is also ₹ 6396.39 Lacs.
 - b. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of such loans, are not, *prima facie*, prejudicial to the interest of the company.
 - c. In respect of the said loans no amounts on account of interest or principal have been received from the borrowers. The interest accrued on these Loans is ₹ 4,289.06 Lacs as on 31st March 2014. The terms of arrangement do not stipulate any repayment schedule on account of principal and the loans are repayable on demand.
 - d. There is no overdue amount of more than Rupees one lakh in respect of the loans granted to companies listed in the register maintained under Section 301 of the Companies Act, 1956 as the terms of arrangement do not stipulate any repayment schedule and the same are repayable on demand.
 - e. The Company has taken an interest free unsecured loan from a party covered in the register maintained under Section 301 of the Companies Act, 1956. In respect of the said loan, the maximum balance outstanding at any time during the period under review is ₹ 352.00 Lacs and the year end balance is also ₹ 352.00 Lacs.
 - f. In our opinion and according to the information and explanations given to us, the loan is interest free and the other terms and conditions of the loan are not, *prima facie*, prejudicial to the interest of the company.

M. S. S.

- g. The terms of arrangement do not stipulate any repayment schedule on account of principal and the loan is repayable on demand.
- iv In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, spare parts and fixed assets. During the course of our audit, we have not observed any major weaknesses in internal control system of the Company. However, attention is invited to the matters stated in Note No. 42
- v
- a) According to the information and explanations given to us, we are of the opinion that the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the period under review have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi According to the information and explanations given to us, the Company has not accepted fixed deposits from public and hence, provisions of sections 58A and 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public are not applicable.
- vii In our opinion and according to the information and explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.
- viii Maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub section (i) of section 209 of the Companies Act, 1956.
- ix
- a. *According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and other statutory dues have not generally been regularly deposited with the appropriate authorities. The following are the outstanding statutory dues as at the last date of the financial year which were outstanding for a period of more than six months from the date they became payable:*

| <i>Name of the Statute</i> | <i>Nature of the Dues</i> | <i>Amount (₹ in Lacs)</i> | <i>Period to which the amount relates</i> |
|-----------------------------|---------------------------|-------------------------------|---|
| <i>Income tax Act, 1961</i> | <i>Income Tax</i> | <i>1,597.93</i> | <i>July 2012 to August 2013</i> |
| <i>Finance Act, 1994</i> | <i>Service Tax</i> | <i>1,228.10</i> | <i>May 2008 to August 2013</i> |

MS & Co

| | | | |
|------------------------------------|---------------------------|--------|------------------------------|
| Employees Provident Fund Act, 1952 | Employees Provident Fund | 424.23 | November 2012 to August 2013 |
| Companies Act, 1956 | Payment of Dividend | 750.04 | February 2013 |
| Companies Act, 1956 | Dividend Distribution Tax | 121.68 | February 2013 |

b. According to the records of the Company as at 31st March 2014, the following are the particulars of disputed dues on account of various matters which have not been deposited:

| Name of the Statute | Nature of demand | Amount(₹ in Lacs) | Period to which the amount relates | Forum where dispute is pending |
|--|------------------|--------------------|------------------------------------|--------------------------------|
| Tamil Nadu General Sales Tax Act, 1959 | Commercial Tax | 832.84 | 2007-2008 | Madras High Court |
| | | | | |

- x In our opinion, the accumulated losses at the end of the financial year are more than fifty percent of its net worth.
The Company has incurred cash losses in the current period under review; however the Company has not incurred cash loss in the immediately preceding financial year.
- xi The Company is in arrears in the repayment of its dues to various Banks/Financial Institutions. An amount of ₹ 6,818.89 Lacs on account of Principal and ₹ 5,550.74 Lacs on account of Interest aggregating to ₹ 12,369.63 Lacs are overdue to various Banks/Financial Institutions as on 31st March 2014. Subsequent to the date of the Balance Sheet, the Company has paid an aggregate amount of ₹ 1,166.63 Lacs.
- xii In our opinion and according to the information and explanations given by the Management, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or any other securities.
- xiii In our opinion the Company is not a chit fund or a nidhi /mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable.
- xiv In our opinion, the Company is not dealing in or trading in shares, securities, debentures and any other investments. Therefore, the provisions of clause 4(xiv) of the Order are not applicable.
- xv In our opinion and according to the information and explanations given to us, the terms and conditions on which guarantees have been given by the Company for loans taken by others from banks / financial institutions are not *prima facie* prejudicial to the interest of the Company.

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- xvi On the basis of the records examined by us and relying on the information compiled by the Company for co-relating the funds raised to the end-use of term loans, we state that the Company has, *prima facie*, applied the term loans for the purpose for which they were obtained.
- xvii According to the information and explanations given to us and on an overall examination of the financial statements and after placing reliance on the reasonable assumptions made by the Company for classification of Short-term and Long-term usage of the funds, we are of the opinion that, *prima facie*, no funds raised on short-term basis have been utilized for long-term investment.
- xviii According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties or Companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly paragraph 4(xviii) of the Order is not applicable.
- xix According to the information and explanations given to us, the Company has not issued any debentures during the period under review. Accordingly paragraph 4(xix) of the Order is not applicable.
- xx The Company has not raised any money by public issues during the period under review. Accordingly paragraph 4(xx) of the Order is not applicable.
- xxi Based upon the audit procedures performed and information and explanations given by the Management, we report that no fraud on or by the Company has been noticed or reported during the period under review.

M. S. Engineer

**For SORAB S. ENGINEER & CO.
CHARTERED ACCOUNTANTS
Firm Registration No. : 110417W**

N. D. Anklesaria
**CA N.D. Anklesaria
PARTNER
MEMB. NO. 10250**

Mumbai: May 30, 2014.

Varun Shipping Company Limited
Balance Sheet as at 31st March 2014

(₹ in Lacs)

| Particulars | Note No | As at 31st March 2014 | As at 30th September 2012 |
|---|---------|-----------------------|---------------------------|
| I. EQUITY AND LIABILITIES | | | |
| 1 Shareholders' funds | | | |
| (a) Share capital | 2 | 15,000.78 | 15,000.78 |
| (b) Reserves and surplus | 3 | 20,246.32 | 69,239.91 |
| 2 Non-current liabilities | | | |
| (a) Long-term borrowings | 4 | 80,217.80 | 66,982.96 |
| (b) Long-term provisions | 5 | 460.60 | 705.20 |
| (c) Finance Lease Payable | 37 | - | 2,860.26 |
| 3 Current liabilities | | | |
| (a) Short-term borrowings | 6 | 16,840.02 | 14,739.09 |
| (b) Trade payables | 36 | 37,102.41 | 33,454.38 |
| (c) Other current liabilities | 7 | 40,258.85 | 67,260.13 |
| (d) Short-term provisions | 8 | 498.64 | 1,515.85 |
| (e) Finance Lease Payable | 37 | 2,354.49 | 3,522.73 |
| TOTAL | | 212,979.91 | 275,281.29 |
| II. ASSETS | | | |
| Non-current assets | | | |
| 1 (a) Fixed assets | | | |
| (i) Tangible assets | | 61,419.42 | 65,328.10 |
| (ii) Intangible assets | | - | - |
| (iii) Capital work-in-progress | | - | - |
| | 9 | 61,419.42 | 65,328.10 |
| (b) Non-current investments | 10 | 34,854.25 | 5,034.08 |
| (c) Long-term loans and advances | 11 | 12,467.66 | 11,103.90 |
| (d) Finance Lease Receivable | 37 | - | 2,722.04 |
| (e) Foreign Currency Monetary Item Translation Difference | | 824.14 | 924.1 |
| 2 Current assets | | | |
| (a) Inventories | 12 | 719.11 | 761.77 |
| (b) Trade receivables | 13 | 54,001.57 | 78,316.14 |
| (c) Cash and Cash Equivalents | 14 | 219.01 | 33,475.75 |
| (d) Short-term loans and advances | 15 | 40,344.75 | 59,210.62 |
| (e) Other current assets | 16 | 8,130.00 | 16,333.77 |
| (f) Finance Lease Receivable | 37 | - | 2,902.71 |
| TOTAL | | 212,979.91 | 275,281.29 |

Summary of Significant Accounting Policies
Notes referred to above form an integral part of the Balance Sheet and should be read in conjunction therewith

As per our attached report of even date
For Sorab S. Engineer & Co.
Chartered Accountants
Firm Registration No. 110417W

For and on behalf of the Board

YUDHISHTHIR D. KHATAU
Chairman & Managing Director

For and on behalf of the Board

ARMIN PARDIWALA
Director

C.A. N. D. ANKLESARIA
Partner
Membership No. 10250
Mumbai, 30th May, 2014

Mumbai, 30th May, 2014

VARUN SHIPPING COMPANY LIMITED

Statement of Profit and Loss for the period of 18 months ended 31st March, 2014

(₹ in Lacs)

| Particulars | Note No. | For the period of 18 months ended 31st March, 2014 | For the period of 18 months ended 30th September, 2012 |
|--|----------|--|--|
| I. Revenue from operations (Net) | ✓ 17 | ✓ 17,531.43 | ✓ 46,550.23 |
| II. Profit on Sale of Ships & others Assets (Net) | | 0.91 | ✓ 13,862.68 |
| III. Other income | ✓ 18 | ✓ 3,631.61 | ✓ 18,007.32 |
| IV. Total Revenue (I + II+III) | | ✓ 21,163.95 | ✓ 78,420.23 |
| V. Expenses: | | | |
| ✓ Operating Costs | ✓ 19 | ✓ 16,689.12 | ✓ 25,660.43 |
| ✓ Employee benefits expenses | ✓ 20 | ✓ 7,215.83 | ✓ 10,633.57 |
| ✓ Other expenses | ✓ 21 | ✓ 3,260.46 | ✓ 3,942.42 |
| ✓ Finance costs | ✓ 22 | ✓ 23,865.74 | ✓ 36,046.09 |
| ✓ Provision for doubtful receivables | | ✓ 14,000.00 | |
| ✓ Exchange (gain)/loss | | ✓ (7,223.12) | ✓ (16,073.77) |
| ✓ Depreciation on Tangible Assets and Amortization | | ✓ 12,263.64 | ✓ 14,438.83 |
| Total expenses | | ✓ 70,071.67 | ✓ 74,647.57 |
| VI. Profit/(Loss) before exceptional and extraordinary items and tax (IV - V) | | ✓ (48,907.72) | ✓ 3,772.66 |
| VII. Exceptional items | | - | - |
| VIII. Profit/(Loss) before extraordinary items and tax (VI - VII) | | ✓ (48,907.72) | ✓ 3,772.66 |
| IX. Extraordinary Items | | - | - |
| X. Profit/(Loss) before tax (VIII - IX) | | ✓ (48,907.72) | ✓ 3,772.66 |
| XI Tax expense: | | | |
| ✓ (1) Current tax | | - | ✓ 175.00 |
| ✓ (2) Deferred tax | | - | - |
| ✓ (3) Short / (excess) provision of Income Tax of earlier years (Net) | | ✓ 85.87 | ✓ (238.88) |
| XII Profit/(Loss) for the year (X-XI) | | ✓ (48,993.59) | ✓ 3,836.54 |
| XIII Earnings per equity share: (in ₹) | ✓ 34 | | |
| ✓ Nominal Value per Share ₹ 10/- (Previous Period ₹ 10) | | | |
| ✓ Before Extraordinary Items | | | |
| ✓ Basic | | ✓ (32.66) | ✓ 2.56 |
| ✓ Diluted | | ✓ (32.66) | ✓ 2.56 |
| ✓ After Extraordinary Items | | | |
| ✓ Basic | | ✓ (32.66) | ✓ 2.56 |
| ✓ Diluted | | ✓ (32.66) | ✓ 2.56 |

Summary of Significant Accounting Policies

Notes referred to above form an integral part of the Statement of Profit and Loss and should be read in conjunction therewith

As per our attached report of even date
For SORAB S. ENGINEER & CO.
Chartered Accountants
Firm Registration No.110417W

For and on behalf of the Board

Yodhishtir D. Khatal
YODHISHTHIR D. KHATAL
Chairman & Managing Director

For and on behalf of the Board

Armin Pardiwala
ARMIN PARDIWALA
Director

C.A. N. D. Anklesaria
C.A. N. D. ANKLESARIA
Partner
Membership No. 10250
Mumbai, 30th May, 2014

Mumbai, 30th May, 2014

NOTE NO.1

SIGNIFICANT ACCOUNTING POLICIES.

a. CONVENTION:

- ✓ The accounts are prepared under the historical cost convention and as a going concern. Fixed assets are included at the cost incurred at the date of acquisition.

b. FOREIGN EXCHANGE TRANSACTIONS:

- ✓ Loans in foreign currency from banks and financial institutions for acquisition of fixed assets are converted at the rate of exchange prevailing on the date of Balance Sheet. However, where there are outstanding forward cover contracts, loans are translated at the rate under the said covers.

- ✓ Government of India, Ministry of Corporate Affairs vide Notification No.GSR 225(E) dated 31st March, 2009 issued Companies (Accounting Standards) Amendment Rule 2009 as amended on 29th December,2011, with effect from Accounting Year commencing on or after 7th December, 2006.

- ✓ In terms of the notification referred above, exchange differences arising on reporting of long term foreign currency loans, so far as they relate to acquisition of depreciable capital assets, is added to or deducted from the cost of the asset and depreciated over the balance life of the asset and in other cases it is accumulated in a "Foreign Currency Monetary Items Translation Difference Account" and amortized over balance period of such long term liability but not beyond 31st March, 2020. Current assets and current liabilities are converted at the rate prevailing on the Balance Sheet date and the net result is taken into Statement of Profit & Loss account.

- ✓ Gains or Losses on other foreign exchange transactions during the year are credited / debited to Statement of Profit & Loss Account.

c. Impairment of Assets

- ✓ The Company reviews the carrying values of tangible assets for any possible impairment at each balance sheet date. Impairment loss, if any, is recognised in the year in which impairment takes place.

d. CAPITALISATION OF EXPENSES

- ✓ i. Interest and other expenses incurred on amounts borrowed for the company's expansion programme are carried forward and allocated to the cost of assets acquired.
- ✓ ii. In addition operating costs of newly acquired ships till the first load port or commencement of first commercial voyage in case of offshore assets are added to the cost of assets. These expenses include initial bunkers, stores, spares, interest, floating staff salaries and wages, travelling of personnel and other incidental expenses.

e. DEPRECIATION

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✓ Depreciation is provided on ships on straight line basis at the rates provided in Schedule XIV to the Companies Act, 1956, or such higher rates as have been determined by technical evaluation of the balance useful life for each ship. Depreciation on other assets is provided on the written down value method at the rates specified in Schedule XIV to the Companies Act, 1956.

✓ **f. TREATMENT OF MAJOR REPAIRS**

✓ All major repairs including special survey expenses carried out on vessels are written off to the revenue in the year of incurring the expenses. However, where such expenses are in the nature of capital expenses, the same are added to the cost of the vessel concerned.

✓ **g. LEASE RENTALS AND BAREBOAT CHARTER EXPENSES**

✓ Assets acquired under finance lease from 1st April 2001 are accounted in accordance with Accounting Standard 19 issued by the Institute of Chartered Accountants of India. Similarly assets given on long term bare boat charter basis is considered as finance lease for the purpose of accounts.

✓ **h. STORES AND SPARES**

✓ Stores and spares purchased are directly issued to ships and the values of such purchases are charged to the expenses account as consumed.

✓ **i. REVENUE RECOGNITION**

✓ Income from time and voyage charters is recorded on the basis of rates contracted with charterers. For voyages in progress at the year end, the estimated net earnings are divided proportionately over the total number of days taken to complete the voyage and credit is taken for the net earnings falling within the accounting period.

✓ Claims receivable on account of Insurance are accounted for to the extent the Company is reasonably certain of the ultimate collection.

✓ **j. EMPLOYEE BENEFITS**

✓ For defined benefit plans, in case of shore staff and ships' officers on Company's roster, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss account for the period in which they occur.

✓ In the case of ships' crew members, gratuity is accounted for on cash basis and is insignificant in value.

✓ **k. PROVISION FOR DOUBTFUL DEBTS/ADVANCES**

✓ Specific provisions for doubtful debts are made by provisions charged to current revenue. The determination of the balance of the provision is based on evaluation of individual advances.

✓ **l. SHARE ISSUE EXPENSES:**

✓ The Company follows the practice of adjusting expenses in connection with the issue of shares / convertible debentures against Securities premium.

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✓ m. CONTINGENT LIABILITIES

✓ The following are considered as contingent liabilities by the company and disclosed by way of Notes to the accounts: -

- ✓ i. Guarantees executed by the company's bankers
- ✓ ii. Demands received from statutory authorities but not accepted by the company.
- ✓ iii. Claims against the company not acknowledged as debts.
- ✓ iv. Estimated amount of contracts remaining to be executed on capital account and not provided for.
- ✓ v. Corporate guarantee issued by the company on behalf of Subsidiary/Associate companies.

Notes.

Note 2: Share Capital

| Particulars | As at 31 March 2014 | | As at 30 September 2012 | |
|---------------------------------------|---------------------|-------------|-------------------------|-------------|
| | Number | (₹ in Lacs) | Number | (₹ in Lacs) |
| Authorised | | | | |
| Preference Shares of ₹ 100/- each | 2,000,000 | 2,000.00 | 2,000,000 | 2,000.00 |
| Equity Shares of ₹ 10/- each | 300,000,000 | 30,000.00 | 300,000,000 | 30,000.00 |
| Issued | | | | |
| Equity Shares of ₹ 10/- each | 150,007,773 | 15,000.78 | 150,007,773 | 15,000.78 |
| Subscribed & Fully Paid up | | | | |
| Equity Shares of ₹ 10/- each | 150,007,773 | 15,000.78 | 150,007,773 | 15,000.78 |

a. Reconciliation of number of shares outstanding at the beginning and end of the year

| Particulars | As at 31 March 2014 | | As at 30 September 2012 | |
|---|---------------------|-------------|-------------------------|-------------|
| | No. of Shares | (₹ in Lacs) | No. of Shares | (₹ in Lacs) |
| Shares outstanding at the beginning of the period | 150,007,773 | 15,000.78 | 150,007,773 | 15,000.78 |
| Shares issued during the period | - | - | - | - |
| Shares bought back during the period | - | - | - | - |
| Shares outstanding at the end of the period | 150,007,773 | 15,000.78 | 150,007,773 | 15,000.78 |

b. Rights, Preferences and Restrictions attached to Shares

The Company has one class of shares referred to as equity shares having a par value of ₹ 10 each. Each shareholder is entitled to one vote per share held. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

c. List of shareholders holding more than 5% shares

| Name of Shareholder | As at 31 March 2014 | | As at 30th September 2012 | |
|---------------------------------------|---------------------|--------------|---------------------------|--------------|
| | No. of Shares held | % of Holding | No. of Shares held | % of Holding |
| Varun Corporation Limited | 8,308,401 | 5.54% | 8,308,401 | 5.54% |
| Tarun Shipping and Industries Limited | 15,033,161 | 10.02% | 15,033,161 | 10.02% |
| Realpoint (Mauritius) Limited | 33,350,000 | 22.23% | 33,350,000 | 22.23% |
| Caledonia Investments plc. | 9,972,769 | 6.65% | 9,972,769 | 6.65% |

d. The Company has neither issued any Bonus Shares nor bought back any Shares during the last 5 years.

e. Unpaid calls

As per records of the Company, no calls remain unpaid by the directors and officers of the Company as on 31st March, 2014

f. As per records of the Company, no shares have been forfeited by the Company during the period.

MR. G.

Note 3: Reserves and Surplus

| Particulars | As at 31 March 2014 | As at 30 September 2012 |
|--|---------------------|-------------------------|
| | (₹ in Lacs) | (₹ in Lacs) |
| ✓ a. Securities Premium Account | | |
| ✓ As per last Balance Sheet | ✓ 26,614.47 | ✓ 26,614.47 |
| ✓ b. General Reserve | | |
| ✓ As per last Balance Sheet | ✓ 15,272.00 | ✓ 15,272.00 |
| ✓ c. Capital Reserve | | |
| ✓ As per Last Balance Sheet | ✓ 59.40 | ✓ 59.40 |
| ✓ d. Capital Redemption Reserve | | |
| ✓ As per Last Balance Sheet | ✓ 2,000.00 | ✓ 2,000.00 |
| ✓ e. Tonnage Tax Reserve under Section 115VT of the Income tax Act 1961: | | |
| ✓ As per Last Balance Sheet | ✓ 2,000.00 | ✓ 2,000.00 |
| ✓ f. Tonnage Tax Reserve under Section 115VT of the Income tax Act 1961 (utilised) account | | |
| ✓ As per Last Balance Sheet | ✓ 10,900.00 | ✓ 10,900.00 |
| ✓ g. Balance of Statement of Profit and Loss. | | |
| ✓ Opening balance | ✓ 12,394.04 | ✓ 9,429.22 |
| ✓ (+) Net Profit/(Net Loss) for the year | ✓ (48,993.59) | ✓ 3,836.54 |
| ✓ (+) Transfer from Reserves | | |
| ✓ (-) Proposed Equity Dividend | 0.00 | ✓ (750.04) |
| ✓ (-) Distribution Tax on Proposed Equity Dividend | 0.00 | ✓ (121.68) |
| ✓ Closing Balance | ✓ (36,599.55) | ✓ 12,394.04 |
| | | |
| Total | ✓ 20,246.32 | ✓ 69,239.91 |

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Note 4: Long Term Borrowings

| Particulars | As at 31 March 2014 | As at 30 September 2012 |
|---------------------------------------|---------------------|-------------------------|
| | ✓ (₹ In Lacs) | ✓ (₹ In Lacs) |
| Secured | | |
| (a) Loans from Financial Institutions | ✓ 20,125.90 | ✓ 2,343.33 |
| (b) Loans from Banks | ✓ 60,091.90 | ✓ 64,639.63 |
| Total | ✓ 80,217.80 | ✓ 66,982.96 |

Nature of Security

From Banks:

- a. ₹ 24,386.94 Lacs (Previous Period ₹ 57,101.29 Lacs) secured by charge on some of the Company's ships and receivable thereof.
- b. Current Period Nil (Previous Period ₹ 4,534.99 Lacs) secured by charge on receivables of one of the Company's ships.
- c. ₹ 6,900 Lacs (Previous Period ₹ 23,823.08 Lacs) secured by charge on some of the Company's ships and personal guarantee of a Director.
- d. ₹ 5,583.74 Lacs (Previous Period ₹ 8,168.91 Lacs) secured by charge on one of the Company's ships, receivables thereof and personal guarantee of a Director.
- e. ₹ 2,187.50 Lacs (Previous Period ₹ 15,111.80 Lacs) secured by charge on some of the Company's ships.
- f. Current Period Nil (Previous Period ₹ 6,499.73 Lacs) secured by charge on one of the Company's ships, corporate guarantee of subsidiary and personal guarantee of a Director.
- g. ₹ 12,570.00 Lacs (Previous Period Nil) secured by charge on some of the Company's ships, corporate guarantee of Company under common control of the promoter and personal guarantee of a Director and mortgage on property of Company under common control of promoter.
- h. ₹ 8,264.67 Lacs (Previous Period Nil) secured by a charge on some of the Company's ships, receivables thereof, personal guarantee from Promoter, Corporate guarantee of Subsidiary, Associate Companies.
- i. ₹ 10,997.00 Lacs (Previous Period Nil) secured by a charge on some of the Company's ships, receivables thereof, personal guarantee of Promoter, Corporate guarantee of Associate Companies.
- j. ₹ 5,000.00 Lacs (Previous Period Nil) secured by a charge on some of the Company's ships, personal guarantee from Promoter, Corporate guarantee of Associate Companies.

From Financial Institutions:

- a. ₹ 4,368.33 Lacs (Previous Period ₹ 4,368.33 Lacs) secured by charge on Company's property.
- b. ₹ 15,957.66 Lacs (Previous Period Nil) secured by a charge on some of the Company's ships, receivables thereof, corporate guarantee of one of the Subsidiary Company, personal guarantee of a Director and pledge of preference shares of an Associate Company.
- c. ₹ 3,268.24 Lacs (Previous Period Nil) secured by entire receivables of one of the Subsidiary Companies, personal guarantee of a Promoter, charge on one of the ships of the Company and pledge of preference shares of one of the Subsidiary Companies.

✓ In respect of Loans aggregating to ₹ 31,397.35 Lacs from certain Banks and a Financial Institution, the Company is in the process of creating security by way of mortgage over its vessels.

Details of Arrears:

The Company is in arrears in the repayment of its dues to various Banks/Financial Institutions. An amount of ₹ 6,818.89 Lacs (Previous Period ₹ 10,997.00 Lacs) on account of Principal and ₹ 5,550.74 Lacs (Previous Period ₹ 1,834.30 Lacs) on account of Interest aggregating to ₹ 12,369.63 Lacs (Previous Period ₹ 12,831.30 Lacs) are overdue to various Banks/Financial Institutions as on 31st March 2014. Subsequent to the date of the Balance Sheet, the Company has paid an aggregate amount of ₹ 1,166.63 Lacs.

Details of terms of Repayments

| Particulars | Terms of Repayment from Balance sheet date | Range of Interest (%) p.a. | As at 31 March 2014 | As at 30 September 2012 |
|---------------------------------------|--|----------------------------|---------------------|-------------------------|
| | | | ✓ (₹ In Lacs) | ✓ (₹ In Lacs) |
| ✓ From Banks / Financial Institutions | | | | |
| ✓ Foreign Currency Loans | ✓ Repayable in quarterly / Half yearly instalments ranging between 2011 to 2017-2018 | ✓ 1.69% to 8.25% | ✓ 61,589.14 | ✓ 708.60 |
| ✓ Rupee Loans | ✓ Repayable in monthly / quarterly instalments ranging between 2011 to 2016-2017 | ✓ 11% to 16.50% | ✓ 37,894.94 | ✓ 118,899.52 |

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✓ Note 5: Long Term Provisions

| ✓ Particulars | ✓ As at 31 March 2014 | ✓ As at 30 September 2012 |
|-----------------------------------|-----------------------|---------------------------|
| | ✓ (₹ in Lacs) | ✓ (₹ in Lacs) |
| ✓ Provision for employee benefits | | |
| ✓ Gratuity | ✓ 292.69 | ✓ 460.10 |
| ✓ Leave Encashment | ✓ 167.91 | ✓ 245.10 |
| Total | ✓ 460.60 | ✓ 705.20 |

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Note 6: Short Term Borrowings

| Particulars | As at 31 March 2014 | As at 30 September 2012 |
|--|---------------------|-------------------------|
| | (₹ in Lacs) | (₹ in Lacs) |
| Secured | | |
| (a) From banks | | |
| Working Capital Loans Repayable on Demand from Banks | 7,624.52 | 9,853.61 |
| Un-Secured | | |
| (a) From banks | | |
| Working Capital Loans Repayable on Demand from Banks | - | - |
| (b) From Others (Including loan from a Director ₹ 352.00 Lacs) | 7,715.50 | 3,385.48 |
| (c) Loan from Subsidiary Company | 1,500.00 | 1,500.00 |
| Total | 16,840.02 | 14,739.09 |

Details of Security

- Overdraft facility with a Bank of ₹ 1,611.45 Lacs (Previous Period ₹ 2,022.55 Lacs) secured by charge on one of the Company's ships, personal guarantee of a Director and Corporate Guarantee of Subsidiary Company & Associate Company.
- Overdraft facility with a Bank of ₹ 513.07 Lacs (Previous Period ₹ 785.80 Lacs) secured by charge on one of the Company's ships.
- Overdraft facility with a Bank Current Period Nil (Previous Period ₹ 1,601.21 Lacs) secured by charge on receivables of some of the Company's ships & personal guarantee of a Director.
- Overdraft facility with a Bank of ₹ 5,000.00 Lacs (Previous Period ₹ 5,440.05 Lacs) secured by charge on one of the Company's ships, personal guarantee of a Director and Corporate Guarantee of Associate Company.
- Overdraft facility with a Bank of ₹ 500.00 Lacs (Previous Period Nil) secured by charge on one of the Company's ships, personal guarantee of a Director and Corporate Guarantee of Associate Company.

Rate of Interest

- Working Capital Loans from banks carry interest rates ranging from 13.00% to 16.00% per annum.

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Note 7: Other Current Liabilities

| Particulars | As at 31 March 2014 | As at 30 September 2012 |
|--|---------------------|-------------------------|
| | (₹ in Lacs) | (₹ in Lacs) |
| (a) Current Maturities of Long Term Debt : | | |
| Current Maturities of Long Term Borrowings (Refer Note No. 4) | ✓ 19,266.28 | ✓ 52,625.16 |
| (b) Interest accrued and due on borrowings | ✓ 7,270.23 | ✓ 3,432.90 |
| (c) Deposits | ✓ 930.00 | - |
| (d) Liability towards Investors Education and Protection Fund under Section 205 C of the Companies Act, 1956 not due : | | |
| Unpaid / Unclaimed dividend | ✓ 157.39 | ✓ 214.08 |
| (e) Other current liabilities | ✓ 35.16 | ✓ 82.53 |
| (f) Other Payables | | |
| Service Tax Payable (including interest thereon of ₹ 204.52 Lacs) | ✓ 1,275.65 | ✓ 1,402.18 |
| Tax Deducted at Source (including interest thereon of ₹ 314.19 Lacs) | ✓ 2,205.40 | ✓ 1,548.73 |
| Salary and Reimbursements | ✓ 4,829.17 | ✓ 3,325.32 |
| Provident Fund and other Employee Deductions | ✓ 573.58 | ✓ 884.47 |
| Advances from Customers | ✓ 2,844.27 | ✓ 3,744.76 |
| Dividend of F.Y. 2011-12 remaining unpaid (Refer Note No. 40) | ✓ 750.04 | - |
| Tax on Proposed Equity Dividend of F.Y. 2011-12 (Refer Note No.40) | ✓ 121.68 | - |
| Total | ✓ 40,258.85 | ✓ 67,260.13 |

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✓ Note 8: Short Term Provisions

| ✓ Particulars | ✓ As at 31 March 2014 | As at 30 September 2012 |
|-----------------------------------|-----------------------|-------------------------|
| | ✓ (₹ in Lacs) | ✓ (₹ in Lacs) |
| ✓ Provision for employee benefits | | |
| ✓ Gratuity | ✓ 433.42 | ✓ 515.06 |
| ✓ Leave Encashment | ✓ 65.22 | ✓ 129.07 |
| ✓ Proposed Equity dividend | - | ✓ 750.04 |
| ✓ Tax on Proposed Equity Dividend | - | ✓ 121.68 |
| Total | ✓ 498.64 | ✓ 1,515.85 |

M. S. G.

(₹ in Lacs)

| NOTE 9: FIXED ASSETS | GROSS BLOCK (AT COST) | | | | | DEPRECIATION | | | | | NET BLOCK | | |
|--------------------------|--------------------------------|-----------|--------------------------|----------------------------|--------------------------------|-------------------------------|-----------------------------------|----------------------------|--------------------------------|---------------------------------|-----------------------------|---------------------------------|--|
| | Upto 30th September 2012 | Additions | Deductions/ Transfers | Upto 31st March 2014 | Upto 30th September 2012 | Provided during the Period | Written Back during the Period | Upto 31st March 2014 | Upto 30th September 2012 | Impairment during the Period | As at 31st March 2014 | As at 30th September 2012 | |
| Tangible Assets Owned | | | | | | | | | | | | | |
| Ships | 402,357.64 | 27,052.99 | 18,861.20 | 110,549.43 | 38,063.34 | 12,038.17 | - | 50,101.51 | 684.91 | - | 59,763.01 | 63,609.39 | |
| Land | 1.60 | - | - | 1.60 | - | - | - | - | - | - | 1.60 | 1.60 | |
| Premises | 2,527.50 | - | - | 2,527.50 | 929.36 | 119.86 | - | 1,049.22 | - | - | 1,478.28 | 1,598.14 | |
| Office Equipments | 669.36 | 10.48 | 7.84 | 672.00 | 613.56 | 28.05 | 7.03 | 634.58 | - | - | 37.42 | 55.80 | |
| Furniture and Fixtures | 496.86 | - | - | 496.86 | 447.03 | 12.74 | - | 459.77 | - | - | 37.09 | 49.83 | |
| Vehicles | 83.66 | 155.26 | 16.43 | 222.49 | 70.32 | 64.82 | 14.67 | 120.47 | - | - | 102.02 | 13.34 | |
| TOTAL | 106,136.62 | 27,218.73 | 18,885.47 | 114,469.88 | 40,123.61 | 12,263.64 | 21.70 | 52,365.55 | 684.91 | - | 61,419.42 | 65,328.10 | |
| Previous Year | 241,577.39 | 8,995.52 | 144,436.29 | 106,136.62 | 50,146.45 | 14,438.83 | 24,461.66 | 40,123.62 | 684.90 | - | 65,328.10 | | |

Notes: Additions to Ships includes exchange rate difference also.

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Note 10: Non Current Investments

| Particulars | Nominal Value | Number of Shares/Units | As at 31 March 2014 | As at 30 September 2012 |
|---|---------------|------------------------|---------------------|-------------------------|
| | | | (₹ in Lacs) | (₹ in Lacs) |
| Trade Investments (At Cost) | | | | |
| Investments in Fully Paid Equity Shares | | | | |
| In Subsidiary (Unquoted) | | | | |
| Varun Cyprus Ltd. | USD 1.00 | 1000 | 701.94 | 701.94 |
| Varun Gas Infrastructure Limited | INR 10.00 | 1,000,000 | 100.00 | 100.00 |
| Varun Resources Limited | INR 1.00 | 150,007,773 | 1,499.62 | 1,499.62 |
| Varun Global Limited | INR 1.00 | 500,000 | 4.55 | 0.55 |
| In Associates (Unquoted) | | | | |
| YSC International Pte Ltd | SGD 1.00 | 5,561,208 | 1,882.43 | 1,882.43 |
| Tarun Shipping and Industries Limited | INR 10.00 | 8,400,000 | 840.00 | 840.00 |
| Varun Asia Pte Ltd. | USD 1.00 | 19,600 | 8.94 | 8.94 |
| Ocean Race Shipping Company Ltd. | EUR 1.00 | 490 | 0.29 | 0.29 |
| Sea Fidelity Shipping Company Ltd. | EUR 1.00 | 490 | 0.31 | 0.31 |
| Investments in Fully Paid Preference Shares | | | | |
| In Subsidiary (Unquoted) | | | | |
| Varun Cyprus Ltd. - Class A -Cumulative Redeemable Shares | USD 1,000.00 | 2,000 | 10,949.18 | - |
| Varun Cyprus Ltd. - Class B -Cumulative Redeemable Shares | USD 1,000.00 | 16 | 87.93 | - |
| In Associates (Unquoted) | | | | |
| Varun Asia Pte Ltd. - Class A - Redeemable Shares | USD 10,000.00 | 3,182 | 18,616.78 | - |
| Other Investments (Quoted) | | | | |
| SBI Life - Smart Performer Plan Secure Plan | INR 10.00 | 1,409,644 | 162.28 | - |
| Total | | | 34,854.25 | 5,034.08 |

a Aggregate Book Value of Investments

| Particulars | As at 31 March 2014 | As at 30 September 2012 |
|---|---------------------|-------------------------|
| | (₹ in Lacs) | (₹ in Lacs) |
| Aggregate amount of quoted investments | 162.28 | - |
| Aggregate amount of unquoted investments | 34,691.97 | 5,034.08 |
| Aggregate provision for diminution in value of investments (Refer Note No.31) | - | - |

b Disclosure as per AS 13 - Accounting for Investments

| Particulars | As at 31 March 2014 | As at 30 September 2012 |
|-----------------------|---------------------|-------------------------|
| | (₹ in Lacs) | (₹ in Lacs) |
| Long Term Investments | 34,854.25 | 5,034.08 |
| Current Investments | - | - |
| Total | 34,854.25 | 5,034.08 |

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Note 11: Long Term Loans and Advances
(Unsecured, considered good)

| Particulars | As at 31 March 2014 | | As at 30 September 2012 | |
|---|---------------------|--------------------|-------------------------|--------------------|
| | (₹ in Lacs) | (₹ in Lacs) | (₹ in Lacs) | (₹ in Lacs) |
| ✓ Security Deposits | | | | |
| ✓ To Related Parties (Refer Note Nos. 28 and 31) | ✓ 10,669.41 | | ✓ 10,067.93 | |
| ✓ To Others | ✓ 1.98 | ✓ 10,671.39 | ✓ 1.98 | ✓ 10,069.91 |
| ✓ Advance tax paid (Net of Provision of ₹5,050.20 Lacs, Previous Period ₹5,168.92 Lacs) | | ✓ 1,796.27 | | ✓ 1,033.99 |
| Total | | ✓ 12,467.66 | | ✓ 11,103.90 |

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Note 12: Inventories (Certified as to quantity and value by the Management) (at cost)

| ✓ Particulars | As at 31 March 2014 | As at 30 September 2012 |
|---------------|---------------------|-------------------------|
| | ✓ (₹ in Lacs) | ✓ (₹ in Lacs) |
| ✓ Bunkers | ✓ 719.11 | ✓ 761.77 |
| Total | ✓ 719.11 | ✓ 761.77 |

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Note 13: Trade Receivables

(Unsecured, considered good unless otherwise stated)

| Particulars | As at 31 March 2014 | As at 30 September 2012 |
|--|---------------------|-------------------------|
| | (₹ in Lacs) | (₹ in Lacs) |
| Outstanding for a period exceeding six months from the date they are due for payment | | |
| Considered Good | 53,431.37 | 2,078.96 |
| Considered doubtful | 14,000.00 | - |
| | 67,431.37 | 2,078.96 |
| Less: Provision for Doubtful Debts | 14,000.00 | - |
| | 53,431.37 | 2,078.96 |
| Others | 570.20 | 76,237.18 |
| Total | 54,001.57 | 78,316.14 |

Note:-

Included in debts outstanding for more than six months are dues from Related Parties ₹ 66,003.61 Lacs (Previous Period ₹1,099.65 Lacs) (Refer Note Nos. 27 and 31)

Included in other debts are dues from Related Parties ₹ 515.54 Lacs (Previous Period ₹74,492.34 Lacs) (Refer Note Nos. 27 and 31)

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Note 14: Cash and Cash Equivalents

| Particulars | As at 31 March 2014 | As at 30 September 2012 |
|--|---------------------|-------------------------|
| | (₹ in Lacs) | (₹ in Lacs) |
| ✓ Cash and cash equivalents | | |
| ✓ a. Cash on Hand | ✓ 13.54 | ✓ 1.25 |
| ✓ b. Balances with Banks on Current Accounts with Scheduled Banks | ✓ 22.78 | ✓ 73.10 |
| ✓ c. Others | | |
| ✓ Bank Deposits * | | ✓ 33,128.67 |
| | ✓ 36.32 | ✓ 33,203.02 |
| ✓ Other Bank Balances | | |
| ✓ a. Balances held for unclaimed dividends | ✓ 157.39 | ✓ 214.08 |
| ✓ b. Bank Deposits as Margin Money | ✓ 25.30 | ✓ 58.65 |
| | ✓ 182.69 | ✓ 272.73 |
| | | |
| ✓ Total | ✓ 219.01 | ✓ 33,475.75 |

✓ Note:- * (Previous Period Balances lying in bank accounts in foreign countries with restrictions on transfer of funds).

M.S. Co.

✓ Note 15: ✓ Short term loans and advances
(Unsecured, considered good)

| ✓ Particulars | ✓ As at 31 March 2014 | | ✓ As at 30 September 2012 | |
|---|-----------------------|---------------|---------------------------|---------------|
| | ✓ (₹ in Lacs) | ✓ (₹ in Lacs) | ✓ (₹ in Lacs) | ✓ (₹ in Lacs) |
| ✓ Advances Recoverable in Cash or in Kind | | | | |
| ✓ To Employees | ✓ 9.96 | ✓ 623.33 | ✓ 0.46 | ✓ 125.58 |
| ✓ To Others | ✓ 613.37 | | ✓ 125.12 | |
| ✓ Prepaid Expenses | | ✓ 297.48 | | ✓ 319.14 |
| ✓ Deposit given to Related Parties (Refer Note Nos. 28 and 31) | | ✓ 570.20 | | ✓ 540.20 |
| ✓ Security deposits (Includes given to Related Parties ₹ 4.46 Lacs , Previous Period ₹ 4.46 Lacs) | | ✓ 57.25 | | ✓ 1,524.38 |
| ✓ Other Advances | | ✓ 1,656.06 | | ✓ 3,138.42 |
| ✓ Loans given to Related Parties (Refer Note Nos. 29 and 31) | | ✓ 7,643.76 | | ✓ 32,528.55 |
| ✓ Advances given to Related Parties (Refer Note Nos. 29 and 31) | | ✓ 29,496.67 | | ✓ 21,034.35 |
| ✓ Total | | ✓ 40,344.75 | | ✓ 59,210.62 |

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Note 16: Other Current Assets

| Particulars | As at 31 March 2014 | As at 30 September 2012 |
|---|---------------------|-------------------------|
| | (₹ in Lacs) | (₹ in Lacs) |
| Interest Accrued from Related Parties (Refer Note Nos. 30 & 31) | ✓ 5,690.43 | ✓ 14,191.32 |
| Insurance Claims Receivable | ✓ 2,048.23 | ✓ 2,076.63 |
| Foreign Currency Monetary Item Translation Difference | ✓ 391.34 | ✓ 65.82 |
| | ✓ 8,130.00 | ✓ 16,333.77 |

M. N. S.

✓ Note 17 : Revenue from operations

✓ (₹ in Lacs)

| ✓ Particulars | ✓ For the period of 18 months ended 31st March, 2014 | ✓ For the period of 18 months ended 30th September, 2012 |
|--------------------------------------|--|--|
| ✓ Charter Hire | ✓ 12,485.75 | ✓ 29,522.66 |
| ✓ Voyage Charter | ✓ 6,394.91 | ✓ 15,928.36 |
| ✓ Demurrage Charges | ✓ 1,633.10 | ✓ 1,289.57 |
| ✓ Pool Income | - | ✓ 566.77 |
| ✓ Bareboat Charter Income | - | ✓ 724.14 |
| ✓ Less: Offhire and other deductions | ✓ (2,982.33) | ✓ (1,481.27) |
| | | |
| Total | ✓ 17,531.43 | ✓ 46,550.23 |

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Note 18 : Other Income

(₹ in Lacs)

| Particulars | For the period of 18 months ended 31st March, 2014 | For the period of 18 months ended 30th September, 2012 |
|---|--|--|
| Ship Management Fee | 1,659.71 | 1,512.22 |
| Dividend received | - | 22.93 |
| BBCD interest earned | 171.43 | 12,125.23 |
| Other interest (Tax Deducted at Source Rs. 506.54 lacs Previous Period Rs. 223.16 Lacs) | 1,799.68 | 4,283.61 |
| Miscellaneous Income | 0.79 | 63.33 |
| | | |
| | | |
| Total | 3,631.61 | 18,007.32 |

M.S. Co.

Note 19 : Operating Costs

(₹ in Lacs)

| Particulars | For the period of 18 months ended 31st March, 2014 | For the period of 18 months ended 30th September, 2012 |
|--|--|--|
| ✓ Stores | ✓ 252.89 | ✓ 854.76 |
| ✓ Lubricants | ✓ 519.15 | ✓ 746.18 |
| ✓ Victualling Expenses | ✓ 241.67 | ✓ 341.47 |
| ✓ Other Direct Floating Staff Cost | ✓ 185.58 | ✓ 366.63 |
| ✓ Bunkers & Water | ✓ 5,370.03 | ✓ 5,257.08 |
| ✓ Agency Fees & Port Expenses | ✓ 644.82 | ✓ 1,060.08 |
| ✓ Dry Dock Repairs | ✓ 215.28 | ✓ 2,873.47 |
| ✓ Spares, Running Repairs and Surveys | ✓ 402.51 | ✓ 922.63 |
| ✓ Fleet Insurance & Protection Club Fees | ✓ 883.06 | ✓ 1,387.36 |
| ✓ Charter Hire Expenses | ✓ 7,825.50 | ✓ 11,401.99 |
| ✓ Brokerage and Commission | - | ✓ 97.78 |
| ✓ Miscellaneous Expenses | ✓ 148.63 | ✓ 351.00 |
| Total | ✓ 16,689.12 | ✓ 25,660.43 |

M. S. S.

✓ Note 20 : Employee benefits expenses

(₹ in Lacs)

| ✓ Particulars | ✓ For the period of 18 months ended 31st March, 2014 | ✓ For the period of 18 months ended 30th September, 2012 |
|--|--|--|
| ✓ Floating Staff | | |
| ✓ Salaries, Bonus and Gratuity | ✓ 4,304.14 | ✓ 6,244.43 |
| ✓ Contributions to Provident and other funds | ✓ 72.48 | ✓ 169.32 |
| ✓ Staff welfare Expenses | ✓ 11.76 | ✓ 106.37 |
| | ✓ 4,388.38 | ✓ 6,520.12 |
| ✓ Shore Staff | | |
| ✓ Salaries, Bonus and Gratuity | ✓ 2,397.21 | ✓ 3,723.06 |
| ✓ Contributions to Provident and other funds | ✓ 320.01 | ✓ 289.65 |
| ✓ Staff welfare Expenses | ✓ 110.23 | ✓ 100.74 |
| | ✓ 2,827.45 | ✓ 4,113.45 |
| | | |
| Total | ✓ 7,215.83 | ✓ 10,633.57 |

M.S. Co.

Note 21 : Other expenses

| | For the period of 18 months ended 31st March 2014 | | For the period of 18 months ended 30th September 2012 | |
|--------------------------------------|---|---------------|---|---------------|
| | ✓ (₹ in Lacs) | ✓ (₹ in Lacs) | ✓ (₹ in Lacs) | ✓ (₹ in Lacs) |
| ✓ Rent | | ✓ 177.68 | | ✓ 162.92 |
| ✓ Rates & Taxes | | ✓ 277.41 | | ✓ 225.03 |
| ✓ Insurance | | ✓ 44.37 | | ✓ 75.65 |
| ✓ Brokerage and Commission | | ✓ 25.77 | | ✓ 40.65 |
| ✓ Directors' Sitting Fees | | ✓ 2.15 | | ✓ 2.30 |
| ✓ Commission to Directors | | - | | ✓ 20.00 |
| ✓ Repairs and Maintenance | | | | |
| ✓ To Buildings | ✓ 384.68 | | ✓ 231.28 | |
| ✓ To Others | ✓ 200.22 | ✓ 584.90 | ✓ 251.90 | ✓ 483.18 |
| ✓ Travelling and Conveyance Expenses | | ✓ 138.16 | | ✓ 599.23 |
| ✓ Legal & Professional Charges | | ✓ 999.56 | | ✓ 1,418.65 |
| ✓ Payments to Auditors | | | | |
| ✓ Audit Fees | ✓ 10.00 | | ✓ 10.00 | |
| ✓ For Tax Audit | | | | |
| ✓ For Other Services | ✓ 36.48 | ✓ 46.48 | ✓ 28.30 | ✓ 38.30 |
| ✓ Miscellaneous Expenses | | ✓ 963.98 | | ✓ 876.51 |
| Total | | ✓ 3,260.46 | | ✓ 3,942.42 |

M. S. Co

Note 22 : Finance Costs

| ✓ Particulars | For the period of 18 months ended 31st March, 2014 | | For the period of 18 months ended 30th September, 2012 | |
|----------------------------|--|--------------------|--|--------------------|
| | ✓ (₹ in Lacs) | ✓ (₹ in Lacs) | ✓ (₹ in Lacs) | ✓ (₹ in Lacs) |
| ✓ Interest expense | | | | |
| ✓ On Term Loans | ✓ 6,865.94 | | ✓ 12,588.76 | |
| ✓ On Working Capital Loans | ✓ 10,757.18 | | ✓ 16,442.23 | |
| ✓ On Others | ✓ 2,747.16 | ✓ 20,370.28 | ✓ 1,794.18 | ✓ 30,825.17 |
| ✓ BBCD Interest | | ✓ (412.48) | | ✓ 542.41 |
| ✓ Bank Charges | | ✓ 3,907.94 | | ✓ 4,678.51 |
| Total | | ✓ 23,865.74 | | ✓ 36,046.09 |

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23. Contingent Liabilities

| | Particulars | ✓31.03.2014 (₹ in Lacs) | ✓30.09.2012 (₹ in Lacs) |
|------|---|----------------------------|----------------------------|
| ✓ a. | On account of guarantees executed by the Company's bankers secured by charge on some of the Company's vessels and fixed deposits of Rs. 25.30 lacs (Previous period Rs. 58.65 lacs) | ✓71,070.80 | ✓ 62,409.60 |
| ✓ b. | Claims against the Company not acknowledged as debts | ✓ 3,368.73 | ✓ 1,825.65 |
| ✓ c. | Corporate guarantees to the banks on behalf of VSC International Pte Ltd, Singapore, Varun Asia Pte Ltd, Ocean Race Shipping Company Limited, Cyprus, & Varun Gas Infrastructure Limited in respect of loans taken by them for acquisition of ships. | ✓1,45,177.07 | ✓ 110,685.64 |
| ✓ d. | <p>Deputy Commissioner (CT) Chennai had raised a demand for earlier years on account of levy of Commercial tax on Charter-hire in respect of some of our ships. The Company was in appeal against the same and the Appellate authority has given the ruling in favour of the Company. However the Deputy Commissioner (CT) Chennai had preferred an appeal against the same with Sales Tax Appellate Tribunal Chennai.</p> <p>The Appellate Tribunal vide its Order dated 10th November, 2008, has allowed the Appeal filed by the Revenue and has given the ruling in favour of the department. Company has been advised that this demand is not sustainable and accordingly Company has filed an Appeal against the said Order in the Madras High Court. Hence no provision has been made in the accounts.</p> | ✓832.84 | ✓ 832.84 |

✓24. The Company has not entered into any derivative transactions by way of currency and/or interest rate swap.

✓25. Government of India, Ministry of Corporate Affairs vide Notification No. GSR 225(E) dated 29th December, 2011 issued Companies (Accounting Standards) Amendment Rule 2009. In terms of the said notification referred above, exchange differences arising on reporting of long term foreign currency loans, so far as they relate to acquisition of depreciable capital assets, was required to be added to or deducted from the cost of the asset and depreciated over the balance life of the asset and in other cases it was required to be accumulated in a "Foreign Currency Monetary Items Translation Difference Account" and amortized over balance period of such long term liability but not beyond 31st March, 2011. The Government of India vide its notification dated 29th

M. S. S.

December 2011, has extended the period upto 31st March, 2020. Accordingly, gain arising due to change in exchange rate on foreign currency loans relating to acquisition of depreciable Capital asset amounting to Rs. 4,839.28 lacs (Previous period Rs. 8,973.20 lacs) are adjusted to the cost of such Capital Assets and in respect of other long term loans, gain of Rs.1,057.25 lacs (Previous period Rs. 158.23 lacs) has been transferred to Foreign Currency Monetary Items Translation Difference Account.

✓26. The Company has not incurred an impairment loss during the period (Previous period Rs. Nil) in accordance with the Accounting Standard (AS 28). In the opinion of the management, the book value of these assets broadly reflect the earnings expectation from them.

✓27. Included in Trade Receivable are dues from the following Related Parties (Unsecured, Considered Good)

| ✓ Sr. No. | ✓ Name of the Company | ✓ As at 31.03.2014 ✓ (Rs. in Lacs) | ✓ As at 30.09.2012 ✓ (Rs. in Lacs) |
|-----------|------------------------------------|--|---------------------------------------|
| ✓ a. | ✓ Varun Asia Pte Ltd. | ✓ 17,635.50 | ✓ 28,997.80 |
| ✓ b. | ✓ Varun Cyprus Ltd | ✓ 47,867.41 | ✓ 46,197.73 |
| ✓ c. | ✓ Ocean Race Shipping Co. Ltd. | ✓ 15.21 | ✓ 13.36 |
| ✓ d. | ✓ Tarun Shipping & Industries Ltd. | ✓ 235.35 | ✓ 152.18 |
| ✓ e. | ✓ Varun Gas Infrastructure Ltd. | ✓ 753.90 | ✓ 220.85 |
| ✓ f. | ✓ Realpoint (Mauritius) Ltd. | ✓ 11.77 | ✓ 10.07 |
| ✓ | ✓ Total | ✓ 66,519.14 | ✓ 75,591.99 |

✓28. Included in long term loans and advances are deposits and advances due from the following Related Parties (Unsecured, Considered Good)

| ✓ Sr. No. | ✓ Name of the Company | ✓ As at 31.03.2014 ✓ (Rs. in Lacs) | ✓ As at 30.09.2012 ✓ (Rs. in Lacs) |
|-----------|------------------------------------|--|---------------------------------------|
| ✓ a. | ✓ Tarun Shipping & Industries Ltd. | ✓ 9807.11 | ✓ 10,067.93 |
| ✓ b. | ✓ Varun Corporation Ltd. | ✓ 1,432.50 | ✓ NIL |
| | ✓ Total | ✓ 11,239.61 | ✓ 10,067.93 |

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✓ 29. Included in short term loans and advances (Unsecured, Considered Good) :

✓ i. Unsecured Loans given to Related Parties:

| ✓ Sr. No. | ✓ Name of the Company | ✓ As at 31.03.2014 ✓ (Rs. in Lacs) | ✓ As at 30.09.2012 ✓ (Rs. in Lacs) |
|-----------|------------------------------------|---------------------------------------|---------------------------------------|
| ✓ a. | ✓ VSC International Pte Ltd. | ✓ NIL | ✓ 17,455.59 |
| ✓ b. | ✓ Varun Asia Pte Ltd. | ✓ 5,855.85 | ✓ 5,140.20 |
| ✓ c. | ✓ Sea Fidelity Shipping Co. Ltd. | ✓ 540.54 | ✓ 474.48 |
| ✓ d. | ✓ Ocean Race Shipping Co. Ltd. | ✓ NIL | ✓ 7,380.80 |
| ✓ e. | ✓ Tarun Shipping & Industries Ltd. | ✓ 1,247.37 | ✓ 2,077.48 |
| | Total | ✓ 7,643.76 | ✓ 32,528.55 |

✓ ii. Advances given to Related Parties

| ✓ Sr. No. | ✓ Name of the Company | ✓ As at 31.03.2014 ✓ (Rs. in Lacs) | ✓ As at 30.09.2012 ✓ (Rs. in Lacs) |
|-----------|------------------------------------|---------------------------------------|---------------------------------------|
| ✓ a. | ✓ VSC International Pte Ltd. | ✓ 77.75 | ✓ NIL |
| ✓ b. | ✓ Varun Asia Pte Ltd. | ✓ 11,776.28 | ✓ 6,627.72 |
| ✓ c. | ✓ Varun Cyprus Ltd. | ✓ 13,840.69 | ✓ 11,028.64 |
| ✓ d. | ✓ Sea Fidelity Shipping Co. Ltd. | ✓ 98.91 | ✓ 161.73 |
| ✓ e. | ✓ Ocean Race Shipping Co. Ltd. | ✓ 2,020.18 | ✓ 2,416.61 |
| ✓ f. | ✓ Tarun Shipping & Industries Ltd. | ✓ 1,668.71 | ✓ 786.88 |
| ✓ g. | ✓ Varun Resources Ltd. | ✓ 13.01 | ✓ 12.51 |
| ✓ h. | ✓ Varun Global Ltd. | ✓ 0.57 | ✓ 0.13 |
| ✓ i. | ✓ Varun Maritime Ltd. | ✓ 0.57 | ✓ 0.13 |
| | Total | ✓ 29,496.67 | ✓ 21,034.35 |

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✓ 30. Included in Other Current Assets :

✓ Interest Accrued from Related Parties

| ✓ Sr. No. | ✓ Name of the Company | ✓ As at 31.03.2014 (Rs. in Lacs) | ✓ As at 30.09.2012 (Rs. in Lacs) |
|-----------|----------------------------------|-------------------------------------|-------------------------------------|
| ✓ a. | VSC International Pte Ltd. | ✓ NIL | ✓ 2,955.03 |
| ✓ b. | Varun Asia Pte Ltd. | ✓ 3,784.23 | ✓ 2,794.56 |
| ✓ c. | Varun Cyprus Ltd. | ✓ 238.86 | ✓ 6,758.27 |
| ✓ d. | Sea Fidelity Shipping Co. Ltd. | ✓ 504.83 | ✓ 394.47 |
| ✓ e. | Ocean Race Shipping Co. Ltd. | ✓ NIL | ✓ 796.98 |
| ✓ f. | Tarun Shipping & Industries Ltd. | ✓ 1,162.51 | ✓ 493.44 |
| ✓ | ✓ Total | ✓ 5,690.43 | ✓ 14,192.75 |

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31. The Company has made long term strategic investments which are carried "at cost" and has exposures in various subsidiaries and associates in which there has been a temporary reduction in revenues due to lack of working capital that has affected the operation of the vessels. While there is a degree of uncertainty as to the final outcome, the Management is in the process of raising resources to streamline the operations of the vessels in the future. Also the Composite Scheme of Arrangement and Amalgamation between Varun Shipping Company Limited, Varun Gas Infrastructure Limited, Tarun Shipping and Industries Ltd., Varun Global Limited, Varun Maritime Limited and Varun Resources Limited and their respective Shareholders under the Provisions of Sections 391 to 394, read with Sec. 100 to 103 of the Companies Act, 1956 has been sanctioned and approved by the Honorable High Court of Judicature at Mumbai on 9th May, 2014 (i.e. last working date of the High Court before vacation). However, to date, the written Order of the Court has not been received.
- a. The Company holds Equity Shares costing ₹ 701.94 Lacs, Preference Shares costing ₹ 11,037.11 Lacs and has other Exposures aggregating to ₹ 61,946.96 Lacs in Varun Cyprus Ltd., a wholly owned subsidiary of the Company. The temporary reduction in revenues is due to lack of working capital that has affected operations of the vessels. The Company has made a Provision of ₹ 14,000 Lacs as on 31st March 2014 against the Receivables from the subsidiary. The subsidiary is taking steps to fully operationalise its vessels to enable it to repay its liabilities to the Company. These being long term investments and considering the fair value of the subsidiary as at 31st March 2014, Management is of the view that diminution in the value of these investments is temporary in nature, the balance outstandings are good and recoverable and consequently no further provision has been made.
- b. The Company holds Equity Shares costing ₹ 8.94 Lacs, Preference Shares costing ₹ 18,616.78 Lacs and has other Exposures aggregating to ₹ 39,051.82 Lacs in Varun Asia Pte. Ltd., an associate of the Company. The temporary reduction in revenues is due to lack of working capital that has affected operations of the vessels. The associate is taking steps to fully operationalise its vessels to enable it to repay its liabilities to the Company. These being long term investments and considering the fair value of the associate as at 31st March 2014, Management is of the view that diminution in the value of these investments is temporary in nature, the balance outstandings are good and recoverable and consequently no provision has been made.
- c. The Company holds Equity Shares costing ₹ 840 Lacs and has other Exposures aggregating to ₹ 14,121.03 Lacs in Tarun Shipping & Industries Ltd., an associate of the Company. The temporary reduction in revenues is due to lack of working capital that has affected operations of the vessels. The associate is taking steps to fully operationalise its vessel to enable it to repay its liabilities to the Company. These being long term investments and considering the fair value of the associate as at 31st March 2014, Management is of the view that diminution in the value of these investments is temporary in nature, the balance outstandings are good and recoverable and consequently no provision has been made.

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- ✓ d. As per the latest audited accounts of VSC International Pte Ltd (the "Company") as at 31st March, 2011, the statutory auditors of the Company have given a disclaimer in their report to the shareholders of the Company to the effect that they are unable to and do not express their opinion on whether the financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards so as to give a true & fair view of the state of affairs of the Company as at 31st March, 2011.

The Management is of the opinion that on account of this qualification there is no impact on the financial results of VSC International Pte. Ltd. and consequently there is no permanent diminution in the value of investments of Varun Shipping Company Limited in the shares of VSC International Pte. Ltd.

✓ **32. Disclosure requirements under Revised Accounting Standard 15 on Employee benefits:**

a) **Defined Contribution Plan:**

Provision for defined contribution plan viz. Provident Fund and Super Annuation Fund

b) **Defined Benefit Plans:**

The Company offers to its employees defined benefits plans in the form of Gratuity and Leave encashment.

No fund is created for payment of gratuity and leave wages and the company would pay the same out of its own funds as and when the same becomes payable.

The details of the Gratuity Fund for its employees are given below which have been certified by an Actuary and relied upon by the Auditors.

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✓ c) Components of Employer Expenses

| | ✓ For the period of 18 months ended 31-March-14 | ✓ For the period of 18 months ended 30-September-12 |
|---|---|---|
| | ✓ (Rs. in Lacs) | ✓ (Rs. in Lacs) |
| ✓ a) Current Service Cost | ✓ 14.08 | ✓ 228.31 |
| ✓ b) Interest cost | ✓ 29.83 | ✓ 75.38 |
| ✓ c) Expected Return on Plan Assets | -- | -- |
| ✓ d) Curtailment Cost / Credit | -- | -- |
| ✓ e) Past Service Cost | ✓ 0.05 | ✓ 1.47 |
| ✓ f) Settlement Cost | -- | -- |
| ✓ g) Actuarial Losses / (Gains) | ✓ (132.12) | ✓ (55.01) |
| ✓ h) Total Expenses recognized in Statement of Profit & Loss Account under payments to and Provisions for Employees | ✓ (88.16) | ✓ 250.15 |

✓ d) Net Liability / (Asset) recognized in Balance Sheet as at 31st March, 2014

| | ✓ For the period of 18 months ended 31-March-14 | ✓ For the period of 18 months ended 30-September-12 |
|--|---|---|
| | ✓ (Rs. in Lacs) | ✓ (Rs. in Lacs) |
| ✓ Present Value of Unfunded gratuity Obligations | ✓ 726.16 | ✓ 805.23 |
| ✓ Unrecognised past service cost | ✓ 0.05 | ✓ NIL |
| ✓ Amounts provided in Balance Sheet | ✓ 726.11 | ✓ 805.23 |

✓ e) Change in Defined Benefit Obligation (DBO) during the 18 months period ended on 31st March, 2014

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| | ✓ For the period of 18 months ended 31-March-14 (Rs. in Lacs) | ✓ For the period of 18 months ended 30-September-12 (Rs. in Lacs) |
|--|--|--|
| Change in Defined Benefit Obligation | | |
| ✓ a) Opening Defined Benefit Obligation | ✓ 805.23 | ✓ 764.55 |
| ✓ b) Current Service Cost | ✓ 54.27 | ✓ 57.30 |
| ✓ c) Interest Cost | ✓ 85.05 | ✓ 75.38 |
| ✓ d) Actuarial Losses/(Gain) | -- | -- |
| ✓ e) Settlement Cost | -- | -- |
| ✓ f) Plan Amendments | -- | -- |
| ✓ g) Acquisitions | -- | -- |
| ✓ h) Actuarial Loss / (Gain) | ✓ (73.74) | ✓ (55.01) |
| ✓ i) Past Service Cost | -- | -- |
| ✓ j) Benefit paid | ✓ (144.65) | ✓ (36.99) |
| ✓ k) Defined Benefit Obligation as at 31 st March, 2014 | ✓ 726.16 | ✓ 805.23 |

✓ f) Change in the Fair Value of Plan Assets

| | ✓ For the period of 18 months ended 31-March-14 (Rs. in Lacs) | ✓ For the period of 18 months ended 30-September-12 (Rs. in Lacs) |
|--|--|--|
| ✓ a) Present Value of Plan Assets as at 30 th September, 2012 | -- | -- |
| ✓ b) Acquisition Adjustment | -- | -- |
| ✓ c) Expected Return on Plan Assets | -- | -- |
| ✓ d) Assets Distributed on Settlements | -- | -- |
| ✓ e) Actuarial Losses/(Gain) | -- | -- |
| ✓ f) Actual Company Contribution | ✓ 69.75 | ✓ 36.99 |
| ✓ g) Benefits paid | ✓ (69.75) | ✓ (36.99) |
| ✓ h) Fair Value of Plan Assets as at 31 st March, 2014 | -- | -- |

✓ g) Actuarial Assumptions for the Current Year

| | ✓ For the period of 18 months ended 31-March-14 | ✓ For the period of 18 months ended 30-September-12 |
|---------------------------|---|---|
| ✓ a) Discount rate (p.a.) | ✓ 9.10% | ✓ 8.20% |
| ✓ b) Salary Escalation | ✓ 10% for 1 st 2 years & 7% thereafter | ✓ 10% for 1 st 3 years & 7% thereafter |

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✓ 33. TAXATION :

- ✓ In terms of the provisions of the Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, there is a net deferred tax asset on account of accumulated business losses and unabsorbed depreciation.
- ✓ In compliance with provisions of Accounting Standard and based on general prudence, the Company has not recognised any deferred tax asset while preparing the accounts of the period under review.
- ✓ Since the Company has incurred losses for the period of 18 months under audit and has carry forward losses under section 115JB of Income Tax Act, 1961, no provision for taxation has been made.

✓ 34. Earnings Per Share

| | ✓ Particulars | ✓ As at ✓ 31.03.2014 (₹ in Lacs) | ✓ As at ✓ 30.09.2012 (₹ in Lacs) |
|-------|---|---|--|
| ✓ | Profit / (Loss) after taxation as per Profit & Loss Account | ✓ (48,993.59) | ✓ 3,836.54 |
| ✓ | Profit / (Loss) attributable to equity shareholders | ✓ (48,993.59) | ✓ 3,836.54 |
| | Weighted Average number of Equity Shares for Earnings Per Share Computation | | |
| ✓ (A) | ✓ For Basic Earnings Per Share | ✓ 150,007,773 | ✓ 150,007,773 |
| ✓ (B) | ✓ For Diluted Earnings Per Share : | | |
| ✓ | ✓ No. of shares for Basic Earning Per Share as per (A) | ✓ 150,007,773 | ✓ 150,007,773 |
| | ✓ Add : outstanding shares deemed to be issued | | |
| ✓ | ✓ No. of Shares for Diluted Earnings Per Share | ✓ 150,007,773 | ✓ 150,007,773 |
| | ✓ Basic and Diluted EPS | ✓ (32.66) | ✓ 2.56 |

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35. Related party Disclosures (As identified and certified by the Management and relied upon by the Auditors)

Related Party disclosures as required by AS-18 are given below

A. Relationships

(a) Wholly Owned Subsidiaries :

- ✓ a. Varun Cyprus Limited.
- ✓ b. Varun Gas Infrastructure Limited.
- ✓ c. Varun Resources Limited.
- ✓ d. Varun Global Limited.

(b) Associate Company:-

- ✓ a. VSC International Pte. Ltd.
- ✓ b. Tarun Shipping & Industries Ltd.
- ✓ c. Varun Asia Pte. Ltd.
- ✓ d. Ocean Race Shipping Company Ltd.
- ✓ e. Sea Fidelity Shipping Company Limited.

(c) Companies under common control of the Promoters:-

- ✓ a. Companies with which transactions have taken place during the period
 - ✓ i. Varun Corporation Ltd.
 - ✓ ii. Realpoint (Mauritius) Ltd.
 - ✓ iii. Varun Maritime Limited.
- ✓ b. Companies with which no transactions have taken place during the period.
 - ✓ i. Sunbeam Talc Pvt. Ltd.
 - ✓ ii. Yuka Plantations Pvt. Ltd.
 - ✓ iii. Azure Seas Logistics.

(d) Key Management Personnel:

- ✓ i. Mr. Y.D. Khatau

M. S. B.

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1. The following transactions were carried out in the ordinary course of business with parties referred to in A (1) and (2)(a) above.

Nature of Transactions (Excluding reimbursements)

| Particulars | VSC Intl Pte Ltd. | Tarun Shipping & Industries Ltd. | Varun Asia Pte. Ltd. | Varun Cyprus Ltd. | Ocean Race Shipping Company Limited, Cyprus | Sea Fidelity Shipping Company Limited | Varun Corporation Ltd. | Varun Gas Infrastructure Ltd. | Varun Resources Ltd. | Real Point Mauritius | Varun Global Ltd. |
|--|-------------------|----------------------------------|----------------------|-------------------|---|---------------------------------------|------------------------|-------------------------------|----------------------|----------------------|-------------------|
| Investment by subscribing to the Equity Capital of | - | - | - | - | - | - | - | - | - | - | ✓ 4.00 |
| Investment by subscribing to the Equity Capital of | - | - | - | - | - | - | - | ✓(100.00) | ✓(1,499.62) | - | ✓(0.55) |
| Investment by subscribing to the Preference Capital of | - | - | ✓18,616.78 | ✓11,037.11 | - | - | - | - | - | - | - |
| Investment by subscribing to the Preference Capital of | - | - | - | - | - | - | - | - | - | - | - |
| Expenses incurred on their behalf | ✓537.02 | ✓881.83 | ✓5,721.50 | ✓11,240.62 | ✓1.43 | - | ✓60.10 | ✓4,292.20 | ✓0.49 | - | ✓0.44 |
| Expenses incurred on their behalf | - | - | - | - | - | - | - | - | - | - | - |
| Advance received towards reimbursement of expenses | ✓4.05 | - | ✓572.94 | ✓6,184.70 | ✓397.87 | ✓62.82 | - | ✓21,546.59 | - | - | - |
| Advance received towards reimbursement of expenses | - | - | - | - | - | - | - | - | - | - | - |
| Hire charges for vessels chartered in from payable | - | ✓7,825.50 | - | ✓2,598.02 | ✓1,698.23 | - | - | ✓681.73 | - | - | - |
| Hire charges for vessels chartered in from payable | ✓(3,113.88) | ✓(8,928.32) | - | - | - | - | - | - | - | - | - |
| Refund of advance | ✓113.38 | - | - | - | - | - | - | ✓18,031.48 | - | - | - |
| Refund of advance | - | - | - | - | - | - | - | - | - | - | - |
| Loan received from | - | - | - | - | - | - | - | ✓9,330.00 | - | - | - |
| Loan received from | - | - | - | - | - | - | - | - | - | - | - |
| Loan recovered from | ✓18,172.90 | - | - | - | ✓7,695.31 | - | - | ✓9,330.00 | - | - | - |
| Loan recovered from | ✓(13,039,518) | - | - | - | - | ✓(4,123.31) | - | - | - | - | - |
| Hire charges for vessels chartered in from paid | ✓607.88 | ✓8,760.58 | - | ✓334.42 | ✓1,015.24 | - | - | - | - | - | - |
| Hire charges for vessels chartered in from paid | - | - | - | ✓(724.13) | - | - | - | - | - | - | - |
| BBCD interest received | - | - | - | ✓7,018.83 | - | - | - | - | - | - | - |
| BBCD interest received | - | - | - | - | - | - | - | - | - | - | - |

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| Particulars | VSC Intl Pte Ltd. | Tarun Shipping & Industries Ltd. | Varun Asia Pte. Ltd. | Varun Cyprus Ltd. | Ocean Race Shipping Company Limited, Cyprus | Sea Fidelity Shipping Company Limited | Varun Corporation Ltd. | Varun Gas Infrastructure Ltd. | Varun Resources Ltd. | Real Point Mauritius | Varun Global Ltd. |
|--|-------------------|----------------------------------|----------------------|-------------------|---|---------------------------------------|------------------------|-------------------------------|----------------------|----------------------|-------------------|
| Rent payable | - | - | - | - | - | - | ✓90.00 | - | - | - | - |
| Rent paid to | - | - | - | - | - | - | ✓(60.00) | - | - | - | - |
| Amount due on purchase of Investment | - | - | - | - | - | - | - | - | - | - | - |
| Amount due on purchase of Investment | - | - | - | - | - | - | - | - | - | ✓(674.20) | - |
| Amount due on Sale of Vessels realized | - | - | ✓14,213.23 | ✓4,549.84 | - | - | - | - | - | - | - |
| Amount due on Sale of Vessels realized | - | - | ✓(69,426.34) | ✓(48,749.51) | - | - | - | - | - | - | - |
| Balance sale consideration of shares receivable from | - | - | - | - | - | - | - | - | - | - | - |
| Balance sale consideration of shares receivable from | - | - | - | - | - | - | - | - | - | ✓(10.07) | - |
| Provision for doubtful debts | - | - | - | ✓14,000.00 | - | - | - | - | - | - | - |
| Provision for doubtful debts | - | - | - | - | - | - | - | - | - | - | - |
| Advance paid on their behalf | - | - | - | ✓19.75 | - | - | - | - | - | - | - |
| Advance paid on their behalf | - | - | - | - | - | - | - | - | - | - | - |
| Deposit given | - | ✓5,856.04 | - | - | - | - | - | - | - | - | - |
| Deposit given | - | - | - | - | - | - | ✓(1,500.00) | - | - | - | - |
| Loan given to | - | - | - | - | - | - | - | - | - | - | - |
| Loan given to | - | ✓(2,548.00) | ✓(3,596.84) | - | - | - | ✓(200.00) | - | - | - | - |
| Advance given | - | - | - | - | - | - | - | - | ✓500.00 | - | - |
| Advance given | - | - | - | - | - | - | - | - | ✓500.00 | - | - |
| Refund of advance by | - | - | - | - | - | - | - | - | - | - | - |
| Refund of advance by | - | - | - | - | - | - | - | - | - | - | - |
| Dividend received on Investment from | - | - | - | - | - | - | - | - | - | - | - |
| Dividend received on Investment from | ✓(22.93) | - | - | - | - | - | - | - | - | - | - |
| Deposit received | - | - | - | - | - | - | - | - | ✓3,000.00 | - | - |
| Deposit received | - | - | - | - | - | - | - | - | ✓(1,500.00) | - | - |
| Deposit refunded by | - | ✓6,591.03 | - | - | - | - | - | - | ✓3,000.00 | - | - |
| Deposit refunded | - | - | - | - | - | - | - | - | - | - | - |
| Working Capital Deposit | - | - | - | - | - | - | - | - | - | - | - |

M. N. G.

| Particulars | VSC Intl Pte Ltd. | Tarun Shipping & Industries Ltd. | Varun Asia Pte. Ltd. | Varun Cyprus Ltd. | Ocean Race Shipping Company Limited, Cyprus | Sea Fidelity Shipping Company Limited | Varun Corporation Ltd. | Varun Gas Infrastructure Ltd. | Varun Resources Ltd | Real Point Mauritius | Varun Global Ltd. |
|---|-------------------|----------------------------------|----------------------|-------------------|---|---------------------------------------|------------------------|-------------------------------|---------------------|----------------------|-------------------|
| Working Capital Deposit | | | √(1,477.65) | | | | | | | | |
| Loan recovered from | | | | | | | | | | | |
| Loan recovered from | | | √(267.91) | | | | √(200.00) | | | | |
| Interest on short Term loan given | - | √514.37 | √854.80 | - | | √54.34 | - | - | - | - | - |
| Interest on short Term loan given | √(2,359.32) | √(59.62) | √(272.42) | | √(664.38) | √(387.43) | | | | | |
| Interest on BBCD receivable | - | √171.43 | | | | | | | | | |
| Interest on BBCD receivable | | √(466.02) | √(5,734.99) | √(5,924.22) | | | | | | | |
| Ship Management Fees charged to | - | √83.17 | √477.17 | √426.60 | | | | √533.05 | | | |
| Ship Management Fees charged to | | √(145.18) | √(391.06) | √(399.73) | √(87.48) | √(39.34) | | √(220.85) | | | |
| Adjustment of deposit | | √801.02 | | | | | √45.00 | | | | |
| Adjustment of deposit | | | | | | | | | | | |
| Acquisition of vessel on demise of BBCD | | √5,624.75 | | | | | | | | | |
| Acquisition of vessel on demise of BBCD | | | | | | | | | | | |
| Interest on short Term loan received | | √111.87 | | | | | | | | | |
| Interest on short Term loan received | | | | | | | | | | | |
| Payment made for air ticket expenses to | | | | | | | √151.28 | | | | |
| Payment made for air ticket expenses to | | | | | | | √(589.28) | | | | |
| Corporate Guarantee given to Banks for loan raised by | | | | | | | | √38,000.00 | | | |
| Corporate Guarantee given to Banks for loan raised by | √(20,560.80) | | √(69,590.40) | | √(9,226.00) | | | √(11,308.44) | | | |

M. S.

| Particulars | VSC Intl Pte Ltd. | Tarun Shipping & Industries Ltd. | Varun Asia Pte. Ltd. | Varun Cyprus Ltd. | Ocean Race Shipping Company Limited, Cyprus | Sea Fidelity Shipping Company Limited | Varun Corporation Ltd. | Varun Gas Infrastructure Ltd | Varun Resources Ltd. | Real Point Mauritius | Varun Global Ltd. |
|---|-------------------|----------------------------------|----------------------|-------------------|---|---------------------------------------|------------------------|------------------------------|----------------------|----------------------|-------------------|
| Amount payable for Air tickets & Rent expenses to | - | - | - | - | - | - | ✓ 223.36 | - | - | - | - |
| Amount payable for Air tickets & Rent expenses to | - | - | - | - | - | - | ✓ (269.54) | - | - | - | - |
| Accrued Interest on BBCCD & Unsecured Loans | - | ✓ 1,162.50 | ✓ 3,784.23 | ✓ 238.86 | - | ✓ 504.83 | - | - | - | - | - |
| Accrued Interest on BBCCD & Unsecured Loans | ✓ (2,955.03) | ✓ (493.44) | ✓ (2,794.56) | ✓ (6,758.26) | ✓ (796.96) | ✓ (394.47) | - | - | - | - | - |
| Finance lease payable to | ✓ 2,354.49 | - | - | - | - | - | - | - | - | - | - |
| Finance lease payable to | ✓ (6,382.99) | - | - | - | - | - | - | - | - | - | - |
| Inter Corporate Deposit payable to | - | - | - | - | - | - | - | - | ✓ 1,500.00 | - | - |
| Inter Corporate Deposit payable to | - | - | - | - | - | - | - | - | - | - | - |
| Re-imbursment of Operating Cost to be made to | - | - | - | - | - | - | - | ✓ 2,842.86 | - | - | - |
| Re-imbursment of Operating Cost to be made to | - | - | - | - | - | - | - | - | - | - | - |
| Corporate Guarantee given to Banks for loan raised by | ✓ 15,015.00 | - | ✓ 79,279.20 | - | - | - | - | ✓ 50,882.87 | - | - | - |
| Corporate Guarantee given to Banks for loan raised by | ✓ (20,560.80) | - | ✓ (69,590.40) | - | ✓ (9,226.00) | - | - | ✓ (11,308.44) | - | - | - |
| Transactions on reimbursement basis | | | | | | | | | | | |
| Operating Expenses incurred on their behalf | ✓ 77.75 | ✓ 1,668.71 | ✓ 11,776.28 | ✓ 13,840.69 | ✓ 2,020.19 | ✓ 98.91 | - | - | ✓ 13.01 | - | ✓ 0.57 |
| Operating Expenses incurred on their behalf | - | ✓ (786.88) | ✓ (6,627.73) | ✓ (11,028.63) | ✓ (2,416.62) | ✓ (161.73) | - | - | ✓ (12.51) | ✓ (659.50) | ✓ (0.13) |
| Freight Hire Charges received on their behalf | - | ✓ 2,153.67 | - | ✓ 13,290.60 | ✓ 5,016.09 | ✓ 590.55 | - | ✓ 849.21 | - | - | - |
| Freight Hire Charges received on their behalf | ✓ (1,334.16) | - | ✓ (58.19) | ✓ (7,857.01) | ✓ (4,333.09) | ✓ (585.24) | - | ✓ (167.48) | - | - | - |

M.S.L.

Balance outstanding as at the year end :

| Particulars | VSC Intl Pte Ltd. | Tarun Shipping & Industries Ltd. | Varun Asia Pte. Ltd. | Varun Cyprus Ltd. | Ocean Race Shipping Company Limited, Cyprus | Sea Fidelity Shipping Company Limited | Varun Corporation Ltd. | Varun Gas Infrastructure Ltd | Varun Resources Ltd. | Real Point Mauritius | Varun Global Ltd. |
|--|-------------------|----------------------------------|----------------------|-------------------|---|---------------------------------------|------------------------|------------------------------|----------------------|----------------------|-------------------|
| Investments in Equity Shares of | ✓ 1,882.43 | ✓ 840.00 | ✓ 8.94 | ✓ 701.94 | ✓ 0.29 | ✓ 0.31 | - | ✓ 100.00 | ✓ 1,499.62 | - | ✓ 4.55 |
| Investments in Equity Shares of | ✓ (1,882.43) | ✓ (840.00) | ✓ (19.42) | ✓ (701.94) | ✓ (0.29) | ✓ (0.31) | - | ✓ (100.00) | ✓ (1,499.62) | - | ✓ (0.55) |
| Investments in Preference Shares of | - | - | ✓ 18,616.78 | ✓ 11,037.11 | - | - | - | - | - | - | - |
| Investments in Preference Shares of | - | - | - | - | - | - | - | - | - | - | - |
| Loan Recoverable from | - | ✓ 1,247.37 | ✓ 5,855.85 | - | - | ✓ 540.54 | - | - | - | - | - |
| Loan Recoverable from | ✓ (17,455.59) | ✓ (2,077.48) | ✓ (5,140.20) | - | ✓ (7,380.80) | ✓ (474.48) | - | - | - | - | - |
| Balance sale consideration of ship & Management fees | - | ✓ 235.35 | ✓ 17,635.50 | ✓ 47,867.41 | ✓ 15.22 | - | - | ✓ 753.90 | - | - | - |
| Balance sale consideration of ship & Management fees | - | ✓ (152.18) | ✓ (28,997.80) | ✓ (46,197.73) | ✓ (13.36) | - | - | ✓ (220.85) | - | - | - |
| Balance purchase consideration of shares payable to | - | - | - | - | - | - | - | - | - | ✓ 751.32 | - |
| Balance purchase consideration of shares payable to | - | - | - | - | - | - | - | - | - | ✓ (659.50) | - |
| Balance sale consideration of shares receivable from | - | - | - | - | - | - | - | - | - | - | - |
| Balance sale consideration of shares receivable from | - | - | - | - | - | - | - | - | - | ✓ (10.07) | - |
| Provision for Doubtful Receivables | - | - | - | ✓ 14,000.00 | - | - | - | - | - | - | - |
| Provision for Doubtful Receivables | - | - | - | - | - | - | - | - | - | - | - |
| Deposit Given to | - | - | - | - | - | - | ✓ 1,432.50 | - | - | - | - |
| Deposit Given to | - | - | - | - | - | - | - | - | - | - | - |
| Bare Boat Charter Deposit recoverable from | - | ✓ 9,807.11 | - | - | - | - | - | - | - | - | - |
| Bare Boat Charter Deposit recoverable from | - | ✓ (10,608.13) | - | - | - | - | - | - | - | - | - |
| Finance Lease receivable from | - | - | - | - | - | - | - | - | - | - | - |
| Finance Lease receivable from | - | ✓ (5,624.75) | - | - | - | - | - | - | - | - | - |

M. n. G.

36. There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, Medium Enterprises Development Act, 2006, to whom the Company owes on account of principal amount together with the interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises, has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

37.

A. FINANCE LEASE HIRE PAYABLE:

The details of lease hire payments outstanding as on 31st March, 2014 are as under:

| | Outstanding as on 31.03.2014 (Rs. in Lacs) | | Outstanding as on 30.09.2012 (Rs. in Lacs) | |
|--|---|---------------------------------|---|---------------------------------|
| | Total minimum lease payments | Present value of lease payments | Total minimum lease payments | Present value of lease payments |
| Due | | | | |
| Within one year | 2,354.49 | 2,354.49 | 4,040.99 | 3,522.73 |
| Later than 1 year and not later than 5 years | NIL | NIL | 3,114.28 | 2,860.26 |
| Total | 2,354.49 | 2,354.49 | 7,155.27 | 6382.99 |

B. FINANCE LEASE HIRE RECEIVABLE:

The details of lease hire receivables as on 31st March, 2014 are as under:

| | Outstanding as on 31.03.2014 (Rs. in Lacs) | | Outstanding as on 30.09.2012 (Rs. in Lacs) | |
|--|---|---------------------------------|---|---------------------------------|
| | Total minimum lease payments | Present value of lease payments | Total minimum lease payments | Present value of lease payments |
| Due | | | | |
| Within one year | NIL | NIL | 3,618.14 | 2,902.71 |
| Later than 1 year and not later than 5 years | NIL | NIL | 2,917.86 | 2,722.04 |
| Total | - | - | 6,536.00 | 5,624.75 |

MR. G

- ✓ 38. No amounts referred to in clauses (a) to (d) of Section 205C(2) of the Companies Act, 1956 have remained unclaimed for a period of seven years from the date they became due for payment.
- ✓ 39. The Company is engaged only in shipping business and there are no separate reportable segments as per Accounting Standard 17.
- ✓ 40. At the Annual General Meeting held on 4th February 2013, the Shareholders of the Company had approved payment of Dividend of Rs. 0.50 per Equity Share for the 18 months period ended 30th September 2012 aggregating to Rs. 750.03 Lacs. However due to paucity of funds and economic slowdown in shipping industry, this amount of Rs. 750.03 Lacs together with Dividend Distribution Tax of Rs. 121.67 Lacs has remained unpaid till date.
- ✓ 41. In the opinion of the Board, all assets other than fixed assets have a value on realisation in the ordinary course of business atleast equal to the amount at which they are stated except for reconciliation adjustments in respect of some of the payables and receivables.
- ✓ 42. Some of the balances in Trade Payables, Trade Receivables, Current Assets and Current Liabilities are subject to reconciliation, confirmation and consequential adjustments/provisions, the amounts whereof have not been determined.
- ✓ 43. A. The Company has been exempted from disclosing in the Statement of Profit and Loss Account the information required to be given under Para 4D(a), (b), (c) and (e) of Part II to Schedule VI of the Companies Act, 1956, vide notification dated 8th February 2011 of Government of India, Ministry of Corporate Affairs.

| | ✓ 31.03.2014 ✓ (Rs. in Lacs) | ✓ 30.09.2012 ✓ (Rs. in Lacs) |
|---|---------------------------------|---------------------------------|
| ✓ B. Dividend remitted in foreign currency | | |
| ✓ Final Dividend (31.03.2011) | ✓ NIL | ✓ 13.22 |
| ✓ No. of shares 16,52,700 (Previous year -16,52,700) | | |
| ✓ No. of non resident shareholders-11 (Previous year -11) | | |

M.L.G.

- ✓ 44. Previous period's figures have been re-grouped/ re-arranged to make them comparable to those of the current period of 18 months.

✓ Signatures to Notes 1 to 44

✓ As per our attached report of even date.
For SORAB S. ENGINEER & CO.
Chartered Accountants
Firm Regn. No. 110417W



C.A. N.D. ANKLESARIA
Partner
Memb No. 10250
Place : Mumbai
Date : 30th May 2014

For and on behalf of the Board



YUDISHTHIR KHATAU
Chairman & Managing Director



ARMIN PARDIWALA
Director

Place : Mumbai
Date : 30th May 2014

CASH FLOW STATEMENT FOR THE PERIOD OF 18 MONTHS ENDED 31st March, 2014

| | 31ST MARCH 2014 (₹ In Lacs) | 30TH SEPTEMBER 2012 (₹ In Lacs) |
|--|--------------------------------|------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| NET PROFIT BEFORE TAX | ✓ (48,907.72) | ✓ 3,772.66 |
| ADJUSTMENTS FOR: | | |
| DEPRECIATION | ✓ 12,263.64 | ✓ 14,438.83 |
| DIVIDEND INCOME | | ✓ (22.93) |
| INTEREST INCOME | ✓ (1,971.11) | ✓ (16,408.84) |
| INTEREST EXPENSES | ✓ 23,865.74 | ✓ 36,046.09 |
| (PROFIT) LOSS ON SALE OF ASSETS | ✓ (0.91) | ✓ (13,862.68) |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | ✓ (14,750.36) | ✓ 23,963.13 |
| ADJUSTMENTS FOR: | | |
| TRADE AND OTHER RECEIVABLES | ✓ 18,354.04 | ✓ (81,321.77) |
| INVENTORIES | ✓ 42.67 | ✓ (126.86) |
| FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE | ✓ (1,057.25) | ✓ (798.15) |
| TRADE & OTHER PAYABLES | ✓ 4,963.16 | ✓ 22,792.33 |
| CASH GENERATED FROM OPERATIONS | ✓ 7,552.26 | ✓ (35,491.32) |
| DIRECT TAXES | ✓ (848.16) | ✓ (270.82) |
| NET CASH FROM OPERATING ACTIVITIES | A ✓ 6,704.10 | ✓ (35,762.12) |
| CASH FLOW FROM INVESTING ACTIVITIES: | | |
| PURCHASE/ADDITIONS TO FIXED ASSETS | ✓ (22,379.44) | ✓ (22.32) |
| SALE OF FIXED ASSETS | ✓ 14,025.40 | ✓ 123,348.48 |
| PURCHASE OF INVESTMENTS | ✓ (29,820.17) | ✓ (2,301.89) |
| LOANS/DEPOSITS TO A COMPANIES UNDER SAME MANAGEMENT | ✓ 24,253.32 | ✓ 6,902.89 |
| INCREASE IN FINANCE LEASE OBLIGATION (NET) | ✓ 1,596.25 | ✓ 109,223.54 |
| INTEREST RECEIVED | ✓ 10,472.00 | ✓ 2,220.93 |
| DIVIDEND RECEIVED | | ✓ 22.93 |
| NET CASH USED IN INVESTING ACTIVITIES | B ✓ (1,852.64) | ✓ 239,394.56 |
| CASH FLOW FROM FINANCING ACTIVITIES: | | |
| PROCEEDS FROM BORROWINGS (NET) | ✓ (18,023.11) | ✓ (136,018.27) |
| DIVIDENDS PAID - ON EQUITY SHARES INCLUDING TAX | ✓ (56.69) | ✓ (2,291.44) |
| INTEREST PAID | ✓ (20,028.40) | ✓ (33,468.17) |
| NET CASH USED IN FINANCING ACTIVITIES | C ✓ (38,108.20) | ✓ (171,777.88) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | A+B+C ✓ (33,256.74) | ✓ 31,854.54 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | ✓ 33,475.75 | ✓ 1,621.21 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR CLOSING OF THE YEAR | ✓ 219.01 | ✓ 33,475.75 |
| | ✓ (33,256.74) | ✓ 31,854.54 |

✓ As per our attached report of even date

✓ For Sorab S. Engineer & Co.
Chartered Accountants
Firm Registration No. 110417W

S. Anklesaria
C.A. N.D. ANKLESARIA
Partner
Membership No. 10250
Mumbai : May 30, 2014

For and on behalf of the Board

Yudhishtir D Khatau
YUDHISHTHIR D KHATAU
Chairman & Managing Director

Armin Pardiwala
ARMIN PARDIWALA
Director
Mumbai : May 30, 2014