

ARVINMERITOR INC  
Form 10-K/A  
March 31, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A (Amendment no. 2)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended September 30, 2007  
Commission file number 1-15983

ARVINMERITOR, INC.  
(Exact name of registrant as specified in its charter)

|  |  |
|--|--|
| <b>Indiana</b>   | <b>38-3354643</b>                                |
| _____<br>(State or other jurisdiction of<br>incorporation or organization) | _____<br>(I.R.S. Employer<br>Identification No.) |
| <b>2135 West Maple Road<br/>Troy, Michigan</b>                             | <b>48084-7186</b>                                |
| _____<br>(Address of principal executive offices)                          | _____<br>(Zip Code)                              |
| Registrant's telephone number, including area code: (248) 435-1000         |  |

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

| Title of each class  | Name of each exchange on which registered |
|--|---|
| _____<br>Common Stock, \$1 Par Value (including the<br>associated Preferred Share Purchase Rights) | _____<br>New York Stock Exchange          |

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

|                         |  |                           |                          |
|-------------------------|--|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/>                                    | Accelerated filer         | <input type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/> (Do not check if a smaller reporting company) | Smaller reporting company | <input type="checkbox"/> |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant on March 30, 2007 (the last business day of the most recently completed second fiscal quarter) was approximately \$1,290.5 million.

73,680,018 shares of the registrant's Common Stock, par value \$1 per share, were outstanding on February 29, 2008.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Certain information contained in the Proxy Statement for the Annual Meeting of Shareowners of the registrant held on January 25, 2008 is incorporated by reference into Part III of the Annual Report on Form 10-K for the fiscal year ended September 30, 2007.

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**EXPLANATORY NOTE - AMENDMENT**

ArvinMeritor, Inc. (the “company” or “ArvinMeritor”) is filing this Form 10-K/A to include in its Annual Report on Form 10-K for the fiscal year ended September 30, 2007 (the “Annual Report”), pursuant to Rule 3-09 of Regulation S-X under the Securities Exchange Act of 1934, financial statements and related notes of Automotive Axles Limited (“AAL”), an unconsolidated joint venture in which the company owns a 35.52% interest.

Rule 3-09 of Regulation S-X provides that if a 50% or less owned person accounted for by the equity method meets the first or third condition of the significant subsidiary tests set forth in Rule 1-02(w), substituting 20% for 10%, separate financial statements for such 50% or less owned person shall be filed. AAL did meet such test as of and for the year ended October 2, 2005 and the company has included in this Form 10-K/A the required audited financial statements for those periods. However, as AAL did not meet the significance test as of and for the years ended September 30, 2007 and October 1, 2006, ArvinMeritor is only required to file unaudited financial statements for that period. ArvinMeritor has included in this Form 10-K/A AAL’s unaudited financial statements for the years ended September 30, 2007 and October 1, 2006. Item 15 is the only portion of the Annual Report being supplemented or amended by this Form 10-K/A.

AAL’s financial statements are prepared in accordance with accounting principles generally accepted in India, a basis of accounting other than U.S. GAAP. Since AAL did not meet a 30% significance test set forth in Rule 3-09, the financial statements include a narrative description of differences between these two bases of accounting.

Additionally, in connection with the filing of this Form 10-K/A and pursuant to Securities and Exchange Commission (“SEC”) rules, ArvinMeritor is including currently dated certifications. This Form 10-K/A does not otherwise update any exhibits as originally filed and does not otherwise reflect events occurring after the original filing date of the Annual Report. Accordingly, this Form 10-K/A should be read in conjunction with ArvinMeritor’s filings with the SEC subsequent to the filing of the Annual Report.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

(a) Financial Statements, Financial Statement Schedules and Exhibits.

(1) Financial Statements.

**ArvinMeritor**

The following financial statements and related notes were filed as part of the Annual Report filed with the SEC on November 19, 2007 (all financial statements listed below are those of the company and its consolidated subsidiaries):

Consolidated Statement of Operations, years ended September 30, 2007, 2006 and 2005.

Consolidated Balance Sheet, September 30, 2007 and 2006.

Consolidated Statement of Cash Flows, years ended September 30, 2007, 2006 and 2005.

Consolidated Statement of Shareowners’ Equity, years ended September 30, 2007, 2006 and 2005.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

**Meritor WABCO**

The following financial statements and related notes of Meritor WABCO Vehicle Control Systems were filed as part of Amendment No. 1 on Form 10-K/A filed with the SEC on December 20, 2007:

Financial Statements as of and for the Year Ended September 30, 2007 (Unaudited).

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Financial Statements as of and for the Year Ended September 30, 2006 and 2005, and Independent Auditors' Report.

### **Automotive Axles Limited**

The following financial statements and related notes of Automotive Axles Limited are included in this Form 10-K/A pursuant to Rule 3-09 of Regulation S-X:

Financial Statements as of and for the Years Ended September 30, 2007 and 2006 (Unaudited)

Financial Statements as of and for the Year Ended September 30, 2005 and Independent

Auditors' Report

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***Automotive Axles Limited***

*Financial Statements as of and for the  
Years Ended September 30, 2007 and 2006  
(Unaudited)*

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**AUTOMOTIVE AXLES LIMITED****BALANCE SHEETS AS AT 30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|   | <u>Schedule No.</u> | <u>2007</u>          | <u>2006</u>          |
|---|---------------------|----------------------|----------------------|
| <b>SOURCES OF FUNDS</b>                           |                     |                      |                      |
| <b>1. Shareholders' Funds</b>                     |                     |                      |                      |
| a) Share capital                                  | 1                   | 151,119,750          | 151,119,750          |
| b) Reserves & surplus                             | 2                   | 1,104,850,371        | 800,324,824          |
|   |                     | <u>1,255,970,121</u> | <u>951,444,574</u>   |
| <b>2. Loan Funds</b>                              |                     |                      |                      |
| a) Secured loans                                  | 3                   | 841,808,890          | 371,671,482          |
| b) Unsecured loans                                | 4                   | 177,345,781          | 174,654,274          |
|   |                     | <u>1,019,154,671</u> | <u>546,325,756</u>   |
| <b>3. Deferred tax liability (net)</b>            |                     | 129,600,000          | 99,619,000           |
|   |                     | <u>129,600,000</u>   | <u>99,619,000</u>    |
| <b>TOTAL</b>                                      |                     | <u>2,404,724,792</u> | <u>1,597,389,330</u> |
| <b>APPLICATION OF FUNDS</b>                       |                     |                      |                      |
| <b>1. Fixed Assets</b>                            |                     |                      |                      |
| a) Gross block                                    | 5                   | 2,331,610,966        | 1,947,553,469        |
| b) Less: Depreciation                             |                     | 959,871,355          | 797,221,438          |
|   |                     | <u>1,371,739,611</u> | <u>1,150,332,031</u> |
| c) Net block                                      |                     | 1,371,739,611        | 1,150,332,031        |
| d) Capital work-in-progress - at cost             |                     | 143,806,048          | 91,749,688           |
|   |                     | <u>1,515,545,659</u> | <u>1,242,081,719</u> |
| <b>2. Current Assets, Loans &amp; Advances</b>    |                     |                      |                      |
| a) Current assets:                                |                     |                      |                      |
| Inventories                                       | 6                   | 760,251,829          | 580,747,616          |
| Sundry debtors                                    | 7                   | 912,582,196          | 368,201,481          |
| Cash and bank                                     | 8                   | 114,902,515          | 25,313,956           |
| b) Loans & advances                               | 9                   | 215,718,000          | 121,635,895          |
|   |                     | <u>2,003,454,540</u> | <u>1,095,898,948</u> |
| <b>Less: Current Liabilities &amp; Provisions</b> |                     |                      |                      |
| a) Current liabilities                            | 10                  | 969,420,125          | 600,233,636          |
| b) Provisions                                     | 11                  | 144,855,282          | 140,357,701          |
|   |                     | <u>1,114,275,407</u> | <u>740,591,337</u>   |

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|                           |                      |                      |
|---------------------------|----------------------|----------------------|
| <b>Net Current Assets</b> | <u>889,179,133</u>   | <u>355,307,611</u>   |
| <b>TOTAL</b>              | <u>2,404,724,792</u> | <u>1,597,389,330</u> |

Significant Accounting Policies and Notes to 'Balance  
Sheet & Profit & Loss Account

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**AUTOMOTIVE AXLES LIMITED**  
**PROFIT AND LOSS ACCOUNTS FOR THE YEARS ENDED 30TH SEPTEMBER**  
**2007 AND 2006 (UNAUDITED)**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|   | <u>Schedule No.</u> | <u>2007</u>          | <u>2006</u>          |
|---|---------------------|----------------------|----------------------|
| <b>INCOME</b>   |                     |                      |                      |
| Sales - Gross   |                     | 6,944,474,039        | 5,242,043,571        |
| Less: Excise duty                                       |                     | 872,525,355          | 661,685,805          |
|   |                     | <u>6,071,948,684</u> | <u>4,580,357,766</u> |
| Other income:   |                     |                      |                      |
| - Operational   | 12                  | 44,667,209           | 37,187,229           |
| - Others  | 13                  | 57,901,221           | 5,060,639            |
|   |                     | <u>6,174,517,114</u> | <u>4,622,605,634</u> |
| <b>EXPENDITURE</b>                                      |                     |                      |                      |
| Raw materials consumed                                  | 14                  | 4,232,175,644        | 3,109,270,833        |
| Increase in stock of finished goods and work-in-process | 15                  | (54,530,677)         | (49,147,760)         |
| Manufacturing, administration & selling expenses        | 16                  | 931,756,664          | 720,906,876          |
| Interest  | 17                  | 75,206,409           | 56,322,214           |
| Depreciation  |                     | 170,903,724          | 136,906,784          |
|   |                     | <u>5,355,511,764</u> | <u>3,974,258,947</u> |
| <b>Profit before tax</b>                                |                     | <u>819,005,350</u>   | <u>648,346,687</u>   |
| Provision for taxation:                                 |                     |                      |                      |
| - Current tax   |                     |                      |                      |
| for current year  |                     | 245,700,000          | 194,855,000          |
| for earlier years                                       |                     | —                    | (5,699,164)          |
| - Deferred tax  |                     | 35,432,440           | 23,399,000           |
| - Fringe benefit tax                                    |                     | 1,600,000            | 2,300,000            |
|   |                     | <u>536,272,910</u>   | <u>433,491,851</u>   |
| <b>Profit after tax</b>                                 |                     | <u>536,272,910</u>   | <u>433,491,851</u>   |
| Add: Balance brought forward from previous year         |                     | 518,417,398          | 352,334,134          |



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|  |                      |                    |
|--|----------------------|--------------------|
| <b>Profit available for appropriation</b>  | <b>1,054,690,308</b> | <b>785,825,985</b> |
|  | <hr/>                | <hr/>              |
| <b>APPROPRIATIONS</b>  |                      |                    |
| Proposed dividend  | 98,227,838           | 113,339,813        |
| Interim dividend   | 90,671,850           | 83,115,863         |
| Tax on dividend  | 32,103,510           | 27,552,910         |
| Transfer to general reserve  | 53,700,000           | 43,400,000         |
|  | <hr/>                | <hr/>              |
| <b>Surplus carried to Balance Sheet</b>  | <b>779,987,110</b>   | <b>518,417,399</b> |
|  | <hr/>                | <hr/>              |
| No. of equity shares   | 15,111,975           | 15,111,975         |
| Basic and diluted earnings per equity share (face value of Rs. 10 per share) (Rs.) | 35.49                | 28.69              |

Significant Accounting Policies and Notes to  
Balance Sheet & Profit & Loss Account

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**AUTOMOTIVE AXLES LIMITED**  
**CASH FLOW STATEMENTS FOR THE YEARS ENDED 30TH SEPTEMBER**  
**2007 AND 2006 (UNAUDITED)**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|  | <u>2007</u>          | <u>2006</u>          |
|--|----------------------|----------------------|
| <b>I) Cash Flow From Operating Activities</b>  |                      |                      |
| <b>A) Net Profit before Tax and Extraordinary Items</b>  | <b>819,005,350</b>   | <b>648,346,687</b>   |
| <b>B) Adjustments</b>  |                      |                      |
| <b>Add:</b>  |                      |                      |
| Depreciation   | 170,903,724          |                      |
| Interest expense   | 75,206,409           | 193,228,998          |
|  | <u>246,110,133</u>   | <u>193,228,998</u>   |
|  | <b>1,065,115,483</b> | <b>841,575,685</b>   |
| <b>Less:</b>   |                      |                      |
| Unrealized exchange gain   | 42,780,129           | (8,761,828)          |
| Profit on sale of asset (net)  | 86,761               | 974,181              |
| Interest Income  | 7,934,419            | 1,387,138            |
|  | <u>50,801,309</u>    | <u>1,387,138</u>     |
| <b>Operating Profit Before Working Capital Changes</b>   | <b>1,014,314,174</b> | <b>847,976,194</b>   |
| <b>C) Adjustments for</b>  |                      |                      |
| Inventory  | (179,504,213)        |                      |
| Sundry debtors   | (544,380,715)        |                      |
| Loans & advances   | (60,446,982)         |                      |
| Current liabilities & provisions   | 371,048,273          | 233,781,257          |
|  | <u>(413,283,637)</u> | <u>233,781,257</u>   |
| <b>D) Cash Generated From Operations</b>   | <b>601,030,537</b>   | <b>1,081,757,451</b> |
| Advance tax (net of refunds)   | (281,640,133)        | (223,831,284)        |
|  | <u>(281,640,133)</u> | <u>(223,831,284)</u> |
| <b>E) Net Cash From Operating Activities</b>   | <b>319,390,404</b>   | <b>857,926,167</b>   |
| <b>II) Cash Flow From Investing Activities</b>   |                      |                      |
| Purchase of fixed assets (net of exchange fluctuation capitalized & assets acquired on finance lease & including capital work-in-progress) | (444,608,335)        | (540,980,634)        |
| Sale of assets   | 327,432              | 3,938,361            |
| Interest income  | 7,934,419            | 1,387,138            |
|  | <u>7,934,419</u>     | <u>1,387,138</u>     |
| <b>Net Cash Used in Investing Activities</b>   | <b>(436,346,484)</b> | <b>(535,655,135)</b> |

**III) Cash Flow From Financing Activities**

|  |                      |                        |
|--|----------------------|------------------------|
| <b>A) Inflows:</b>                                   |                      |                        |
| Proceeds from long term borrowings                   | 489,590,597          | 240,396,679            |
| Proceeds from short term borrowings                  | 650,378,812          | 443,773,459            |
|  | <b>1,139,969,409</b> | <b>684,170,138</b>     |
| <b>B) Outflows</b>                                   |                      |                        |
| Repayment of long term borrowings                    | (235,713,196)        | (118,452,000)          |
| Repayment of short term borrowings                   | (389,705,132)        | (639,932,854)          |
| Dividend & tax on dividend                           | (234,870,437)        | (223,379,340)          |
| Interest paid  | (73,136,005)         | (50,923,238)           |
|  | <b>(933,424,770)</b> | <b>(1,032,687,432)</b> |
| <b>Net Cash Used in Financing activities</b>         | <b>206,544,639</b>   | <b>(348,517,294)</b>   |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 89,588,559           | (26,246,262)           |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD     | 25,313,956           | 51,560,218             |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>    | <b>114,902,515</b>   | <b>25,313,956</b>      |

## Notes:

- The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 Cash Flow Statement issued by the Institute of Chartered Accountants of India.
- Cash and cash equivalents at the end of the year include balances with scheduled banks in unpaid dividend accounts of Rs.3,404,070 (previous year Rs.2,957,444).

**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**  
**30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|  | <u>2007</u>                 | <u>2006</u>               |
|--|-----------------------------|---------------------------|
| <b>SCHEDULE - 1</b>                                  |                             |                           |
| <b>SHARE CAPITAL</b>                                 |                             |                           |
| <b>Authorized:</b>                                   |                             |                           |
| 23,000,000 Equity shares of Rs.10 each               | 230,000,000                 | 230,000,000               |
| 2,000,000 Preference shares of Rs.10 each            | 20,000,000                  | 20,000,000                |
|  | <u>250,000,000</u>          | <u>250,000,000</u>        |
| <b>Issued, Subscribed &amp; Paid up:</b>             |                             |                           |
| 15,111,975 Equity shares of Rs.10 each fully paid up | 151,119,750                 | 151,119,750               |
|  | <u>151,119,750</u>          | <u>151,119,750</u>        |
| <b>SCHEDULE - 2</b>                                  |                             |                           |
| <b>RESERVES &amp; SURPLUS</b>                        |                             |                           |
| Share premium as per last Balance Sheet              | 115,588,500                 | 115,588,500               |
|  | <u>115,588,500</u>          | <u>115,588,500</u>        |
| General reserve:                                     |                             |                           |
| As per last Balance Sheet                            | 166,318,925                 | 122,918,925               |
| Add: Transfer from P&L Account                       | 53,700,000                  | 220,018,925               |
|  | <u>220,018,925</u>          | <u>43,400,000</u>         |
| Less: Transitional liability in gratuity             | (16,195,604)                |                           |
| Deferred tax asset on the above                      | 5,451,440                   | (10,744,164)              |
|  | <u>5,451,440</u>            | <u>(10,744,164)</u>       |
| Balance as on 30th September, 2007                   | <u>209,274,761</u>          | <u>166,318,925</u>        |
| Surplus in Profit & Loss Account                     | 779,987,110                 | 518,417,399               |
|  | <u>779,987,110</u>          | <u>518,417,399</u>        |
| <b>TOTAL</b>   | <u><b>1,104,850,371</b></u> | <u><b>800,324,824</b></u> |



**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**  
**30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**  
All amounts in Indian Rupees (Rs.), unless otherwise stated

|   | <u>2007</u>        | <u>2006</u>        |
|---|--------------------|--------------------|
| <b>SCHEDULE - 3</b>   |                    |                    |
| <b>SECURED LOANS</b>  |                    |                    |
| From Financial Institutions:  |                    |                    |
| - Finance lease obligations (include amounts due within one year Rs. 1,200,053, previous year Rs. 901,533)      | 2,085,580          | 2,137,950          |
| From Banks:   |                    |                    |
| - Foreign currency term loans (include amounts due within one year Rs.73,652,500, previous year Rs. 46,020,000) | 159,040,000        | 230,100,000        |
| - Rupee term loans (include amounts due within one year Rs. 99,375,000, previous year Rs. 27,043,475)           | 388,750,000        | 108,173,902        |
| - Working capital borrowings  | 291,933,310        | 31,259,630         |
|   | <u>839,723,310</u> | <u>369,533,532</u> |
| <b>TOTAL</b>  | <u>841,808,890</u> | <u>371,671,482</u> |

## Notes:

- Foreign currency term loan of Rs. 159,040,000 (previous year Rs. 230,100,000) is secured by first charge on the entire plant & machinery of the Company.
- Rupee term loan of Rs. 388,750,000 (previous year Rs.108,173,902) is secured by a first pari-passu charge by hypothecation of the plant and machinery of the Company.
- Working capital borrowings include: Working capital facilities from banks and financial institutions of Rs.291,933,310 (previous year Rs. 31,25,960) secured by a first charge ranking pari-passu inter-se, by way of hypothecation of current assets.
- Finance lease obligations are secured by assets purchased under the respective agreements.

**SCHEDULE - 4****UNSECURED LOANS**

|  |             |             |
|--|-------------|-------------|
| From Bank:   |             |             |
| Foreign currency term loans (include amounts due within one year Rs. 33,369,661, previous year Rs. 24,036,314) | 157,613,486 | 132,212,946 |

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From the Govt. of Karnataka:

- Development loan - interest free (includes amount due within one year of Rs. 37,033 in 2006) — 37,033

- Sales tax loan - interest free (includes amounts due within one year Rs. 19,472,000, previous year Rs. 22,672,000) 19,732,295 42,404,295

**TOTAL** 177,345,781 174,654,274

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**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**  
**30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE - 5**

**FIXED ASSETS**

| GROSS BLOCK AT COST                     |  |  |  | DEPRECIATION                          |                    |                             | NET BLOCK AT COST                          |                                    |
|---|--|--|--|---------------------------------------|--------------------|-----------------------------|--|------------------------------------|
| Balance at 1 <sup>st</sup> October 2006 | Additions/ adjustments during the year | Disposals/ adjustments during the year | Balance at 30 <sup>th</sup> September 2007 | Up to 30 <sup>th</sup> September 2006 | For the year       | Adjustments during the year | Balance at 30 <sup>th</sup> September 2007 | At 30 <sup>th</sup> September 2007 |
| 3,832,366                               | —                                      | —                                      | 3,832,366                                  | —                                     | —                  | —                           | —  | 3,832,366                          |
| 136,013,378                             | 54,629,394                             | —                                      | 190,642,772                                | 33,702,592                            | 6,054,141          | —                           | 39,756,733                                 | 150,886,039                        |
| 1,766,461,599                           | 328,494,676                            | 6,705,931                              | 2,088,250,344                              | 738,514,657                           | 159,369,335        | 6,664,565                   | 891,219,427                                | 1,197,030,917                      |
| 36,049,246                              | 8,418,872                              | 1,519,111                              | 42,949,007                                 | 22,636,207                            | 4,679,961          | 1,392,284                   | 25,923,884                                 | 17,025,123                         |
| 5,168,384                               | 1,009,034                              | 269,437                                | 5,907,981                                  | 2,339,487                             | 800,287            | 196,958                     | 2,942,816                                  | 2,965,165                          |
| 28,496                                  | —                                      | —                                      | 28,496                                     | 28,495                                | —                  | —                           | 28,495                                     | 1                                  |
| <b>1,947,553,469</b>                    | <b>392,551,976</b>                     | <b>8,494,479</b>                       | <b>2,331,610,966</b>                       | <b>797,221,438</b>                    | <b>170,903,724</b> | <b>8,253,807</b>            | <b>959,871,355</b>                         | <b>1,371,739,611</b>               |
|   |  |  |  |                                       |                    |                             |  | <b>143,806,048</b>                 |
|   |  |  |  |                                       |                    |                             |  | <b>1,515,545,659</b>               |
| 1,482,359,137                           | 567,951,878                            | 102,757,546                            | 1,947,553,469                              | 760,108,020                           | 136,906,784        | 99,793,366                  | 797,221,438                                | 1,242,081,719                      |

(a) Capital work in progress includes capital advances Rs. 54,682,938 (previous year Rs. 56,961,264).

(b) Vehicles include Rs. 5,204,231 (previous year Rs. 4,459,711) purchased under finance lease arrangements.





**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**  
**30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|  | <u>2007</u>        | <u>2006</u>        |
|--|--------------------|--------------------|
| <b>SCHEDULE - 6</b>  |                    |                    |
| <b>CURRENT ASSETS</b>  |                    |                    |
| <b>Inventories (at the lower of cost and net realisable value)</b> |                    |                    |
| Raw materials & components   | 453,435,105        | 349,727,928        |
| Work-in-process  | 206,505,966        | 155,078,434        |
| Finished goods   | 23,576,756         | 20,643,242         |
| Stores & spares  | 76,734,002         | 55,298,012         |
|  | <u>760,251,829</u> | <u>580,747,616</u> |

**SCHEDULE - 7**

**SUNDRY DEBTORS**

**(Unsecured, considered good)**

|   |                    |                    |
|---|--------------------|--------------------|
| Over Six months   | 1,162,706          | 316,621            |
| Others  | 911,419,490        | 367,884,860        |
|   | <u>912,582,196</u> | <u>368,201,481</u> |
| Include amounts due from Meritor HVS (India) Ltd., a company under the same management. | <u>728,846,284</u> | <u>286,160,896</u> |

**SCHEDULE - 8**

**CASH AND BANK BALANCES**

|  |                    |                   |
|--|--------------------|-------------------|
| Cash on hand   | 73,613             | 44,720            |
| Checks on hand   | —                  | 6,757,978         |
| Bank balances with scheduled banks in current accounts | 114,828,902        | 18,511,258        |
|  | <u>114,902,515</u> | <u>25,313,956</u> |

**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**  
**30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|   | <u>2007</u>               | <u>2006</u>               |
|---|---------------------------|---------------------------|
| <b>SCHEDULE - 9</b>   |                           |                           |
| <b>LOANS &amp; ADVANCES (considered good)</b>                       |                           |                           |
| Advances recoverable in cash or in kind or for value to be received | 165,801,642               | 106,019,939               |
| Advance income tax  | 719,612,639               | 440,277,516               |
| Less: Provision for income tax                                      | (678,047,369)             | (432,347,369)             |
|   | <u>7,896,090</u>          | <u>7,107,612</u>          |
| Deposits with Govt. authorities                                     | 7,896,090                 | 7,107,612                 |
| Balances with Customs & Central Excise Department                   | 53,323                    | 17,323                    |
| Deposits - others   | 401,675                   | 560,875                   |
|   | <u>215,718,000</u>        | <u>121,635,895</u>        |
| <b>TOTAL</b>  | <b><u>215,718,000</u></b> | <b><u>121,635,895</u></b> |

Note:

|   |                    |                    |
|---|--------------------|--------------------|
| 1. Of the above:  |                    |                    |
| - Secured   | —                  | 1,550,000          |
| - Unsecured   | 215,718,000        | 120,085,895        |
|   | <u>215,718,000</u> | <u>121,635,895</u> |
| 2. Advances recoverable includes amounts due from Meritor HVS (India) Ltd., a company under the same management |                    |                    |
|   | 27,885             | 195,111            |
| Maximum amount outstanding during the year  | <u>195,111</u>     | <u>195,111</u>     |

**SCHEDULE - 10**

**CURRENT LIABILITIES**

|                                       |             |             |
|---------------------------------------|-------------|-------------|
| Sundry creditors                      |             |             |
| - Small scale undertakings            | 23,682,309  | 15,648,983  |
| - Others                              | 551,306,377 | 416,854,645 |
| Other liabilities                     | 120,670,872 | 46,706,604  |
| Interest accrued but not due on loans | 9,614,571   | 7,544,167   |
| Unpaid dividend #                     | 3,404,070   | 2,957,244   |
| Bills payable                         | 255,794,305 | 106,582,070 |
| Advances From suppliers               | 4,947,621   | 3,939,923   |



**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**  
**30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|                                  | <u>2007</u>               | <u>2006</u>               |
|----------------------------------|---------------------------|---------------------------|
| <b>SCHEDULE - 11</b>             |                           |                           |
| <b>PROVISIONS</b>                |                           |                           |
| Provision for employee benefits  | 19,166,965                | 6,251,008                 |
| Warranty                         | 10,705,997                | 4,105,298                 |
| Provision for fringe benefit tax | 4,568,141                 | 2,968,141                 |
| Less: Advance fringe benefit tax | (4,507,479)               | (2,202,469)               |
|                                  | <u>60,662</u>             | <u>765,672</u>            |
| Proposed dividend                | 98,227,838                | 113,339,813               |
| Tax on proposed dividend         | 16,693,820                | 15,895,910                |
|                                  | <u>16,693,820</u>         | <u>15,895,910</u>         |
| <b>TOTAL</b>                     | <b><u>144,855,282</u></b> | <b><u>140,357,701</u></b> |

**SCHEDULE - 12**

**OPERATIONAL INCOME**

|                 |                          |                          |
|-----------------|--------------------------|--------------------------|
| Jobbing charges | 9,304,531                | 16,677,313               |
| Scrap sales     | 2,877,576                | 2,072,042                |
| Others          | 32,485,102               | 18,437,874               |
|                 | <u>32,485,102</u>        | <u>18,437,874</u>        |
| <b>TOTAL</b>    | <b><u>44,667,209</u></b> | <b><u>37,187,229</u></b> |

**SCHEDULE - 13**

**OTHER INCOME**

|  |                          |                         |
|--|--------------------------|-------------------------|
| Profit on sale of assets (net)   | 86,761                   | 974,181                 |
| Interest (tax deducted at source<br>Rs. 1,221,846, previous year<br>Rs. 228,303) | 7,934,419                | 1,387,138               |
| Exchange gain  | 49,318,539               | —                       |
| Miscellaneous income   | 561,502                  | 2,699,320               |
|  | <u>561,502</u>           | <u>2,699,320</u>        |
| <b>TOTAL</b>   | <b><u>57,901,221</u></b> | <b><u>5,060,639</u></b> |

**SCHEDULE - 14**

**RAW MATERIALS CONSUMED**

|                                   |                    |                             |                             |
|-----------------------------------|--------------------|-----------------------------|-----------------------------|
| Opening stock                     |                    | 349,727,928                 | 294,979,296                 |
| Add: Purchases                    | 4,556,020,841      |                             |                             |
| Less: Cash discount & scrap sales | <u>220,138,020</u> | <u>4,335,882,821</u>        | <u>3,164,019,465</u>        |
|                                   |                    | 4,685,610,749               | 3,458,998,761               |
| Less: Closing stock               |                    | <u>453,435,105</u>          | <u>349,727,928</u>          |
| <b>TOTAL</b>                      |                    | <b><u>4,232,175,644</u></b> | <b><u>3,109,270,833</u></b> |

**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**  
**30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|   | <u>2007</u>                | <u>2006</u>                |
|---|----------------------------|----------------------------|
| <b>SCHEDULE - 15</b>  |                            |                            |
| <b>INCREASE IN STOCK OF FINISHED GOODS &amp; WORK-IN- PROCESS</b> |                            |                            |
| Closing stock   |                            |                            |
| - Finished goods  | 23,576,756                 | 20,643,242                 |
| - Excise duty on finished goods                                   | (2,918,158)                | (3,087,789)                |
| - Work-in-process   | 206,505,966                | 155,078,434                |
|   | <u>227,164,564</u>         | <u>172,633,887</u>         |
| Opening stock   |                            |                            |
| - Finished goods  | 20,643,242                 | 22,058,581                 |
| - Excise duty on finished goods                                   | (3,087,789)                | (2,876,528)                |
| - Work-in-process   | 155,078,434                | 104,304,074                |
|   | <u>172,633,887</u>         | <u>123,486,127</u>         |
| <b>TOTAL</b>  | <b><u>(54,530,677)</u></b> | <b><u>(49,147,760)</u></b> |

**SCHEDULE - 16**

**MANUFACTURING, ADMINISTRATION AND SELLING EXPENSES**

Payments to and provision for employees:

|   |                    |                    |
|---|--------------------|--------------------|
| -Salaries & wages                               | 222,211,165        | 183,063,593        |
| -Contribution to Provident Fund and other funds | 19,388,572         | 21,728,627         |
| -Welfare expenses                               | 25,235,402         | 20,239,378         |
|   | <u>266,835,139</u> | <u>225,031,598</u> |
| Stores & spares consumed                        | 159,792,701        | 124,342,119        |
| Power & fuel                                    | 151,111,193        | 145,231,867        |
| Rates & taxes                                   | 908,359            | 1,140,007          |
| Travelling expenses                             | 5,278,819          | 6,209,293          |
| Repairs & maintenance                           |                    |                    |
| - Buildings                                     | 19,000             | 110,596            |
| - Plant & machinery                             | 57,639,651         | 33,949,261         |
| - Others  | 4,230,806          | 3,423,964          |
| Insurance charges                               | 4,421,682          | 3,017,457          |
| Postage, telephone & telegrams                  | 1,766,882          | 1,449,753          |
| Vehicle running expenses                        | 1,230,746          | 1,182,252          |

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|                             |                             |                             |
|-----------------------------|-----------------------------|-----------------------------|
| Directors' sitting fees     | 440,000                     | 420,000                     |
| Legal and professional fees | 11,562,917                  | 11,182,272                  |
| Technical fees              | 10,626,919                  | —                           |
| Bank charges / commission   | 1,663,287                   | 1,924,036                   |
| Outside processing charges  | 179,578,378                 | 119,650,566                 |
| Lease rent                  | 494,160                     | 429,685                     |
| Exchange loss               | —                           | 14,726,742                  |
| Warranty                    | 22,015,521                  | 6,913,881                   |
| Export expenses             | 32,677,037                  | 294,133                     |
| Miscellaneous expenses      | 19,463,467                  | 20,277,394                  |
|                             | <u>                    </u> | <u>                    </u> |
| <b>TOTAL</b>                | <b>931,756,664</b>          | <b>720,906,876</b>          |
|                             | <u>                    </u> | <u>                    </u> |

**SCHEDULE - 17**

**INTEREST**

|  |                             |                             |
|--|-----------------------------|-----------------------------|
| Interest on term loans                 | 45,319,175                  | 27,106,024                  |
| Interest on working capital borrowings | 29,887,234                  | 29,216,190                  |
|  | <u>                    </u> | <u>                    </u> |
| <b>TOTAL</b>                           | <b>75,206,409</b>           | <b>56,322,214</b>           |
|  | <u>                    </u> | <u>                    </u> |



**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**  
**30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**  
All amounts in Indian Rupees (Rs.), unless otherwise stated  
**SCHEDULE 18**

NOTES FORMING PART OF ACCOUNTS

**1. Significant Accounting Policies**

**a) Accounting Convention**

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting, to comply in all material respects with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and requirements in the Indian Companies Act, 1956.

**b) Use of Estimates**

The preparation of financial statements in conformity with Indian GAAP requires that the management makes estimates & assumptions that affect the reported amount of assets & liabilities, disclosure of contingent liabilities as at the date of financial statements & reported amounts of revenue & expenses during the reported period. Actual results could differ from those estimates.

**c) Fixed Assets and Depreciation**

**(i) Fixed Assets**

Fixed assets are stated at cost (net of CENVAT) less accumulated depreciation. Cost includes all costs relating to the acquisition and installation of fixed assets including interest on borrowings for the project / fixed asset till the date of commercial production or the assets are put in use.

Expenditure on reconditioning of machinery is capitalised where such expenditure results in increase in the future benefits from the asset and / or results in an extension of the useful life of the asset based on technical assessment.

**(ii) Depreciation**

Depreciation on buildings and plant & machinery is provided under the "straight line method" and on other assets under the "reducing balance method" at the rates specified in Schedule XIV to the Companies Act, 1956 (the "Schedule"), based on technical estimates that indicate the useful lives would be comparable with or higher than those arrived at using these rates

In cases where the useful lives are estimated to be lower than those considered in determining the rates specified in the Schedule, depreciation is provided under the straight line method over the useful lives of the assets as follows:

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**AUTOMOTIVE AXLES LIMITED**  
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**SCHEDULE 18**

NOTES FORMING PART OF ACCOUNTS (Cont...)

|   |  |
|---|--|
| Reconditioned machinery and related expenditure | As specifically estimated and currently ranging between 3 and 10 years                       |
| Tools, jig and fixtures and measuring gauges    | 2 to 5 years   |
| Certain imported machinery                      | As per technical evaluation of their useful life and currently ranging between 4 to 15 years |

In case of diminution in value of the asset due to technological reasons, the difference between written down value and estimated net realisable value of assets is provided as depreciation in the year in which it is ascertained.

**d) Inventories**

Raw material, stores & spares, work-in process and finished goods are valued at the lower of cost and estimated realisable value. Cost of materials is determined on weighted average basis. In the case of work-in-process and finished goods, cost includes the cost of conversion. Closing stock of finished goods includes liability towards excise duty payable on clearance of goods. Imported materials in transit at the year-end are valued inclusive of customs duty.

**e) Foreign Currency Transactions**

Monetary assets & liabilities denominated in foreign currency at the balance sheet date are translated into rupees at the exchange rate prevailing on that date. Gains or losses arising on settlement / restatement are charged to the Profit & Loss Account.

Premium in respect of forward contract is accounted over the period of the contract.

**f) Revenue Recognition**

Sales: - Sales are recognised on dispatch and transfer of underlying risk & rewards as per contracted terms and are recorded at invoice value, net of sales taxes, but including excise duties.

Export incentives: Export incentives are accounted for on accrual basis at the time of export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

**AUTOMOTIVE AXLES LIMITED**  
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**30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**  
All amounts in Indian Rupees (Rs.), unless otherwise stated  
**SCHEDULE 18**

NOTES FORMING PART OF ACCOUNTS (Cont...)

**g) Research and Development**

Revenue expenditure on research and development is charged to the Profit and Loss Account in the year of incurrence. However capital expenditure on research and development is treated in the same way as other fixed assets.

**h) Employee Benefits**

**a) Defined Contribution Plan**

Company's contributions paid / payable during the year to Provident Fund and Superannuation Fund are recognised in the Profit and Loss Account.

**b) Defined Benefit Plan**

Liabilities for gratuity funded in terms of a scheme administered by a fund manager are determined by an independent actuarial valuation made at the end of each financial year. Provision for liabilities pending remittance to the fund is carried in the Balance Sheet.

Actuarial gain and losses are recognized immediately in the Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

**c) Liability for leave encashment is provided based on accumulated leave credit outstanding to the employees as on the date of Balance Sheet.**

**i) Events Subsequent to the Balance Sheet Date**

Events occurring after the balance sheet date, which have a material impact on the financial affairs of the Company, are taken into cognisance.

**j) Prior Period and Extraordinary Items**

Prior period and extraordinary items, and changes in accounting policies, having a material impact on the financial affairs of the Company are disclosed.

**k) Income Tax**

Income tax comprises the current tax provision, net change in the deferred tax asset or liability in the year and fringe benefit tax.

**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**  
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**SCHEDULE 18**

NOTES FORMING PART OF ACCOUNTS (Cont...)

Provision for current tax is made taking into account the admissible deductions / allowances and is subject to revision based on the taxable income for the fiscal year ending 31 March each year.

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between carrying values of the assets and liabilities and their respective tax bases and are measured using enacted tax rates applicable on the Balance Sheet date. Deferred tax assets are recognized subject to management's judgment that realization is virtually certain.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change.

Fringe benefit tax has been provided as per provisions of Indian Income Tax Act, 1961.

**l) Cash flow Statement**

Cash Flow Statement has been prepared in accordance with the indirect method prescribed in Accounting Standard 3 issued by the Institute of Chartered Accountants of India.

**m) Impairment of Assets**

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to Profit and Loss Account in the year in which an asset is identified as impaired. The recoverable amount is greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to the present value. A previously recognized impairment loss is further provided or reversed depending on changes in circumstances.

**n) Earning Per Share**

In determining the earning per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earning per share comprises the weighted average shares considered for deriving basic earning per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period unless issued at a later date.

**o) Provision & Contingencies**

A Provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on best estimate required to settle the obligation at the balance sheet date. These

**AUTOMOTIVE AXLES LIMITED**  
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**SCHEDULE 18**

NOTES FORMING PART OF ACCOUNTS (Cont...)

are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Warranty expenses are provided for in the year of sale based on technical estimates. In addition, specific provision is also made against customer claims for manufacturing defects, where necessary.

**2 (a) Installed Capacity**

|                                    |        | <b>30<sup>th</sup> September</b> |             |
|------------------------------------|--------|----------------------------------|-------------|
|                                    |        | <b>2007</b>                      | <b>2006</b> |
| Axle housing (a component of axle) | (Nos.) | 162,500                          | 150,000     |
| Complete axles                     | (Nos.) | 130,000                          | 108,000     |
| Brake assemblies **                | (Nos.) | 1,248,000                        | 510,000     |
| Gear sets                          | (MT)   | 7,163                            | 6,765       |

(as certified by management and relied upon by the auditors, being a technical matter)

**(b) Actual Production**

|                                      |        | <b>Year ended 30<sup>th</sup> September</b> |             |
|--------------------------------------|--------|---|-------------|
|                                      |        | <b>2007</b>                                 | <b>2006</b> |
| Axle housings* (a component of axle) | (Nos.) | 137,947                                     | 114,041     |
| Complete axles                       | (Nos.) | 104,633                                     | 92,034      |
| Gear sets@                           | (MT)   | 4561.84                                     | 4099.89     |

@ Includes jobbing 11.06 MT ( previous year 65.62 MT )

\* Actual production of axle housings includes 104,633 Nos. used for production of complete axles (previous year 92,034 Nos.).

\*\* Brake assemblies include sub assemblies.

**AUTOMOTIVE AXLES LIMITED**  
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All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 18**

NOTES FORMING PART OF ACCOUNTS (Cont...)

**3. Details of Gross Sales: (Excluding Warranty Replacements & Samples)**

|                | Year ended 30 <sup>th</sup><br>September 2007 |                      | Year ended 30 <sup>th</sup><br>September 2006 |                      |
|----------------|---|----------------------|---|----------------------|
|                | Quantity<br>(Nos.)                            | Amount               | Quantity<br>(Nos.)                            | Amount               |
| • Axle housing | 33,373  | 388,741,592          | 22,391  | 207,515,418          |
| • Axles        | 104,740                                       | 5,400,522,679        | 91,945  | 4,403,510,241        |
| • Spares       |   | 1,155,209,768        |   | 631,017,911          |
|                |   | <b>6,944,474,039</b> |   | <b>5,242,043,570</b> |

**4. Opening and Closing Stock of Finished Goods**

|                       | 2007               |                   | 2006               |                   |
|-----------------------|--------------------|-------------------|--------------------|-------------------|
|                       | Quantity<br>(Nos.) | Amount            | Quantity<br>(Nos.) | Amount            |
| <b>Opening Stock:</b> |                    |                   |                    |                   |
| • Axle housing        | 208                | 1,795,880         | 592                | 5,435,122         |
| • Axles               | 383                | 15,254,369        | 294                | 10,223,710        |
| • Others              |                    | 3,592,993         |                    | 6,399,749         |
|                       |                    | <b>20,643,242</b> |                    | <b>22,058,581</b> |
| <b>Closing Stock:</b> |                    |                   |                    |                   |
| • Axle housing        | 42                 | 451,129           | 208                | 1,795,880         |
| • Axles               | 276                | 16,118,008        | 383                | 15,254,369        |

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|          |                   |                   |
|----------|-------------------|-------------------|
| • Others | 7,007,619         | 3,592,993         |
|          | <hr/>             | <hr/>             |
|          | <b>23,576,756</b> | <b>20,643,242</b> |
|          | <hr/>             | <hr/>             |

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**AUTOMOTIVE AXLES LIMITED**  
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**30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 18**

NOTES FORMING PART OF ACCOUNTS (Cont...)

**5. Raw Materials and Components Consumed**

|                                  | Year ended 30 <sup>th</sup> September<br>2007 |                      | Year ended 30 <sup>th</sup> September<br>2006 |                      |
|----------------------------------|---|----------------------|---|----------------------|
|                                  | Quantity                                      | Amount               | Quantity                                      | Amount               |
| • Steel (MT)                     | 27,546  | 883,669,877          | 22,556  | 642,829,188          |
| • Castings (Nos.)                | 849,432                                       | 553,805,697          | 538,847                                       | 357,196,817          |
| • Forgings (Nos.)                | 1,331,391                                     | 951,556,990          | 1,351,576                                     | 746,971,902          |
| • Bought out finished components |   | 1,617,017,812        |   | 1,144,571,713        |
| • Others                         |   | 226,125,268          |   | 217,701,213          |
|                                  |   | <b>4,232,175,644</b> |   | <b>3,109,270,833</b> |

**6. Value of Raw Materials, Stores & Spares Consumed During the Year**

|                         | Year ended 30 <sup>th</sup> September<br>2007 |                      | Year ended 30 <sup>th</sup> September<br>2006 |                      |
|-------------------------|---|----------------------|---|----------------------|
|                         | Consumption<br>%                              | Amount               | Consumption<br>%                              | Amount               |
| <b>a) Raw Materials</b> |   |                      |   |                      |
| • Imported              | 2   | 85,917,610           | 2   | 48,546,270           |
| • Indigenous            | 98  | 4,146,258,034        | 98  | 3,060,724,564        |
|                         | <b>100</b>                                    | <b>4,232,175,644</b> | <b>100</b>                                    | <b>3,109,270,834</b> |



**b) Stores & Spares**

|              |            |                    |            |                    |
|--------------|------------|--------------------|------------|--------------------|
| • Imported   | 1          | 2,028,579          | 1          | 943,907            |
| • Indigenous | 99         | 157,764,122        | 99         | 123,398,212        |
|              | <b>100</b> | <b>159,792,701</b> | <b>100</b> | <b>124,342,119</b> |

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**SCHEDULE 18**

NOTES FORMING PART OF ACCOUNTS (Cont...)

**7. Value of Imports on C.I.F. Basis**

|                          | <b>Year ended 30<sup>th</sup><br/>September 2007</b> | <b>Year ended 30<sup>th</sup><br/>September 2006</b> |
|--------------------------|--|--|
|                          | <hr/>  | <hr/>  |
| i. Raw material          | 76,322,509   | 82,298,650   |
| ii. Consumables & spares | 9,712,886  | 2,337,851  |
| iii. Capital goods       | 149,956,995  | 275,143,194  |
|                          | <hr/>  | <hr/>  |
|                          | <b>235,992,390</b>                                   | <b>359,779,695</b>                                   |
|                          | <hr/>  | <hr/>  |

**8. Expenditure in Foreign Currency**

|                   | <b>Year ended 30<sup>th</sup><br/>September 2007</b> | <b>Year ended 30<sup>th</sup><br/>September 2006</b> |
|-------------------|--|--|
|                   | <hr/>  | <hr/>  |
| a) Foreign travel | 2,439,481  | 3,039,857  |
| b) Bank charges   | 153,657  | 812,191  |
| c) Others         | 5,415,399  | 3,758,641  |
| d) Interest       | 20,311,462   | 13,728,133   |

**9. Remittances in Foreign Currency on Account of Dividends to Non-resident Shareholders**

|                                     | <b>Year ended 30<sup>th</sup><br/>September 2007</b> | <b>Year ended 30<sup>th</sup><br/>September 2006</b> |
|-------------------------------------|--|--|
|                                     | <hr/>  | <hr/>  |
| a. No. of non-resident shareholders | 1  | 1  |
| b. No. of equity shares held        | 5,367,275  | 5,367,275  |
| c. Amount of dividend paid          | 72,458,212   | 69,774,575   |
| d. Year to which dividend relates   |  |  |
| Final dividend                      | 2005-2006  | 2004-2005  |
| Interim dividend                    | 2006-2007  | 2005-2006  |

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NOTES FORMING PART OF ACCOUNTS (Cont...)

**10. Managerial Remuneration**

|   | <u>Year ended 30<sup>th</sup><br/>September 2007</u> | <u>Year ended 30<sup>th</sup><br/>September 2006</u> |
|---|--|--|
| Salary & allowances                       | 7,501,641  | 5,325,188  |
| Contribution to Provident and other funds | 1,271,417  | 959,312  |
| Perquisites                               | 326,062  | 604,089  |
|   | <u>9,099,120</u>                                     | <u>6,888,589</u>                                     |

**11. Payment to Auditors**

|  | <u>Year ended 30<sup>th</sup><br/>September 2007</u> | <u>Year ended 30<sup>th</sup><br/>September 2006</u> |
|--|--|--|
| As Auditors  | 1,548,000  | 1,290,000  |
| In other capacity                                    | 650,102  | 575,000  |
| Service tax (including education cess as applicable) | 265,493  | 228,276  |
| Reimbursement of expenses                            | 169,885  | 92,936   |
|  | <u>2,633,480</u>                                     | <u>2,186,212</u>                                     |

**12. Employee Benefits:**

The Company has adopted the revised Accounting Standard (AS) 15 on Employee Benefits with effect from 1<sup>st</sup> October 2006, the details of which are given below:

**I Defined Contribution Plans**

During the year, the Company has recognized the following amount in the Profit and Loss Account -

| <b>Particulars</b>   | <u>Year ended 30<sup>th</sup><br/>September 2007</u> |
|--|--|
| Employers' contribution to Provident Fund including Family Pension Fund* | 12,516,414   |
| Superannuation Fund*   | 4,448,700  |

\* Included in contribution to provident and other funds (Refer Schedule - 16)



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NOTES FORMING PART OF ACCOUNTS (Cont...)

II Defined Benefit Plan

a) Defined Benefit Plan (Leave Encashment)

Leave encashment benefit expensed in the Profit & Loss Account for the year is Rs.5,668,645.

b) Contribution to Gratuity Fund

In accordance with Accounting Standard 15 (Revised 2005) actuarial valuation as on September 30, 2007 was done in respect of the aforesaid defined benefit plan of Gratuity based on the following assumptions:

|  | <u>Percentage</u> |
|--|-------------------|
| Discount rate                          | 8.00%             |
| Expected rate of return on plan assets | 8.00%             |
| Salary escalation rate                 | 6.50%             |

Change in Present Value of Obligation

|  | <u>Year ended 30<sup>th</sup><br/>September 2007</u> |
|--|--|
| Present value of obligation as at 1 <sup>st</sup> October, 2006      | 40,423,702   |
| Current service cost   | 2,345,786  |
| Interest on defined benefit obligation                               | 1,616,948  |
| Benefits paid  | (1,568,328)  |
| Net actuarial gains recognized in year                               | (1,512,252)  |
|  | <hr/>  |
| Closing present value of obligations 30 <sup>th</sup> September 2006 | 41,305,856   |

Change in the Fair Value of Assets

|                                   | <u>Year ended 30<sup>th</sup><br/>September 2007</u> |
|-----------------------------------|--|
| Opening fair value of plan assets | 24,228,098   |
| Expected return on plan assets    | 969,124  |
| Actuarial gains                   | 392,696  |
| Contributions by employer         | 5,389,420  |
| Benefits paid                     | (1,568,328)  |

Closing fair value of plan assets

29,411,010

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NOTES FORMING PART OF ACCOUNTS (Cont...)

Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Plan Assets

|  | <u>30<sup>th</sup> September 2007</u> |
|--|---------------------------------------|
| Closing present value of funded obligations        | 41,305,856                            |
| Closing fair value of plan assets                  | 29,411,010                            |
| Closing funded status                              | (11,894,846)                          |
| Unrecognized actuarial (gains) / losses            | —                                     |
| Unfunded net liability recognised in Balance Sheet | <u>(11,894,846)</u>                   |

Amount Recognized in the Balance Sheet

|   | <u>30<sup>th</sup> September 2007</u> |
|---|---------------------------------------|
| Closing present value of obligations      | 41,305,856                            |
| Closing fair value of plan assets         | 29,411,010                            |
| Liability recognised in the Balance Sheet | <u>(11,894,846)</u>                   |

Expenses recognized in the Profit & Loss Account

|  | <u>Year ended 30<sup>th</sup> September 2007</u> |
|--|--|
| Current service cost   | 2,345,786  |
| Past service cost  | —  |
| Interest cost  | 1,616,948  |
| Expected return on plan assets                               | (969,124)  |
| Actuarial losses   | (1,904,948)                                      |
| Total expenses to be recognized in the Profit & Loss Account | <u>1,088,662</u>                                 |

In accordance with revised Accounting Standard 15 "Employee Benefit", issued by the Institute of Chartered Accountants of India, the transitional liability of Rs. 16,195,604 in respect of Gratuity existing as on 1<sup>st</sup> October 2006 is adjusted against opening balance of General Reserve, net of deferred tax adjustment of Rs. 5,451,440. The impact of the change in the method of calculating such liability on the current year's Profit and Loss Account is estimated not to be material.

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The above disclosures have been consequent to early adoption of revised AS 15. Therefore, figures for the previous year have not been disclosed.

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NOTES FORMING PART OF ACCOUNTS (Cont...)

**13. Segment Reporting**

|   | Domestic                         | Sale for Exports<br>(Note 2 Below) | Consolidated                     |
|---|----------------------------------|------------------------------------|----------------------------------|
| <b>I. Revenue</b>                               |                                  |                                    |                                  |
| Sales to external customers                     | 6,014,705,872<br>(4,824,092,403) | 971,506,735<br>(453,120,963)       | 6,986,212,607<br>(5,277,213,366) |
| Segment result                                  | 709,710,924<br>(654,640,149)     | 202,118,728<br>(124,777,667)       | 911,829,652<br>(779,417,816)     |
| Unallocated expenses, net of unallocated income |                                  |                                    | 17,617,893<br>(74,748,917)       |
| Operating profit                                |                                  |                                    | 894,211,759<br>(704,668,900)     |
| Interest expense                                |                                  |                                    | 75,206,409<br>(56,322,214)       |
| Income taxes                                    |                                  |                                    | 282,732,440<br>(214,854,836)     |
| Net profit                                      |                                  |                                    | 536,272,910<br>(433,491,850)     |
| <b>II. Other Information</b>                    |                                  |                                    |                                  |
| Segment assets                                  | 1,441,122,112<br>(835,213,988)   | 231,711,903<br>(113,735,109)       | 1,672,834,015<br>(948,949,097)   |
| Unallocated assets                              |                                  |                                    | 2,524,213,543<br>(1,388,265,899) |
| Total assets                                    |                                  |                                    | 4,197,047,558<br>(2,337,214,996) |
| Liabilities: Unallocated liabilities            |                                  |                                    | 2,941,077,447<br>(1,286,151,421) |
| Total liabilities                               |                                  |                                    | 2,941,077,447<br>(1,286,151,421) |
| Depreciation                                    | 129,761,815<br>(118,362,805)     | 35,521,945<br>(14,330,797)         | 165,283,760<br>(132,693,602)     |

Depreciation -Unallocable

5,619,964  
(4,213,182)

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NOTES FORMING PART OF ACCOUNTS (Cont...)

**13. Segment Reporting (Cont...)**

1. The Company has identified its primary segment as geographical, i.e., domestic and exports. Export markets have been considered together as the products sold to these markets have comparable risks and rewards.
2. Sales for exports represent export sales channelised through Meritor HVS (India) Limited and includes DEPB.
3. There are no inter-segment transactions during the year.
4. Fixed Assets of the Company have not been identified to the segments as they are common to the segments. Depreciation has been allocated to segments based on standard rates determined by the Company.
5. Secondary segment disclosures have not been furnished as there is only a single business segment.
6. Figures in brackets relate to the previous year.

**14. Related Party Transactions**

a. List of Related Parties and Relationships

| <b>Relationship</b>  | <b>Related Parties</b>   |
|--|--|
| (i) Controlling Enterprises  | Meritor Heavy Vehicle System LLC, USA<br>Arvin Meritor Inc.  |
| (ii) Other related parties with whom the Company had transactions: |  |
| Enterprises under common control                                   | Bharat Forge Limited<br>Kalyani Forge Limited<br>Meritor HVS Cameri, SPA Italy<br>Meritor HVS India Ltd.<br>Meritor HVS, Florence<br>Meritor Automotive Inc., Fletcher, USA<br>Meritor Automotive Inc., Ohio, USA<br>Meritor HVS, Sweden |
| Key Management Personnel   | Mr. B.N. Kalyani, Chairman (Non-retiring)<br>Mr. Ashok Rao, President and Wholetime Director<br>Mr. C. K. Sabareeshan, Executive Director<br>(Finance) & Company Secretary   |



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NOTES FORMING PART OF ACCOUNTS (Cont...)

b. Transactions with Related Parties

| Transactions                       | Controlling<br>Enterprises | Enterprises<br>under Common<br>Control | Key<br>Management<br>Personnel and<br>their Relatives | Total                  |
|------------------------------------|----------------------------|--|---|------------------------|
| <b>1) Purchase of Goods</b>        |                            |  |   |                        |
| Bharat Forge Limited               | —                          | 178,456,753                            | —   | 178,456,753            |
|                                    | —                          | (121,425,794)                          | —   | (121,425,794)          |
| Others                             | 19,649,976                 | 4,095,070                              | —   | 23,745,046             |
|                                    | (26,794,480)               | (4,633,316)                            | —   | (31,427,796)           |
|                                    | <b>19,649,976</b>          | <b>182,551,823</b>                     | <b>—</b>  | <b>202,201,799</b>     |
|                                    | <b>(26,794,480)</b>        | <b>(126,059,110)</b>                   | <b>—</b>  | <b>(152,853,590)</b>   |
| <b>2) Sale of goods</b>            |                            |  |   |                        |
| Meritor HVS (India) Limited        | —                          | 6,673,191,772                          | —   | 6,673,191,772          |
|                                    | —                          | (5,167,022,975)                        | —   | (5,167,022,975)        |
| Bharat Forge Limited               | —                          | 23,336,536                             | —   | 23,336,536             |
|                                    | —                          | (29,425,327)                           | —   | (29,425,327)           |
|                                    | —                          | <b>6,696,528,308</b>                   | —   | <b>6,696,528,308</b>   |
|                                    | —                          | <b>(5,196,448,302)</b>                 | —   | <b>(5,196,448,302)</b> |
| <b>3) Purchase of Fixed Assets</b> |                            |  |   |                        |
| Bharat Forge Limited               | —                          | 5,954,744                              | —   | 5,954,744              |
| Other                              | —                          | —                                      | —   | —                      |
|                                    | (715,061)                  | —                                      | —   | (715,061)              |
| <b>4) Services Received</b>        |                            |  |   |                        |

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|                      |   |                      |   |                      |
|----------------------|---|----------------------|---|----------------------|
| Bharat Forge Limited | — | 117,232,353          | — | 117,232,353          |
|                      | — | (101,124,781)        | — | (101,124,781)        |
| Others               | — | 16,497,086           | — | 16,497,086           |
|                      | — | (6,785,635)          | — | (6,785,635)          |
|                      | — | <b>133,729,439</b>   | — | <b>133,729,439</b>   |
|                      | — | <b>(107,910,416)</b> | — | <b>(107,910,416)</b> |

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NOTES FORMING PART OF ACCOUNTS (Cont...)

b. Transactions with Related Parties (Cont...)

| Transactions                                       | Controlling<br>Enterprises | Enterprises<br>under Common<br>Control | Key<br>Management<br>Personnel and<br>their Relatives | Total              |
|--|----------------------------|--|---|--------------------|
| <b>5) Services Rendered</b>                        |                            |  |   |                    |
| Bharat Forge Limited                               | —                          | 657,017                                | —   | 657,017            |
|  | —                          | (2,926,102)                            | —   | (2,926,102)        |
| Others   | —                          | 159,000                                | —   | 159,000            |
|  | —                          | (159,000)                              | —   | (159,000)          |
|  | —                          | <b>816,017</b>                         | —   | <b>816,017</b>     |
|  | —                          | <b>(3,085,102)</b>                     | —   | <b>(3,085,102)</b> |
| <b>6) Other Recoveries</b>                         |                            |  |   |                    |
| Bharat Forge Limited                               | —                          | 2,144,979                              | —   | 2,144,979          |
|  | —                          | —                                      | —   | —                  |
| Meritor HVS (India) Limited                        | —                          | 533,503                                | —   | 533,503            |
|  | —                          | (501,615)                              | —   | (501,615)          |
|  | —                          | <b>2,678,482</b>                       | —   | <b>2,678,482</b>   |
|  | —                          | <b>(501,615)</b>                       | —   | <b>(501,615)</b>   |
| <b>7) Trade Advances Paid</b>                      |                            |  |   |                    |
| Bharat Forge Limited                               | —                          | 8,970,420                              | —   | 8,970,420          |
|  | —                          | (23,455,000)                           | —   | (23,455,000)       |
| <b>8) Managerial Remuneration and Sitting Fees</b> |                            |  |   |                    |
| Mr. Ashok Rao                                      | —                          | —                                      | 5,173,403   | 5,173,403          |
|  | —                          | —                                      | (3,969,211)   | (3,969,211)        |
| Mr. C.K. Sabareeshan                               | —                          | —                                      | 3,925,717   | 3,925,717          |

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|        |   |   |                    |                    |
|--------|---|---|--------------------|--------------------|
|        | — | — | (2,919,378)        | (2,919,378)        |
| Others | — | — | 60,000             | 60,000             |
|        | — | — | (60,000)           | (60,000)           |
|        | — | — | <b>9,159,120</b>   | <b>9,159,120</b>   |
|        | — | — | <b>(6,948,589)</b> | <b>(6,948,589)</b> |



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NOTES FORMING PART OF ACCOUNTS (Cont...)

b. Transactions with Related Parties (Cont...)

| Transactions   | Controlling<br>Enterprises | Enterprises<br>under Common<br>Control | Key<br>Management<br>Personnel and<br>their Relatives | Total                |
|--|----------------------------|--|---|----------------------|
| <b>Amounts Outstanding at the Balance Sheet Date</b> |                            |  |   |                      |
| <b>9) Amounts Receivable</b>                         |                            |  |   |                      |
| Meritor HVS (India) Limited                          | —                          | 728,874,169                            | —   | 728,874,169          |
|  | —                          | (286,160,896)                          | —   | (286,160,896)        |
| Others   | —                          | 4,319,746                              | —   | 4,319,746            |
|  | —                          | (2,782,627)                            | —   | (2,782,627)          |
|  | —                          | <b>733,193,915</b>                     | —   | <b>733,193,915</b>   |
|  | —                          | <b>(288,943,523)</b>                   | —   | <b>(288,943,523)</b> |
| <b>10) Amounts Payable</b>                           |                            |  |   |                      |
| Bharat Forge Limited                                 | —                          | 66,682,839                             | —   | 66,682,839           |
|  | —                          | (43,191,659)                           | —   | (43,191,659)         |
| Others   | —                          | 610,245                                | —   | 610,245              |
|  | —                          | (1,764,607)                            | (1,541,235)   | (3,305,842)          |
|  |                            | <b>67,293,084</b>                      | —   | <b>67,293,084</b>    |
|  |                            | <b>(44,956,266)</b>                    | <b>(1,541,235)</b>                                    | <b>(46,497,501)</b>  |

1. Related party relationships are as identified by the Company on the basis of information available with them and accepted by the auditors.
2. No amount is/has been written off or written back during the year in respect of debts due from or to related parties.

3. Figures in brackets relate to the previous year.
-

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NOTES FORMING PART OF ACCOUNTS (Cont...)

**15. Deferred Tax**

The net deferred tax liability comprises the tax impact arising from timing differences on account of the following:

|  | <b>2007</b>  | <b>2006</b>  |
|--|--------------|--------------|
| Depreciation & amortisation                      | 409,447,267  | 343,825,840  |
| Provision for employee benefits & others         | (28,895,030) | (48,444,534) |
|  | 380,552,237  | 295,376,306  |
| Net deferred tax liability relating to the above | 129,600,000  | 99,619,000   |

**16. Leases**

(a) **Finance Lease:** The lease transactions of the Company represent lease of vehicles on a non-cancelable basis. The minimum lease payments under the various agreements are given below:

|  | <b>2007</b> | <b>2006</b> |
|--|-------------|-------------|
| Amount repayable not later than one year                           | 1,200,053   | 901,533     |
| Amount repayable later than one year and not later than five years | 1,250,857   | 1,529,822   |
| Total  | 2,450,910   | 2,431,355   |
| Less: Interest   | 365,330     | 293,405     |
| Present value of minimum lease payments                            | 2,085,580   | 2,137,950   |

(b) **Operating Lease:** The Company has taken vehicles for certain employees under operating leases, which expire in the year 2010. Gross rental expenses for the year ended September 30, 2007 aggregated to Rs. 494,160 (2006: Rs. 429,685). The committed lease rental in the future are:

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|   | <u>2007</u> | <u>2006</u> |
|---|-------------|-------------|
| Not later than one year                           | 494,160     | 494,160     |
| Later than one year and not later than five years | 1,052,795   | 1,546,955   |

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NOTES FORMING PART OF ACCOUNTS (Cont...)

**17. Earnings Per Share:**

|   | <u>2007</u> | <u>2006</u> |
|---|-------------|-------------|
| Profit after tax attributable to ordinary share holders (Rs.) | 536,272,910 | 433,491,850 |
| Weighted average number of shares outstanding during the year | 15,111,975  | 15,111,975  |
| Nominal value of ordinary shares (Rs.)                        | 10          | 10          |
| Basic and diluted earnings per ordinary share (Rs.)           | 35.49       | 28.69       |

**18. Details of Provisions Under AS - 29 (Provisions, Contingent Liabilities and Contingent Assets)**

|                                       | <u>2007</u>       | <u>2006</u>      |
|---------------------------------------|-------------------|------------------|
| Nature of Expense                     | Warranty          | Warranty         |
| Probable outflow estimated within     | One Year          | One Year         |
| Liability as at beginning of the year | 4,105,298         | 9,088,094        |
| Amount provided during the year       | 22,201,233        | 8,907,861        |
| Amount utilized during the year       | (15,414,822)      | (11,896,678)     |
| Amount reversed during the year       | (185,712)         | (1,993,979)      |
| Liability as on end of the year       | <u>10,705,997</u> | <u>4,105,298</u> |

**19.** Estimated amount of contracts remaining to be executed on capital account, net of advances and not provided for are Rs.198,815,217 (previous year: Rs. 137,667,111).

**20.** Claims against the company not acknowledged as debt are Rs. 4,522,148 (previous year Rs. 574,022).

**21.** Contingent Liability: Company has certain labour disputes which are pending adjudication. The liability that may arise on account of these disputes cannot be reasonably estimated but is not expected to be material.

22. There are no overdue amounts outstanding for over 30 days at the year end to small scale industrial undertakings.
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**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**  
**30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 18**

NOTES FORMING PART OF ACCOUNTS (Cont...)

23. In the absence of necessary information with the Company relating to registration status of suppliers under the Micro, Small, and Medium Enterprises Development Act, 2006, the information required under the said Act could not be compiled and disclosed.

24. Derivative Instruments:

(a) The company has entered into the following derivative instruments:

(i) Forward Exchange Contracts, which are not intended for trading or speculative purposes, but for hedge purposes, to establish the amount of reporting currency required or available at the settlement date of certain payables and receivables.

(ii) The following are the outstanding forward exchange contracts (three contracts) entered into by the Company as on 30<sup>th</sup> September, 2007:

| Currency  | Amount                           | Buy/Sell | Cross Currency |
|-----------|----------------------------------|----------|----------------|
| US Dollar | 1,511,151<br>(Previous year Nil) | Buy      | Rupees         |

(b) The following currency exposures as on 30th September 2007 have not been hedged by a derivative instrument or otherwise:

|   | 2007              |                             | 2006              |                             |
|---|-------------------|-----------------------------|-------------------|-----------------------------|
|   | Amounts in Rupees | Amounts in foreign currency | Amounts in Rupees | Amounts in foreign currency |
| Import of goods and services            | 1,544,882         | 38,507 USD                  | 467,702           | 10,110 USD                  |
|   | 610,245           | 10,712 Euro                 | 1,755,030         | 29,812 Euro                 |
|   | 1,583,098         | 4,450,000 Yen               | 681,177           | 1,730,195 Yen               |
|   | —                 | —                           | 9,577             | 276 AUD                     |
| Capital imports (including intangibles) | 9,958,810         | 248,226 USD                 | 1,170,810         | 25,500 USD                  |
| Interest payable                        | 6,643,030         | 167,078 USD                 | 7,315,945         | 158,973 USD                 |

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|               |             |               |             |               |
|---------------|-------------|---------------|-------------|---------------|
| Loans payable | 256,570,131 | 6,452,971 USD | 362,312,946 | 7,872,945 USD |
|---------------|-------------|---------------|-------------|---------------|

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**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**  
**30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 18**

NOTES FORMING PART OF ACCOUNTS (Cont...)

25. Previous year's figures have been regrouped/reclassified wherever necessary.
26. Differences between Indian and United States Generally Accepted Accounting Principles

The Company's financial statements are prepared in accordance with accounting principles generally accepted in India ("Indian GAAP") which differ from those generally accepted in United States ("US GAAP"). The significant differences, as they apply to the Company, are summarized below:

**Employee costs**

*Leave encashment/compensated absences*

The Company records liabilities towards leave encashment on the basis of contributions towards schemes with fund managers. Such contributions are determined by periodical actuarial valuation by the fund managers, which is expected to be paid in cash.

Under US GAAP, the determination of the liability would also take into consideration vacation that may be availed or utilized.

**Gratuity**

As discussed in note 12 above, the Company has adopted revised accounting standard (AS) 15 on employee benefits effective 1<sup>st</sup> October 2006. The revised AS 15 requires employee benefit liabilities to be determined based on actuarial valuation using projected unit credit method. In accordance with the revised AS 15, the transitional liability arising out of change in the method of actuarial valuation is adjusted against actual balance of reserve and surplus, net of deferred taxes thereon.

Under US GAAP, such transitional liability arising from the change in the method of actuarial valuation would require restatement of such liability in the respective years to which it pertains to.

**Depreciation charge**

The Company charges depreciation on buildings and plant and machinery under the straight line method and on other assets under the reducing balance method at the rates prescribed under Schedule XIV to the Indian Companies Act, or based on technical estimates that indicate the useful lives would be comparable with, or higher than, those arrived at using these rates. In case where the useful lives are estimated to be lower when compared using rates in the Schedule XIV, depreciation is charged under straight line method over the useful lives.

Under US GAAP, depreciation is charged on a systematic basis to each accounting period over its useful life, reflecting the pattern in which the entity consumes the asset's benefits.

**Fixed Assets**

Foreign exchange transaction losses and gains relating to the acquisition of fixed assets are adjusted to the cost of fixed assets.

Under US GAAP, foreign exchange transaction gains and losses related to the acquisition of fixed assets would be recorded as an expense and included in manufacturing, administration and selling expenses.

**Forward Contracts**

Forward contracts are entered into for mitigating the risk of price fluctuations and not for trading purposes. Premium / discounts on such contracts are amortised over the contract period. The underlying assets / liabilities have been restated at exchange rates prevailing at the year-end and exchange gain / loss thereon have been recognised in the profit and loss account.

Under US GAAP, forward contracts are measured at fair value; changes in fair value are recognised in income statement except for effective portion of cash flow hedges, where the changes are deferred in equity until effect of underlying transaction is recognised in income statement.

**Dividend**

Dividends are accounted for in the year to which they pertain. Dividends on ordinary equity shares are presented as an appropriation to the income statement.

Under US GAAP, dividends are accounted for in the year they are declared. Dividends on ordinary equity shares are presented as a deduction in the statement of changes in shareholders' equity in the period when authorised by shareholders.

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**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS**  
**30TH SEPTEMBER 2007 AND 2006 (UNAUDITED)**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 18**

NOTES FORMING PART OF ACCOUNTS (Cont...)

**Profit & Loss Account / Income Statement**

The profit and loss account is presented with total income including from sales, operational and other income; expenditure including raw material consumed, increase / decrease in stock of finished goods and work in progress, manufacturing, administration and selling expenses, interest and depreciation to arrive at a measure of profit before tax. Such a measure is not appropriate under US GAAP, wherein the presentation is either in a single-step where all expenses are classified by function and are deducted from total income to give income before tax; or multiple step where cost of sales is deducted from sales to show gross profit, and other income and expense are then presented to give income before tax. Also, under US GAAP the expenditures are presented by function.

Fringe benefit tax is disclosed as a separate item after 'profit before tax' on the face of the income statement as a component of income tax expense under Indian GAAP. Under US GAAP it is included as a part of related salary and benefits expense arriving at a measure of profit before tax.

Also under US GAAP, total comprehensive income and accumulated other comprehensive income are disclosed, presented either as a separate primary statement or combined with the income statement or with the statement of changes in stockholders' equity, while there are no such measures under Indian GAAP.

**Cash Flow Statement**

Interest received and interest paid has been disclosed under cash from investing and cash from financing activities, respectively. Under US GAAP, interest received and paid are disclosed under cash from operating activities.

**Balance sheet**

The presentation of certain items in the balance sheet under Indian GAAP is not consistent with financial statement presentation under US GAAP. These items are as follows:

- (i) Items on the face of the balance sheet are presented in decreasing order of liquidity under US GAAP.
- (ii) The company has presented changes in shareholders' equity in separate schedules of 'Share Capital' and 'Reserves and Surplus'. Under US GAAP, a separate statement of changes in shareholders' equity is presented showing capital transactions with owners, the movement in accumulated profit and a reconciliation of all other components of equity.
- (iii) Secured and unsecured loans repayable within twelve months from the balance sheet date are shown separately under Indian GAAP whereas these would be included in current liabilities under US GAAP.
- (iv) Deferred tax liability net of deferred tax assets is disclosed separately in the balance sheet after the secured loans. Under US GAAP, deferred tax assets and liabilities are either classified as current or non-current, based on the classification of the related tax asset or liability for financial reporting.
- (v) Loans and advances not receivable within twelve months from the balance sheet date would be disclosed separately under Indian GAAP, whereas these are reclassified as non-current assets under US GAAP.
- (vi)

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Advance income tax included under loans and advances would be offset against provision for tax included under provisions, where as under the Indian GAAP these are separately disclosed.

- (vii) Provisions for warranty included in provisions not payable within twelve months from the balance sheet date would be reclassified as a non-current liability under US GAAP, whereas under Indian GAAP such reclassification is not made.
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***Automotive Axles Limited***

*Financial Statements as of and for the  
Year Ended September 30, 2005,  
and Independent Auditors' Report*

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of  
Automotive Axles Limited

We have audited the accompanying balance sheet of Automotive Axles Limited (“Company”), a company incorporated in India as of September 30, 2005 and the related profit and loss account and the cash flow statement for the year then ended (all expressed in Indian Rupees). These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards generally accepted in India and those in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to and nor were we engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2005 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in India (Refer note no. 1a of Schedule 16).

Accounting principles generally accepted in India vary in certain significant respects from accounting principles generally accepted in the United States of America. The application of the latter would have affected the determination of the net profit for the year ended September 30, 2005 and the determination of stockholder’s equity and the cash flows as of September 30, 2005, to the extent summarized in note no. 22 of Schedule 16.

/s/ Deloitte Haskins & Sells (Chennai)

Deloitte Haskins & Sells (Chennai)  
Place: Bangalore  
Date: March 14, 2008

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**AUTOMOTIVE AXLES LIMITED****BALANCE SHEET AS AT 30TH SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|   | <u>Schedule No.</u> | <u>Rupees</u>               |
|---|---------------------|-----------------------------|
| <b>SOURCES OF FUNDS</b>                           |                     |                             |
| <b>1. Shareholders' Funds</b>                     |                     |                             |
| a) Share capital                                  | 1                   | 151,119,750                 |
| b) Reserves & surplus                             | 2                   | 590,841,559                 |
|   |                     | <u>741,961,309</u>          |
| <b>2. Loan Funds</b>                              |                     |                             |
| a) Secured loans                                  | 3                   | 467,987,975                 |
| b) Unsecured loans                                | 4                   | 143,812,328                 |
|   |                     | <u>611,800,303</u>          |
| <b>3. Deferred tax liability (net)</b>            |                     | 76,220,000                  |
|   |                     | <u>76,220,000</u>           |
| <b>TOTAL</b>                                      |                     | <b><u>1,429,981,612</u></b> |
| <b>APPLICATION OF FUNDS</b>                       |                     |                             |
| <b>1. Fixed Assets</b>                            | 5                   |                             |
| a) Gross block                                    |                     | 1,482,359,137               |
| b) Less: Depreciation                             |                     | 760,108,020                 |
|   |                     | <u>722,251,117</u>          |
| c) Net block                                      |                     | 722,251,117                 |
| d) Capital work-in-progress - at cost             |                     | 118,720,932                 |
|   |                     | <u>840,972,049</u>          |
| <b>2. Current Assets, Loans &amp; Advances</b>    |                     |                             |
| a) Current assets                                 | 6                   | 1,158,011,344               |
| b) Loans & advances                               | 7                   | 546,007,968                 |
|   |                     | <u>1,704,019,312</u>        |
| <b>Less: Current Liabilities &amp; Provisions</b> |                     |                             |
| a) Current liabilities                            | 8                   | 510,559,678                 |
| b) Provisions                                     | 9                   | 604,450,071                 |

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1,115,009,749

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**Net Current Assets**

589,009,563

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**TOTAL**

**1,429,981,612**

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Significant Accounting Policies and Notes to  
Balance Sheet & Profit & Loss Account

16

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**AUTOMOTIVE AXLES LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|   | <u>Schedule No.</u> | <u>Rupees</u>        |
|---|---------------------|----------------------|
| <b>INCOME:</b>  |                     |                      |
| Sales – gross   |                     | 4,024,168,596        |
| Less: Excise duty                                     |                     | 530,919,772          |
|   |                     | <b>3,493,248,824</b> |
| Other income:   |                     |                      |
| - Operational   | 10                  | 54,156,557           |
| - Others  | 11                  | 11,034,550           |
|   |                     | <b>3,558,439,931</b> |
| <b>EXPENDITURE:</b>                                   |                     |                      |
| Raw materials consumed                                | 12                  | 2,303,150,060        |
| Decrease in stock of finished goods & work-in-process | 13                  | 38,898,454           |
| Manufacturing, administration & selling expenses      | 14                  | 536,345,851          |
| Interest  | 15                  | 21,435,612           |
| Depreciation  |                     | 108,514,437          |
|   |                     | <b>3,008,344,414</b> |
| <b>Profit before tax</b>                              |                     | <b>550,095,517</b>   |
| Provision for taxation:                               |                     |                      |
| - Current tax   |                     | 172,020,000          |
| - Deferred tax  |                     | 8,220,000            |
| - Fringe benefit tax                                  |                     | 1,220,217            |
| <b>Profit after tax</b>                               |                     | <b>368,635,300</b>   |
| Add: Balance brought forward from previous year       |                     | 235,991,705          |
| <b>Profit available for appropriation</b>             |                     | <b>604,627,005</b>   |
| <b>APPROPRIATIONS:</b>                                |                     |                      |
| Proposed dividend                                     |                     | 113,339,813          |
| Interim dividend                                      |                     | 75,559,875           |
| Tax on dividend                                       |                     | 26,493,183           |
| Transfer to general reserve                           |                     | 36,900,000           |

|   |                    |
|---|--------------------|
| <b>Surplus carried to balance sheet</b>   | <b>352,334,134</b> |
| No. of equity shares  | 15,111,975         |
| Basic and diluted earnings per equity share<br>(Face value of Rs. 10 per share) (Rs.) | 24.39              |

Significant Accounting Policies and Notes to  
Balance Sheet & Profit & Loss Account 16

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|   |                            |
|---|----------------------------|
| <b>III) Cash flow from financing activities</b>         |                            |
| <b>A) Inflow:</b>                                       |                            |
| Proceeds from long term borrowings                      | 170,510,000                |
| Proceeds from short term borrowings                     | 593,830,500                |
|   | <u>764,340,500</u>         |
| <b>B) Outflow:</b>                                      |                            |
| Repayment of long term borrowings                       | (41,988,918)               |
| Repayment of short term borrowings                      | (560,849,463)              |
| Dividend & tax on dividend                              | (196,708,124)              |
| Interest paid   | (20,452,572)               |
|   | <u>(819,999,077)</u>       |
| <b>Net cash used in financing activities</b>            | <b><u>(55,658,577)</u></b> |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>        | <b>4,970,938</b>           |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b> | <b>46,589,280</b>          |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>       | <b><u>51,560,218</u></b>   |

Note: 1. The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.

2. Cash and cash equivalents at the end of the year include balances with scheduled banks in unpaid dividend accounts Rs.2,327,998.

**AUTOMOTIVE AXLES LIMITED****SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|  | <u>Rupees</u>             |
|--|---------------------------|
| <b>SCHEDULE - 1</b>  |                           |
| <b>SHARE CAPITAL</b>   |                           |
| <b>Authorized:</b>   |                           |
| 23,000,000 Equity shares of Rs.10 each   | 230,000,000               |
| 2,000,000 Preference shares of Rs.10 each  | 20,000,000                |
|  | <u><b>250,000,000</b></u> |
| <b>Issued, subscribed &amp; paid up:</b>   |                           |
| 15,111,975 Equity shares of Rs.10 each fully paid up                                 | 151,119,750               |
| <b>SCHEDULE - 2</b>  |                           |
| <b>RESERVES &amp; SURPLUS</b>  |                           |
| Share premium  | 115,588,500               |
| General reserve:   |                           |
| As per last balance sheet  | 86,018,925                |
| Add: transfer from Profit & Loss Account   | 36,900,000                |
|  | <u><b>122,918,925</b></u> |
| Surplus in Profit & Loss Account   | 352,334,134               |
|  | <u><b>590,841,559</b></u> |
| <b>SCHEDULE - 3</b>  |                           |
| <b>SECURED LOANS</b>   |                           |
| From financial institutions:   |                           |
| -Foreign currency working capital loans  | 70,832,000                |
| -Finance lease obligations   | 2,810,581                 |
|  | <u><b>73,642,581</b></u>  |
| From banks:  |                           |
| -Foreign currency term loans<br>(include amounts due within one year Rs. 55,337,500) | 309,890,000               |
| -Foreign currency working capital loans  | 70,832,000                |
| -Rupee term loans<br>(include amounts due within one year Rs.3,800,000)              | 3,800,000                 |
| -Working capital borrowings  | 9,823,394                 |
|  | <u><b>494,345,394</b></u> |

|              |                    |
|--------------|--------------------|
|              | <b>394,345,394</b> |
| <b>TOTAL</b> | <b>467,987,975</b> |

1. Foreign currency term loan of Rs. 309,890,000 is secured by first charge on the entire plant & machinery of the Company.
  2. Rupee term loan of Rs.3,800,000 secured by a first pari-passu charge by hypothecation of the plant and machinery of the Company.
  3. Working capital borrowings include working capital facilities from banks and financial institutions of Rs.151,487,394 including foreign currency loan of Rs.141,664,000 secured by a first charge ranking pari-passu inter-se, by way of hypothecation of current assets.
  4. Finance lease obligations are secured by assets purchased under the respective agreements.
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**AUTOMOTIVE AXLES LIMITED**

**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|   | <u>Rupees</u>             |
|---|---------------------------|
| <b>SCHEDULE - 4</b>   |                           |
| <b>UNSECURED LOANS</b>  |                           |
| From the Govt. of Karnataka   |                           |
| -Development loan - interest free (Includes amounts due within one year Rs. 240,000)  | 277,033                   |
| -Sales tax loan - Interest free (Includes amounts due within one year Rs. 25,872,000) | 68,276,295                |
|   | <u>68,553,328</u>         |
| Short term loans & advances from banks:   |                           |
| - Foreign currency short term borrowings  | 75,259,000                |
|   | <u>75,259,000</u>         |
| <b>TOTAL</b>  | <b><u>143,812,328</u></b> |

**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE - 5**  
**FIXED ASSETS**

| Description             | GROSS BLOCK AT COST                     |   |   | DEPRECIATION                               |                                       |                    |                             | NET BALANCE                                |                                       |
|-------------------------|---|---|---|--|---------------------------------------|--------------------|-----------------------------|--|---------------------------------------|
|                         | Balance at 1 <sup>st</sup> October 2004 | Additions / adjustments during the year | Disposals / adjustments during the year | Balance at 30 <sup>th</sup> September 2005 | Up to 30 <sup>th</sup> September 2004 | For the year       | Adjustments during the year | Balance at 30 <sup>th</sup> September 2005 | As at 30 <sup>th</sup> September 2005 |
| Land                    | 3,832,366                               | —                                       | —                                       | 3,832,366                                  | —                                     | —                  | —                           | —  | 3,832,366                             |
| Plant & machinery       | 92,510,882                              | 35,701,007                              | —                                       | 128,211,889                                | 26,269,018                            | 3,018,058          | —                           | 29,287,076                                 | 98,924,813                            |
| Buildings & furniture   | 1,103,361,674                           | 226,107,864                             | 15,610,226                              | 1,313,859,312                              | 624,352,507                           | 101,087,383        | 15,531,662                  | 709,908,228                                | 603,951,084                           |
| Investment              | 28,568,420                              | 6,733,875                               | 4,867,914                               | 30,434,381                                 | 19,821,961                            | 3,465,508          | 4,703,832                   | 18,583,637                                 | 11,850,744                            |
| Leases (b)              | 4,910,709                               | 2,115,906                               | 1,033,922                               | 5,992,693                                  | 2,095,630                             | 943,488            | 738,534                     | 2,300,584                                  | 3,692,109                             |
| Other held for disposal | 28,496                                  | —                                       | —                                       | 28,496                                     | 28,495                                | —                  | —                           | 28,495                                     | —                                     |
|                         | <b>1,233,212,547</b>                    | <b>270,658,652</b>                      | <b>21,512,062</b>                       | <b>1,482,359,137</b>                       | <b>672,567,611</b>                    | <b>108,514,437</b> | <b>20,974,028</b>           | <b>760,108,020</b>                         | <b>722,251,117</b>                    |
| Intangible assets (a)   |   |   |   |  |                                       |                    |                             |  | <b>118,720</b>                        |
|                         |   |   |   |  |                                       |                    |                             |  | <b>840,971</b>                        |

(a) Capital work in progress includes capital advances Rs.70,054,049.

(b) Vehicles include Rs.4,459,711 purchased under finance lease arrangements.





**AUTOMOTIVE AXLES LIMITED****SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|  | <b>Rupees</b>        |
|--|----------------------|
| <b>SCHEDULE - 6</b>  |                      |
| <b>CURRENT ASSETS</b>  |                      |
| <b>Inventories (at the lower of cost and net realisable value)</b> |                      |
| Raw materials & components   | 294,979,296          |
| Work-in-process  | 104,304,074          |
| Finished goods   | 22,058,581           |
| Stores & Spares  | 46,090,882           |
|  | <b>467,432,833</b>   |
| <b>Sundry debtors (unsecured, considered good)</b>                 |                      |
| Over Six months  | 66,277               |
| Others   | 638,952,016          |
|  | 639,018,293          |
| Includes amounts due from:   |                      |
| Meritor HVS (India) Ltd., a company under the same management.     | 562,165,139          |
| <b>Cash and Bank Balances</b>                                      |                      |
| Cash on hand   | 54,241               |
| Checks on hand   | 12,637,229           |
| Bank balances - in current accounts                                | 38,868,748           |
|  | 51,560,218           |
| <b>TOTAL</b>   | <b>1,158,011,344</b> |

**SCHEDULE - 7****LOANS & ADVANCES (considered good)**

|   |                    |
|---|--------------------|
| Advances recoverable in cash or in kind or for value to be received | 97,630,678         |
| Advance income tax  | 440,915,280        |
| Deposits with Govt. authorities                                     | 7,120,112          |
| Balances with Customs & Central Excise Dept.                        | 17,323             |
| Deposits - others   | 324,575            |
| <b>TOTAL</b>  | <b>546,007,968</b> |

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Note:

1. Of the above:

|            |             |
|------------|-------------|
| -Secured   | 5,149,999   |
| -Unsecured | 540,857,969 |
|            | <hr/>       |
|            | 546,007,968 |
|            | <hr/>       |

2. Advances recoverable includes amounts due from Meritor HVS (India) Ltd., a Company under the same management.

|  |         |
|--|---------|
| Maximum amount outstanding during the year | 483,654 |
|--|---------|

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**AUTOMOTIVE AXLES LIMITED****SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|                                       | <u>Rupees</u>      |
|---------------------------------------|--------------------|
| <b>SCHEDULE - 8</b>                   |                    |
| <b>CURRENT LIABILITIES</b>            |                    |
| Sundry creditors                      |                    |
| - Small scale undertakings            | 7,931,034          |
| - Others                              | 329,628,772        |
| Other liabilities                     | 21,660,561         |
| Interest accrued but not due on loans | 2,145,191          |
| Unpaid dividend #                     | 2,327,998          |
| Bills payable                         | 146,866,122        |
|                                       | <hr/>              |
| <b>TOTAL</b>                          | <b>510,559,678</b> |
|                                       | <hr/>              |

# There is no amount due and outstanding as at the balance sheet date to be credited to the Investor Education and Protection Fund

|                          |                    |
|--------------------------|--------------------|
| <b>SCHEDULE - 9</b>      |                    |
| <b>PROVISIONS</b>        |                    |
| Taxation                 | 466,126,254        |
| Warranty                 | 9,088,094          |
| Proposed dividend        | 113,339,813        |
| Tax on proposed dividend | 15,895,910         |
|                          | <hr/>              |
| <b>TOTAL</b>             | <b>604,450,071</b> |
|                          | <hr/>              |

|                           |                   |
|---------------------------|-------------------|
| <b>SCHEDULE - 10</b>      |                   |
| <b>OPERATIONAL INCOME</b> |                   |
| Jobbing charges           | 41,594,077        |
| Scrap sales               | 2,334,247         |
| Others                    | 10,228,233        |
|                           | <hr/>             |
| <b>TOTAL</b>              | <b>54,156,557</b> |
|                           | <hr/>             |

|   |           |
|---|-----------|
| <b>SCHEDULE - 11</b>                          |           |
| <b>OTHER INCOME</b>                           |           |
| Profit on sale of assets                      | 1,762,249 |
| Interest (tax deducted at source Rs. 190,804) | 972,552   |
| Exchange gain                                 | 5,738,208 |
| Miscellaneous income                          | 2,561,541 |
|   | <hr/>     |

**TOTAL**

**11,034,550**

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**AUTOMOTIVE AXLES LIMITED****SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

|                                   | <u>Rupees</u>               |
|-----------------------------------|-----------------------------|
| <b>SCHEDULE - 12</b>              |                             |
| <b>Raw Material Consumed</b>      |                             |
| Opening Stock                     | 258,320,073                 |
| Add: Purchases                    | 2,473,558,227               |
| Less: Cash discount & scrap sales | 133,748,944                 |
|                                   | <u>2,339,809,283</u>        |
|                                   | 2,598,129,356               |
| Less: Closing stock               | <u>294,979,296</u>          |
| <b>TOTAL</b>                      | <b><u>2,303,150,060</u></b> |

**SCHEDULE - 13****DECREASE IN STOCK OF  
FINISHED GOODS & WORK-IN-PROCESS**

|                          |                          |
|--------------------------|--------------------------|
| Closing stock            |                          |
| - Finished goods         | 22,058,581               |
| - Work-in-process        | 104,304,074              |
|                          | <u>126,362,655</u>       |
| Opening stock            |                          |
| - Finished goods         | 48,090,298               |
| - Work-in-process        | 117,170,811              |
|                          | <u>165,261,109</u>       |
| <b>Decrease in stock</b> | <b><u>38,898,454</u></b> |

**SCHEDULE - 14****MANUFACTURING, ADMINISTRATION  
AND SELLING EXPENSES**

|  |                    |
|--|--------------------|
| Payments to and provision for employees:         |                    |
| - Salaries & wages                               | 141,277,187        |
| - Contribution to Provident Fund and other funds | 15,942,567         |
| - Welfare expenses                               | 11,939,639         |
|  | <u>169,159,393</u> |

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|  |                    |
|--|--------------------|
| Stores & spares consumed               | 91,427,869         |
| Power & fuel                           | 124,140,706        |
| Rates & taxes                          | 833,018            |
| Travelling expenses                    | 4,807,671          |
| Repairs & maintenance:                 |                    |
| - Buildings                            | 159,978            |
| - Plant & machinery                    | 38,087,847         |
| - Others                               | 1,794,129          |
| Insurance charges                      | 4,494,727          |
| Postage, telephone & telegrams         | 1,335,250          |
| Vehicle running expenses               | 952,650            |
| Directors' sitting fees                | 360,000            |
| Bank charges/commission                | 2,310,970          |
| Outside processing charges             | 74,258,740         |
| Warranty                               | 8,198,642          |
| Excise duty on finished goods in stock | 2,876,529          |
| Miscellaneous expenses                 | 11,147,732         |
| <b>TOTAL</b>                           | <b>536,345,851</b> |

**SCHEDULE - 15**

**INTEREST**

|  |                   |
|--|-------------------|
| Interest on term loans                 | 10,220,504        |
| Interest on working capital borrowings | 11,215,108        |
| <b>TOTAL</b>                           | <b>21,435,612</b> |

**AUTOMOTIVE AXLES LIMITED**

**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 16**

**NOTES FORMING PART OF ACCOUNTS**

**1. Significant Accounting Policies:**

**a) Accounting convention**

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting, to comply in all material respects with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and requirements in the Indian Companies Act, 1956.

**b) Fixed Assets and Depreciation**

**(i) Fixed Assets**

Fixed assets are stated at cost (net of CENVAT) less accumulated depreciation. Cost includes all costs relating to the acquisition and installation of fixed assets including interest on borrowings for the project / fixed asset till the date of commercial production / the assets are put in use.

Expenditure on reconditioning of machinery is capitalised where such expenditure results in increase in the future benefits from the asset and /or results in an extension of the useful life of the asset based on technical assessment.

**(ii) Depreciation**

Depreciation on buildings and plant & machinery is provided under the "straight line method" and on other assets under the "reducing balance method" at the rates specified in Schedule XIV to the Companies Act, 1956 (the "Schedule"), based on technical estimates that indicate the useful lives would be comparable with or higher than those arrived at using these rates.

In cases where the useful lives are estimated to be lower than those considered in determining the rates specified in that Schedule, depreciation is provided under the straight line method over the useful lives of the assets as follows:

- Reconditioned machinery and related expenditure - as specifically estimated and currently ranging between 3 to 10 years
- Tools, jig and fixtures and measuring gauges - 2 to 5 years
- Certain imported machinery - as per technical evaluation, of their useful life and currently ranging between 4 to 15 years.

In case of diminution in value of the asset due to technological reasons, the difference between written down value and estimated net realizable value of assets is provided as depreciation in the year in which it is ascertained.



**AUTOMOTIVE AXLES LIMITED**

**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 16**

**NOTES FORMING PART OF ACCOUNTS (Contd...)**

**c) Inventories**

Raw material, stores & spares, work-in process and finished goods are valued at the lower of cost and estimated realizable value. Cost of materials is determined on weighted average basis. In the case of work-in-process and finished goods, cost includes the cost of conversion. Closing stock of finished goods includes liability towards excise duty payable on clearance of goods. Imported materials in transit at the year-end are valued inclusive of customs duty.

**d) Foreign Currency Transactions**

Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates whilst those not covered by forward contract are restated at rates ruling at the year end. Premium in respect of forward contract is accounted over the period of the contract.

Gains or losses arising on settlement / restatement are adjusted to Profit & Loss Account as appropriate.

**e) Revenue Recognition**

Sales: Sales are recognised on dispatch and transfer of underlying risk & rewards as per contracted terms and are recorded at invoice value, net of sales taxes, but including excise duties.

Export incentives: Export incentives are accounted for on accrual basis at the time of export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

**f) Warranty**

Warranty expenses are provided for in the year of sale based on technical estimates. In addition, specific provision is also made against customer claims for manufacturing defects, where necessary.

**g) Research and Development**

Revenue expenditure on research and development is charged to the Profit and Loss Account in the year of incurrence. However capital expenditure on research and development is treated in the same way as other fixed assets.

**h) Retirement Benefits**

Liabilities towards superannuation, gratuity and leave encashment benefits are charged to the Profit and Loss Account as contributions towards schemes with the Life Insurance Corporation of India. The adequacy of the contributions is determined by periodical actuarial valuation by the Life Insurance Corporation of India.

Fixed contribution to Provident Fund and the cost of other benefits are determined as per the Schemes at the actual cost to the Company.

**AUTOMOTIVE AXLES LIMITED**

**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 16**

**NOTES FORMING PART OF ACCOUNTS (Contd...)**

**i) Events Subsequent to the Balance Sheet Date**

Events occurring after the balance sheet date, which have a material impact on the financial affairs of the Company, are taken into cognisance.

**j) Prior Period and Extraordinary items**

Prior period and extraordinary items, and changes in accounting policies, having a material impact on the financial affairs of the Company are disclosed.

**k) Income Tax**

Income tax comprises the current tax provision and the net change in the deferred tax asset or liability in the year.

Provision for current tax is made taking into account the admissible deductions / allowances and is subject to revision based on the taxable income for the fiscal year ending 31 March each year.

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between carrying values of the assets and liabilities and their respective tax bases and are measured using enacted tax rates applicable on the Balance Sheet date. Deferred tax assets are recognized subject to management's judgment that realization is virtually certain.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change.

**l) Provision**

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 16**  
**NOTES FORMING PART OF ACCOUNTS (Contd...)**

**2 (a) Installed Capacity**

At 30<sup>th</sup>  
 September 2005

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|                                       |        |         |
|---------------------------------------|--------|---------|
| Axle housing<br>(a component of axle) | (Nos.) | 109,200 |
| Complete axles                        | (Nos.) | 83,000  |
| Brake assemblies **                   | (Nos.) | 270,000 |
| Gear sets                             | (MT)   | 4,775   |

(as certified by management and relied upon by the auditors, being a technical matter)

**(b) Actual Production**

Year ended 30<sup>th</sup>  
 September 2005

---

|   |        |           |
|---|--------|-----------|
| Axle housings*<br>(a component of axle) | (Nos.) | 90,464    |
| Complete axles                          | (Nos.) | 70,012    |
| Brake assemblies                        | (Nos.) | Nil       |
| Gear sets                               | (MT)   | 3,147.04@ |

@ Includes jobbing 81.7 MT

\* Actual production of axle housings includes 70,012 (Nos.) used for production of complete axles.

\*\* Brake assemblies include sub-assemblies.

**3 Details of Gross Sales: (Excluding Warranty Replacements & Samples)**

Year ended 30<sup>th</sup> September 2005

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| Quantity<br>(Nos.) | Amount in<br>Rupees |
|--------------------|---------------------|
|--------------------|---------------------|

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|                |        |                      |
|----------------|--------|----------------------|
| • Axle Housing | 20,348 | 190,836,528          |
| • Axles        | 70,876 | 3,333,030,550        |
| • Spares       | —      | 500,301,518          |
|                |        | <u>4,024,168,596</u> |

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**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 16**  
**NOTES FORMING PART OF ACCOUNTS (Contd...)**

**4 Opening and Closing Stock of Finished Goods**

|                       | 1 <sup>st</sup> October 2004 |                     |
|-----------------------|------------------------------|---------------------|
|                       | Quantity<br>(Nos.)           | Amount in<br>Rupees |
| <b>Opening Stock:</b> |                              |                     |
| • Axle housing        | 488                          | 4,040,376           |
| • Axles               | 1,158                        | 40,207,992          |
| • Others              | —                            | 3,841,930           |
|                       |                              | 48,090,298          |

|                       | 30 <sup>th</sup> September 2005 |                     |
|-----------------------|---------------------------------|---------------------|
|                       | Quantity<br>(Nos.)              | Amount in<br>Rupees |
| <b>Closing Stock:</b> |                                 |                     |
| • Axle housing        | 592                             | 5,435,122           |
| • Axles               | 294                             | 10,223,710          |
| • Others              | —                               | 6,399,749           |
|                       |                                 | 22,058,581          |

**5 Raw Materials and Components Consumed**

|                   | Year ended 30 <sup>th</sup> September 2005 |                     |
|-------------------|--|---------------------|
|                   | Quantity<br>(Nos.)                         | Amount in<br>Rupees |
| • Steel (MT)      | 19,009                                     | 514,673,655         |
| • Castings (Nos.) | 484,653                                    | 280,754,286         |
| • Forgings (Nos.) | 1,024,615                                  | 589,965,230         |

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|                                  |   |               |
|----------------------------------|---|---------------|
| • Bought out finished components | — | 778,252,296   |
| • Others                         | — | 139,504,593   |
|                                  |   | 2,303,150,060 |

6 Value of Raw Materials, Stores & Spares Consumed During the Year

|                               | Year ended 30 <sup>th</sup> September 2005 |                     |
|-------------------------------|--|---------------------|
|                               | Consumption<br>%                           | Amount in<br>Rupees |
| <b>a) Raw materials</b>       |  |                     |
| • Imported                    | 3  | 68,667,784          |
| • Indigenous                  | 97   | 2,234,482,276       |
|                               | 100  | 2,303,150,060       |
| <b>b) Stores &amp; spares</b> |  |                     |
| • Imported                    | 1  | 1,140,698           |
| • Indigenous                  | 99   | 90,287,171          |
|                               | 100  | 91,427,869          |

**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 16**  
**NOTES FORMING PART OF ACCOUNTS (Contd...)**

**7 Value of Imports on C.I.F. Basis**

|                          | Year ended 30 <sup>th</sup><br>September 2005 |
|--------------------------|---|
|                          | (Rupees)                                      |
| i. Raw material          | 51,576,542                                    |
| ii. Consumables & spares | 3,152,113                                     |
| iii. Capital goods       | 7,855,257                                     |
|                          | <u>62,583,912</u>                             |

**8 Expenditure in Foreign Currency**

|                   | Year ended 30 <sup>th</sup><br>September 2005 |
|-------------------|---|
|                   | (Rupees)                                      |
| a) Foreign travel | 2,028,995                                     |
| b) Bank charges   | 322,129                                       |
| c) Others         | 3,675,619                                     |
| d) Interest       | 9,175,067                                     |

**9 Remittances in Foreign Currency on Account of Dividends to Non-resident Shareholders**

|                                     | Year ended 30 <sup>th</sup><br>September 2005 |
|-------------------------------------|---|
|                                     | (Rupees)                                      |
| a. No. of non-resident shareholders | 1   |
| b. No. of equity shares held        | 5,367,275                                     |
| c. Amount of dividend paid          | 61,723,663                                    |
| d. Year to which dividend relates   |   |
| - Final dividend                    | 2003-2004                                     |

- Interim dividend

2004-2005

**10 Managerial Remuneration**

|   | Year ended 30 <sup>th</sup><br>September 2005 |
|---|---|
|   | <u>(Rupees)</u>                               |
| Salary & allowances                       | 4,592,713                                     |
| Contribution to Provident and other funds | 804,055                                       |
| Perquisites                               | 482,453                                       |
|   | <u>5,879,221</u>                              |



**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 16**  
**NOTES FORMING PART OF ACCOUNTS (Contd...)**

**11 Payment to Auditors**

|                           | Year ended 30 <sup>th</sup><br>September 2005 |
|---------------------------|---|
|                           | (Rupees)                                      |
| As auditors               | 840,000                                       |
| In other capacity         | 450,000                                       |
| Reimbursement of expenses | 90,308  |
|                           | <u>1,380,308</u>                              |

**12 Related party transactions:**

a. List of Related Parties and Relationships:

| Relationship   | Related Parties  |
|--|--|
| (i) Controlling Enterprises  | Meritor Heavy Vehicle System LLC, USA<br>ArvinMeritor Inc.   |
| (ii) Other related parties with whom the Company had transactions: |  |
| Enterprises under Common Control                                   | Bharat Forge Limited<br>Kalyani Forge Limited<br>Meritor HVS Cameri, SPA<br>Meritor HVS India Ltd.<br>Arvin Meritor CVA, Australia<br>Meritor Automotive Inc., Fletcher USA<br>Meritor Automotive Inc., Ohio USA |
| Key Management Personnel   | Mr. B.N. Kalyani, Chairman (Non-retiring)<br>Mr. Ashok Rao, President and Wholetime Director<br>Mr. C. K. Sabareeshan, Executive Director<br>(Finance) & Company Secretary                                       |

**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 16**  
**NOTES FORMING PART OF ACCOUNTS (Contd...)**

b. Transactions with Related Parties:

|                                    | <b>Related Party and Transactions</b> | <b>Controlling Enterprises</b> | <b>Enterprises under Common Control</b> | <b>Key Management Personnel and their Relatives</b> | <b>Total</b>         |
|------------------------------------|---------------------------------------|--------------------------------|---|---|----------------------|
| <b>1) Purchase of Goods</b>        |                                       |                                |   |   |                      |
|                                    | Bharat Forge Limited                  | —                              | 130,889,757                             | —   | <b>130,889,757</b>   |
|                                    | Others                                | 15,732,117                     | 10,424,565                              | —   | <b>26,156,682</b>    |
|                                    |                                       | <b>15,732,117</b>              | <b>141,314,322</b>                      | —   | <b>157,046,439</b>   |
| <b>2) Sale of Goods</b>            |                                       |                                |   |   |                      |
|                                    | Meritor HVS (India) Limited           | —                              | 3,966,567,433                           | —   | <b>3,966,567,433</b> |
|                                    | Bharat Forge Limited                  | —                              | 3,841,963                               | —   | <b>3,841,963</b>     |
|                                    |                                       |                                | <b>3,970,409,396</b>                    | —   | <b>3,970,409,396</b> |
| <b>3) Purchase of Fixed Assets</b> |                                       |                                |   |   |                      |
|                                    | Bharat Forge Limited                  | —                              | 13,605,684                              | —   | <b>13,605,684</b>    |
| <b>4) Services Received</b>        |                                       |                                |   |   |                      |
|                                    | Bharat Forge Limited                  | —                              | 76,960,220                              | —   | <b>76,960,220</b>    |
|                                    | Others                                | —                              | 4,343,080                               | —   | <b>4,343,080</b>     |
|                                    |                                       | —                              | <b>81,303,300</b>                       | —   | <b>81,303,300</b>    |
| <b>5) Services Rendered</b>        |                                       |                                |   |   |                      |

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|                             |   |                  |   |                  |
|-----------------------------|---|------------------|---|------------------|
| Bharat Forge Limited        | — | 3,414,800        | — | <b>3,414,800</b> |
| Others                      | — | 153,000          | — | <b>153,000</b>   |
|                             | — | <b>3,567,800</b> | — | <b>3,567,800</b> |
| <b>6) Other Recoveries</b>  |   |                  |   |                  |
| Meritor HVS (India) Limited | — | 24,213           | — | <b>24,213</b>    |
|                             | — | <b>24,213</b>    | — | <b>24,213</b>    |

**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 16**  
**NOTES FORMING PART OF ACCOUNTS (Contd...)**

b. Transactions with Related Parties: (Contd...)

|    | <b>Related Party and Transactions</b>           | <b>Controlling Enterprises</b> | <b>Enterprises under Common Control</b> | <b>Key Management Personnel and their Relatives</b> | <b>Total</b>     |
|----|---|--------------------------------|---|---|------------------|
| 7) | <b>Managerial Remuneration and Sitting Fees</b> |                                |   |   |                  |
|    | Mr. Ashok Rao                                   | —                              | —                                       | 3,400,523   | <b>3,400,523</b> |
|    | Mr. C.K. Sabareeshan                            | —                              | —                                       | 2,478,698   | <b>2,478,698</b> |
|    | Others  | —                              | —                                       | 60,000  | <b>60,000</b>    |
|    |   | —                              | —                                       | <b>5,939,221</b>                                    | <b>5,939,221</b> |

**Amounts Outstanding at the Balance Sheet Date**

|    |                             |                |                    |                  |                    |
|----|-----------------------------|----------------|--------------------|------------------|--------------------|
| 8) | <b>Amounts Receivable</b>   |                |                    |                  |                    |
|    | Meritor HVS (India) Limited | —              | 562,165,139        | —                | <b>562,165,139</b> |
|    | Others                      | —              | 4,970,848          | —                | <b>4,970,848</b>   |
|    |                             | —              | <b>567,135,987</b> | —                | <b>567,135,987</b> |
| 9) | <b>Amounts Payable</b>      |                |                    |                  |                    |
|    | Bharat Forge Limited        | —              | 43,971,693         | —                | <b>43,971,693</b>  |
|    | Others                      | 202,015        | 1,844,309          | 1,647,248        | <b>3,693,572</b>   |
|    |                             | <b>202,015</b> | <b>45,816,002</b>  | <b>1,647,248</b> | <b>47,665,265</b>  |

1.

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Related Party relationships are as identified by the Company on the basis of information available with them and accepted by the auditors.

2. No amount is/has been written off or written back during the year in respect of debts due from or to related party.
-

**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**  
**All amounts in Indian Rupees (Rs.), unless otherwise stated**

**SCHEDULE 16**  
**NOTES FORMING PART OF ACCOUNTS (Contd...)**

**13. Segment Reporting**

|  | Domestic<br>(Rupees) | Sale for exports<br>(Note 2 Below)<br>(Rupees) | Consolidated<br>(Rupees) |
|--|----------------------|--|--------------------------|
| <b>I. Revenue</b>                              |                      |  |                          |
| Sales to external customers                    | 3,888,928,482        | 186,620,956                                    | 4,075,549,438            |
| Segment Result                                 | 563,598,270          | 45,430,154                                     | 609,028,424              |
| Unallocated expenses net of unallocated income |                      |  | 37,497,295               |
| Operating profit                               |                      |  | 571,531,129              |
| Interest expenses                              |                      |  | 21,435,612               |
| Income taxes                                   |                      |  | 181,460,217              |
| Net profit                                     |                      |  | 368,635,300              |
| <b>II. Other Information</b>                   |                      |  |                          |
| Segment Assets                                 | 1,012,950,853        | 93,500,273                                     | 1,106,451,126            |
| Unallocated assets                             |                      |  | 1,438,540,235            |
| Total assets                                   |                      |  | 2,544,991,361            |
| <b>Segment Liabilities</b>                     |                      |  |                          |
| Unallocated liabilities                        |                      |  | 1,726,810,052            |
| Total liabilities                              |                      |  | 1,726,810,052            |
| Depreciation                                   | 97,493,278           | 6,357,091                                      |                          |

- The Company has identified its primary segments as geographical, i.e., domestic and exports. Export markets have been considered together as the products sold to these markets have comparable risks and rewards.
- Sales for exports represent export sales channelised through Meritor HVS (India) Limited and includes DEPB.

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3. There are no inter-segment transactions during the year.
  4. Fixed assets of the Company have not been identified to the segments as they are common to the segments. Depreciation has been allocated to segments based on standard rates determined by the Company.
  5. Secondary segment disclosures have not been furnished as there is only a single business segment.
-

**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 16**

**NOTES FORMING PART OF ACCOUNTS (Contd...)**

**14. Deferred Tax**

The net deferred tax liability comprises the tax impact arising from timing differences on account of:

|  | Rupees             |
|--|--------------------|
| Depreciation & amortisation                      | 252,586,876        |
| Provision for warranty & other provisions        | (26,722,534)       |
|  | <u>225,864,342</u> |
| Net deferred tax liability relating to the above | 76,220,000         |

- 15.** During the year, the Company has changed the method of valuation of materials from FIFO basis to weighted average basis. Consequent to this change the profit for the year is higher by Rs. 3,026,351.

**16. Finance Lease**

The lease transactions of the Company represent lease of vehicles on a non-cancelable basis. The minimum lease payments under the various agreements are given below:

|   | Rupees           |
|---|------------------|
| For the next one year                   | 901,835          |
| One year to five years                  | 2,431,656        |
| Total                                   | <u>3,333,491</u> |
| Less: Interest                          | 522,910          |
| Present value of minimum lease payments | <u>2,810,581</u> |

**17. Details of Provisions Under AS - 29 (Provisions, Contingent Liabilities and Contingent Assets)**



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|                                    | <u>Rupees</u>               |
|------------------------------------|-----------------------------|
| Nature of Expense                  | Warranty                    |
| Probable outflow estimated within  | One Year                    |
| Liability at beginning of the year | 8,733,073                   |
| Amount provided during the year    | 12,079,945                  |
| Amount utilized during the year    | (7,843,622)                 |
| Amount reversed during the year    | (3,881,302)                 |
|                                    | <u>                    </u> |
| Liability at on end of the year    | <u>9,088,094</u>            |

- 18.** Estimated amount of contracts remaining to be executed on capital account, net of advances and not provided for is Rs. 275,379,677.
- 19.** Claims against the company not acknowledged as debt are Rs. 473,922.

**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**  
**All amounts in Indian Rupees (Rs.), unless otherwise stated**

**SCHEDULE 16**  
**NOTES FORMING PART OF ACCOUNTS (Contd...)**

20. Contingent Liability: Company has certain labor disputes which are pending adjudication. The liability that may arise on account of these disputes cannot be reasonably estimated.
21. There are no overdue amounts outstanding for over 30 days at the year end to small scale industrial undertakings.
22. **Differences between Indian and United States Generally Accepted Accounting Principles**

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the India ('Indian GAAP') which differ from those generally accepted in the United States ("US GAAP"). The significant differences, as they apply to the Company, are summarized below.

**Employee costs**

*Leave encashment / compensated absences*

The Company records liabilities for leave encashment / compensated absences on the basis of contributions towards plans with third-party fund managers. Such contributions are determined by periodical actuarial valuation by the third-party fund managers, which are expected to be paid in cash.

Under US GAAP, the determination of the liability would also take into consideration unused vacation based on expected cash payments on an undiscounted basis.

*Gratuity*

The Company records liabilities for gratuity benefits on the basis of contributions towards schemes with fund managers. Such contributions are determined by periodical actuarial valuation by the fund managers. Under Indian GAAP, the actuary can choose a method for (i) expense determination, (ii) determining the discount rate and (iii) valuing plan assets.

Under US GAAP, the liability for gratuity benefits requires the use of the projected unit credit method. The discount rate (reflecting the rate of interest which would provide the necessary future cash flows to pay the accumulated benefits when due) reflects current market rates for high quality debt instruments.

**Depreciation charge**

The Company records depreciation expense on buildings and plant and machinery under the 'straight line method' and on other assets under the 'reducing balance method' at the rates prescribed in Schedule XIV to the Indian Companies Act, or based on technical estimates that indicate the useful lives would be comparable with or higher than those arrived at using these rates. In case where the useful lives are estimated to be lower when compared using rates in the Schedule XIV, depreciation is charged under 'straight line method' over the useful lives.

Under US GAAP, depreciation is charged on a systematic basis to each accounting period over its

**AUTOMOTIVE AXLES LIMITED**  
**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**  
**All amounts in Indian Rupees (Rs.), unless otherwise stated**

**SCHEDULE 16**  
**NOTES FORMING PART OF ACCOUNTS (Contd...)**

estimated economic useful life, reflecting the pattern in which the entity consumes the asset's benefits.

**Fixed assets**

Foreign exchange transaction losses and gains relating to the acquisition of fixed assets are adjusted to the cost of the fixed asset.

Under US GAAP, foreign exchange transaction gains and losses related to the acquisition of fixed assets would be recorded as an expense and included in manufacturing, administration and selling expenses.

**Dividends**

Dividends are accounted for in the year to which they pertain to. Dividends on ordinary equity shares are presented as an appropriation to the income statement.

Under US GAAP, dividends are accounted in the year when declared. Dividends on ordinary equity shares are presented as a deduction in the statement of changes in shareholders' equity in the period when authorised by shareholders.

**Reclassification**

***Profit & Loss Account / Income Statement***

The profit and loss account is presented with total income including from sales, operational and other income; expenditure including raw material consumed, (increase)/decrease in stock of finished goods and work in progress, manufacturing, administration and selling expenses, interest and depreciation to arrive at a measure of profit before tax. Such a measure is not appropriate under US GAAP, wherein the presentation is either in a single-step where all expenses are classified by function and are deducted from total income to give income before tax; or multiple step where cost of sales is deducted from sales to show gross profit, and other income and expense are then presented to give income before tax.

Fringe benefit tax is disclosed as a separate item after 'profit before tax' on the face of the income statement as a component of income tax expense under Indian GAAP. Under US GAAP fringe benefit taxes are included as a part of related salary and benefit expense arriving at a measure of profit before tax.

Also under US GAAP, total comprehensive income and accumulated other comprehensive income are disclosed, presented either as a separate primary statement or combined with the income statement or with the statement of changes in stockholders' equity while there are no such measures under Indian GAAP.

***Cash Flow Statement***

Interest received and interest paid has been disclosed under cash from investing and cash from financing activities, respectively. Under US GAAP interest received and paid are disclosed under cash from operating activities.

**AUTOMOTIVE AXLES LIMITED**

**SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 30<sup>TH</sup> SEPTEMBER 2005**

All amounts in Indian Rupees (Rs.), unless otherwise stated

**SCHEDULE 16**

**NOTES FORMING PART OF ACCOUNTS (Contd...)**

*Balance Sheet*

The presentation of certain items in the balance sheet under Indian GAAP is not consistent with financial statement presentation under US GAAP. The following differences pertaining to the Company are identified:

- (i) Items on the face of the balance sheet are presented in decreasing order of liquidity under US GAAP.
  - (ii) The Company has presented changes in shareholders' equity in separate schedules of 'Share capital' and 'Reserves and Surplus'. Under US GAAP, a separate statement of changes in shareholders' equity is presented showing capital transactions with owners, the movement in accumulated profit and a reconciliation of all other components of equity.
  - (iii) Secured and unsecured loans repayable within twelve months from the balance sheet date would be included in current liabilities under US GAAP.
  - (iv) Deferred tax liability net of deferred tax assets is disclosed in the balance sheet under loans. Under US GAAP, deferred tax assets and liabilities are either classified as current or non-current, based on the classification of the related non-tax asset or liability for financial reporting.
  - (v) Loans and advances not receivable within twelve months from the balance sheet date would be classified as non-current assets under US GAAP.
  - (vi) Advance income tax included under loans and advances under Indian GAAP would be offset against provision for tax included under provisions under US GAAP.
  - (vii) Provisions for warranty included in provisions not payable within twelve months from the balance sheet date would be reclassified as a non-current liability under US GAAP, whereas under Indian GAAP, such reclassification is not made.
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(2) Financial Statement Schedule for the years ended September 30, 2007, 2006 and 2005. The following schedule was filed as part of the Annual Report filed with the SEC on November 19, 2007:

### Schedule II - Valuation and Qualifying Accounts

Schedules not filed with this Annual Report on Form 10-K are omitted because of the absence of conditions under which they are required or because the information called for is shown in the financial statements or related notes.

#### (3) Exhibits

- 3-a Restated Articles of Incorporation of ArvinMeritor, filed as Exhibit 4.01 to ArvinMeritor's Registration Statement on Form S-4, as amended (Registration Statement No. 333-36448) ("Form S-4"), is incorporated by reference.
- 3-b By-laws of ArvinMeritor, filed as Exhibit 3 to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 2003 (File No. 1-15983), is incorporated by reference.
- 4-a Rights Agreement, dated as of July 3, 2000, between ArvinMeritor and The Bank of New York (successor to EquiServeTrust Company, N.A.), as rights agent, filed as Exhibit 4.03 to the Form S-4, is incorporated by reference.
- 4-b Indenture, dated as of April 1, 1998, between ArvinMeritor and BNY Midwest Trust Company (successor to The Chase Manhattan Bank), as trustee, filed as Exhibit 4 to Meritor's Registration Statement on Form S-3 (Registration No. 333-49777), is incorporated by reference.
- 4-b-1 First Supplemental Indenture, dated as of July 7, 2000, to the Indenture, dated as of April 1, 1998, between ArvinMeritor and BNY Midwest Trust Company (successor to The Chase Manhattan Bank), as trustee, filed as Exhibit 4-b-1 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended September 30, 2000 (File No. 1-15983) ("2000 Form 10-K"), is incorporated by reference.
- 4-b-2 Third Supplemental Indenture, dated as of June 23, 2006, to the Indenture, dated as of April 1, 1998, between ArvinMeritor and BNY Midwest Trust Company (successor to The Chase Manhattan Bank), as trustee (including Subsidiary Guaranty dated as of June 23, 2006), filed as Exhibit 4.2 to ArvinMeritor's Current Report on Form 8-K, dated June 23, 2006 and filed on June 27, 2006 (File No. 1-15983)("June 23, 2006 Form 8-K"), is incorporated by reference.
- 4-c Indenture dated as of July 3, 1990, as supplemented by a First Supplemental Indenture dated as of March 31, 1994, between ArvinMeritor and BNY Midwest Trust Company (successor to Harris Trust and Savings Bank), as trustee, filed as Exhibit 4-4 to Arvin's Registration Statement on Form S-3 (Registration No. 33-53087), is incorporated by reference.
- 4-c-1 Second Supplemental Indenture, dated as of July 7, 2000, to the Indenture dated as of July 3, 1990, between ArvinMeritor and BNY Midwest Trust Company (successor to Harris Trust and Savings Bank), as trustee, filed as Exhibit 4-c-1 to the 2000 Form 10-K, is incorporated by reference.
- 4-c-2 Fourth Supplemental Indenture, dated as of June 23, 2006, to the Indenture, dated as of July 3, 1990, between ArvinMeritor and BNY Midwest Trust Company (successor to Harris Trust and Savings Bank), as trustee (including Subsidiary Guaranty dated as of June 23, 2006), filed as Exhibit 4.3 to the June 23, 2006 Form 8-K, is incorporated by reference.
- 4-d Indenture, dated as of March 7, 2006, between ArvinMeritor and BNY Midwest Trust Company, as trustee, filed as Exhibit 4.1 to ArvinMeritor's Current Report on Form 8-K, dated March 7, 2006 and filed on March 9, 2006 (File No. 1-15983), is incorporated by reference.
- 4-d-1 First Supplemental Indenture, dated as of June 23, 2006, to the Indenture, dated as of March 7, 2006, between ArvinMeritor and BNY Midwest Trust Company, as trustee (including Subsidiary Guaranty dated as of June 23, 2006), filed as Exhibit 4.1 to the June 23, 2006 Form 8-K, is incorporated by reference.

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- 4-e Indenture, dated as of February 8, 2007, between ArvinMeritor and The Bank of New York Trust Company, N.A., as trustee (including form of Subsidiary Guaranty dated as of February 8, 2007), filed as Exhibit 4-a to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended April 1, 2007 (File No. 1-15983), is incorporated by reference.
  - 10-a Credit Agreement, dated as of June 23, 2006, by and among ArvinMeritor, ArvinMeritor Finance Ireland, the institutions from time to time parties thereto as lenders, JP Morgan Chase Bank, National Association, as Administrative Agent, Citicorp North America, Inc. and UBS Securities LLC, as Syndication Agents, ABN AMRO Bank N.V., BNP Paribas and Lehman Commercial Paper Inc., as Documentation Agents, and J.P. Morgan Securities Inc. and Citigroup Global Markets, as Joint Lead Arrangers and Joint Book Runners, filed as Exhibit 10.1 to the June 23, 2006 Form 8-K, is incorporated by reference.
  - 10-a-1 Subsidiary Guaranty, dated as of June 23, 2006, by and among the subsidiary guarantors and JPMorgan Chase Bank, National Association, as Administrative Agent, for the benefit of itself, the lenders and other holders of guaranteed obligations, filed as Exhibit 10.2 to the June 23, 2006 Form 8-K, is incorporated by reference.
  - 10-a-2 Pledge and Security Agreement, dated as of June 23, 2006, by and among ArvinMeritor, the subsidiaries named therein and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10.3 to the June 23, 2006 Form 8-K, is incorporated by reference.
  - 10-a-3 Amendment No. 1 to Credit Agreement, dated as of February 23, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K dated and filed on February 23, 2007 (File No. 1-15983), is incorporated by reference.
  - 10-a-4 Amendment No. 2 to Credit Agreement, dated as of October 2, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K dated October 2, 2007 and filed on October 3, 2007 (File No. 1-15983), is incorporated by reference.
  - 10-a-5 Amendment No. 3 to Credit Agreement, dated as of October 26, 2007, among ArvinMeritor, the financial institutions party thereto and JPMorgan Chase Bank, National Association, as Administrative Agent, filed as Exhibit 10 to the Current Report on Form 8-K dated October 26, 2007 and filed on October 30, 2007 (File No. 1-15983), is incorporated by reference.
  - \*10-b-1 1997 Long-Term Incentives Plan, as amended and restated, filed as Exhibit 10 to ArvinMeritor's Current Report on Form 8-K dated and filed on April 20, 2005 (File No. 1-15983), is incorporated by reference.
  - \*10-b-2 Form of Restricted Stock Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-a-2 to Meritor's Annual Report on Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-13093), is incorporated by reference.
  - \*10-b-3 Form of Option Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10(a) to Meritor's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1998 (File No. 1-13093), is incorporated by reference.
  - \*10-b-4 Form of Performance Share Agreement under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-b to ArvinMeritor's Current Report on Form 8-K, dated December 7, 2004 and filed on December 9, 2004 (File No. 1-15983), is incorporated by reference.
  - \*10-b-5 Description of Performance Goals Established in connection with 2006-2008 Cash Performance Plan under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-b-6 to ArvinMeritor's Form 10-K for the fiscal year ended October 2, 2005 (File No. 1-15983), is incorporated by reference.
  - \*10-b-6 Description of Performance Goals Established in connection with 2007-2009 Cash Performance Plan under the 1997 Long-Term Incentives Plan, filed as Exhibit 10-b-7 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended October 1, 2006 (File No. 1-15983), is incorporated by reference.
  - \*10-c 2007 Long-Term Incentive Plan, as amended, filed as Exhibit 10-a to ArvinMeritor's Quarterly Report on
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Form 10-Q for the quarterly period ended April 1, 2007 (File No. 1-15983), is incorporated by reference.

- \*10-c-1 Form of Restricted Stock Agreement under the 2007 Long-Term Incentive Plan.\*\*
- \*10-d Description of Compensation of Non-Employee Directors.\*\*
- \*10-e 2004 Directors Stock Plan, filed as Exhibit 10-a to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 2004 (File No. 1-15983), is incorporated by reference.
- \*10-e-1 Form of Restricted Share Unit Agreement under the 2004 Directors Stock Plan, filed as Exhibit 10-c-3 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended October 3, 2004 (File No. 1-15983), is incorporated by reference.
- \*10-e-2 Form of Restricted Stock Agreement under the 2004 Directors Stock Plan, filed as Exhibit 10-c-4 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended October 2, 2005 (Filed No. 1-15983), is incorporated by reference.
- \*10-f Incentive Compensation Plan, as amended and restated, filed as Exhibit 10-b to ArvinMeritor's Current Report on Form 8-K, dated February 16, 2005 and filed on February 17, 2005 (File No. 1-15983), is incorporated by reference.
- \*10-f-1 Form of Deferred Share Agreement, filed as Exhibit 10-a to ArvinMeritor's Quarterly Report on Form 10-Q for the quarterly period ended January 2, 2005 (File No. 1-15983), is incorporated by reference.
- \*10-g Copy of resolution of the Board of Directors of ArvinMeritor, adopted on July 6, 2000, providing for its Deferred Compensation Policy for Non-Employee Directors, filed as Exhibit 10-f to the 2000 Form 10-K, is incorporated by reference.
- \*10-h Deferred Compensation Plan, filed as Exhibit 10-e-1 to Meritor's Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (File No. 1-13093), is incorporated by reference.
- \*10-i 1998 Stock Benefit Plan, as amended, filed as Exhibit (d)(2) to ArvinMeritor's Schedule TO, Amendment No. 3 (File No. 5-61023), is incorporated by reference.
- \*10-j Employee Stock Benefit Plan, as amended, filed as Exhibit (d)(3) to ArvinMeritor's Schedule TO, Amendment No. 3 (File No. 5-61023), is incorporated by reference.
- \*10-k 1988 Stock Benefit Plan, as amended, filed as Exhibit 10 to Arvin's Quarterly Report on Form 10-Q for the quarterly period ended July 3, 1988, and as Exhibit 10(E) to Arvin's Quarterly Report on Form 10-Q for the quarterly period ended July 4, 1993 (File No. 1-302), is incorporated by reference.
- 10-l Loan Agreement, dated as of September 19, 2005, among ArvinMeritor, Inc., ArvinMeritor Receivables Corporation, the lenders from time to time party thereto and SunTrust Capital Markets, Inc., filed as Exhibit 10a to ArvinMeritor's Current Report on Form 8-K, dated September 16, 2005 and filed on September 19, 2005 (File No. 1-15983), is incorporated by reference.
- 10-l-1 Amendment No. 1, dated as of May 8, 2006, to Loan Agreement, dated as of September 19, 2005, among ArvinMeritor, ArvinMeritor Receivables Corporation, the lenders from time to time party thereto and SunTrust Capital Markets, Inc., filed as Exhibit 10a to ArvinMeritor's Current Report on Form 8-K, dated May 8, 2006 and filed on May 10, 2006 (File No. 1-15983), is incorporated by reference.
- 10-l-2 Amendment No. 2, dated as of September 18, 2006, to Loan Agreement, dated as of September 19, 2005, among ArvinMeritor, ArvinMeritor Receivables Corporation, the lenders from time to time party thereto and SunTrust Capital Markets, Inc., filed as Exhibit 10 to ArvinMeritor's Current Report on Form 8-K, dated September 18, 2006 and filed on September 20, 2006 (File No. 1-15983), is incorporated by reference.
- 10-l-3 Amendment No. 3, dated as of November 6, 2006, to Loan Agreement, dated as of September 19, 2005,

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among ArvinMeritor, ArvinMeritor Receivables Corporation, the lenders from time to time party thereto and SunTrust Capital Markets, Inc., filed as Exhibit 10-k-3 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended October 1, 2006 (File No. 1-15983), is incorporated by reference.

- 10-l-4 Amendment No. 4, dated as of September 17, 2007, to Loan Agreement, dated as of September 19, 2005, among ArvinMeritor, ArvinMeritor Receivables Corporation, the lenders from time to time party thereto and SunTrust Robinson Humphrey, Inc., filed as Exhibit 10 to ArvinMeritor's Current Report on Form 8-K, dated and filed on September 17, 2007 (File No. 1-15983), is incorporated by reference.
- 10-m Second Amended and Restated Purchase and Sale Agreement, dated as of September 19, 2005, among ArvinMeritor OE, LLC and various affiliates, as Originators, and ArvinMeritor Receivables Corporation, filed as Exhibit 10b to ArvinMeritor's Current Report on Form 8-K, dated September 16, 2005 and filed on September 19, 2005 (File No. 1-15983), is incorporated by reference.
- 10-m-1 First Amendment, dated as of May 8, 2006, to Second Amended and Restated Purchase and Sale Agreement, dated as of September 19, 2005, among ArvinMeritor Receivables Corporation and the Originators named therein, filed as Exhibit 10b to ArvinMeritor's Current Report on Form 8-K, dated May 8, 2006 and filed on May 10, 2006, is incorporated by reference.
- 10-m-2 Third Amendment, dated as of November 6, 2006, to Second Amended and Restated Purchase and Sale Agreement, dated as of September 19, 2005, among ArvinMeritor Receivables Corporation and the Originators named therein, filed as Exhibit 10-l-2 to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended October 1, 2006 (File No. 1-15983), is incorporated by reference.
- \*10-n Employment agreement between the company and Charles G. McClure, Jr., filed as Exhibit 10-s to ArvinMeritor's Annual Report on Form 10-K for the fiscal year ended October 3, 2004 (File No. 1-15983), is incorporated by reference.
- \*10-o Employment agreement between the company and James D. Donlon, III, filed as Exhibit 10 to ArvinMeritor's Current Report on Form 8-K, dated April 12, 2005 and filed on April 13, 2005 (File No. 1-15983), is incorporated by reference.
- \*10-p Employment agreement, dated August 23, 2006, between ArvinMeritor and Philip R. Martens, filed as Exhibit 10.3 to ArvinMeritor's Current Report on Form 8-K, dated August 24, 2006 and filed on August 28, 2006 (File No. 1-15983), is incorporated by reference.
- \*10-q Employment agreement, dated August 23, 2006, between ArvinMeritor and Carsten J. Reinhardt, filed as Exhibit 10.4 to ArvinMeritor's Current Report on Form 8-K, dated August 24, 2006 and filed on August 28, 2006 (File No. 1-15983), is incorporated by reference.
- \*10-r Form of employment letter between ArvinMeritor and its executives, filed as Exhibit 10-a to ArvinMeritor's Current Report on Form 8-K, dated October 27, 2004 and filed on December 21, 2004 (File No. 1-15983), is incorporated by reference.
- 12 Computation of ratio of earnings to fixed charges. \*\*
- 21 List of subsidiaries of ArvinMeritor. \*\*
- 23-a Consent of Vernon G. Baker, II, Esq., Senior Vice President and General Counsel of ArvinMeritor. \*\*
- 23-b Consent of Deloitte & Touche LLP. \*\*
- 23-c Consent of Bates White LLC. \*\*
- 23-d Consent of Deloitte Haskins & Sells (Chennai). \*\*\*
- 24 Power of Attorney authorizing certain persons to sign this Annual Report on Form 10-K on behalf of certain directors and officers of ArvinMeritor. \*\*



31-a      Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act. \*\*\*

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31-b      Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act. \*\*\*

32-a      Certification of the Chief Executive Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350.\*\*\*

32-b      Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350.\*\*\*

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\* Management contract or compensatory plan or arrangement.

\*\* Previously filed with the Registrant's Form 10-K for the year ended September 30, 2007 filed with the SEC on November 19, 2007.

\*\*\* Filed herewith.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARVINMERITOR, INC.

By: /s/ Jeffrey A. Craig

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Jeffrey A. Craig  
Senior Vice President  
and Controller

Date: March 28, 2008

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