



VOLTAS

A TATA Enterprise

**Reports and Accounts
of Subsidiary Companies
2007-2008**

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SIMTO INVESTMENT COMPANY LIMITED

Directors :

A. Soni
P. D. Karkaria
M. M. Miyajiwala

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Twenty-fourth Annual Report and the Accounts for the year ended 31st March, 2008.

2. The Company has earned income of Rs. 289.21 lakhs and net profit of Rs. 261.54 lakhs for the year ended 31st March, 2008 as compared to income of Rs. 2086.64 lakhs and profit of Rs.1829.96 lakhs in the previous year.
3. The Company had no employee of the category indicated under Section 217(2A) of the Companies Act, 1956 and the particulars with respect to conservation of energy, technology absorption and foreign exchange earnings and outgo are not applicable to the Company.
4. Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:
 - (a) in the preparation of the annual accounts, the applicable accounting standards have been followed;
 - (b) appropriate accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2008 and of the profit of the Company for the year ended 31st March, 2008;
 - (c) proper and sufficient care have been taken for the maintenance of adequate records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
 - (d) the annual accounts have been prepared on a going concern basis.
5. In accordance with the provisions of the Companies Act, 1956, Mr. M. M. Miyajiwala retires by rotation and, being eligible, offers himself for reappointment.
6. As required by Section 383A(1) of the Companies Act, 1956 read with the Companies (Compliance Certificate) Rules, 2001, a 'Compliance Certificate' issued by a practicing Company Secretary and forming part of the Directors' Report, is annexed hereto.
7. M/s. S. A. Buhariwalla & Co., Chartered Accountants, the retiring Auditors of the Company, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

A. Soni
M. M. Miyajiwala
Directors

Mumbai, 8th May, 2008

SECRETARIAL COMPLIANCE CERTIFICATE

TO THE MEMBERS OF

SIMTO INVESTMENT COMPANY LIMITED

I have examined the registers, records and papers of **SIMTO INVESTMENT COMPANY LIMITED** as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March, 2008. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions of the Act and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies within the time prescribed under the Act and the rules made thereunder.
3. The Company has the minimum prescribed paid-up capital as applicable to public limited company and the comments relating to restrictive conditions specified under Section 3(1)(iii) of the Act are not required.
4. The Board of Directors duly met five times respectively on 7th May, 2007, 29th June, 2007, 19th September, 2007, 18th December, 2007 and 27th March, 2008 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose including the Circular Resolutions passed on 19th April, 2007 and 30th May, 2007.
5. The Company was not required to close its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended 31st March, 2007 was held on 28th September, 2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. No Extraordinary General Meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company was not required to make any entries in the Register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, during the financial year under scrutiny, the Company has not obtained any approvals from the Board of Directors, Members or Central Government, as the case may be.
12. The Board of Directors had approved the issue of duplicate share certificates in respect of 2000 shares during the financial year.
13. The Company :
 - (i) has delivered the certificates on lodgement thereof for transfer/ transmission of shares in accordance with the provisions of the Act. There was no allotment of shares during the financial year.
 - (ii) has not deposited any amount in a separate Bank Account as no dividend was paid during the financial year.
 - (iii) was not required to post dividend warrants to any member of the Company as no dividend was declared during the financial year.

- (iv) does not have any unpaid/unclaimed dividend outstanding for seven years and hence, the requirement of transfer to the Investor Education and Protection Fund does not arise.
- (v) has complied with the provisions of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and there was no appointment of Directors during the financial year.
 15. The Company has not appointed any Managing Director/Wholtime Director/Manager during the financial year.
 16. The Company has not appointed any Sole Selling Agents during the financial year.
 17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director prescribed under the various provisions of the Act, during the financial year.
 18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act.
 19. The Company has not issued any shares, debentures or other securities during the financial year.
 20. The Company has not bought back any shares during the financial year.
 21. There are no Preference Shares issued by the Company due for redemption.
 22. There were no transactions necessitating the Company to keep in abeyance the rights of dividend, rights shares and bonus shares pending registration of transfer of shares.
 23. The Company has not invited/accepted any deposits including any unsecured loans within the purview of Section 58A of the Act during the financial year.
 24. The Company has not made any borrowings during the financial year ended 31st March, 2008.
 25. The Company had not given any loans nor given any guarantees or provided securities to other bodies corporate.
 26. The Company has not altered the provisions of the Memorandum of Association with respect to the situation of the Company's Registered Office from one State to another during the year under scrutiny.
 27. The Company has not altered the provisions of the Memorandum of Association of the Company with respect to the Objects of the Company during the year under scrutiny.
 28. The Company has not altered the provisions of the Memorandum of Association of the Company with respect to the name of the Company during the year under scrutiny.
 29. The Company has not altered the provisions of the Memorandum of Association with respect to the share capital of the Company during the year under scrutiny.
 30. The Company has not altered its Articles of Association during the financial year.
 31. There was no prosecution initiated against or show cause notice received by the Company and no fine or penalty or any other punishment was imposed on the Company during the financial year, for offences under the Act.
 32. The Company has not received any money as security from its employee during the financial year.
 33. As explained to us, since there is only one employee, the question of payment of Provident Fund and Employees' State Insurance dues does not arise.

R. C. THAWANI
Company Secretary
C.P.: 4197

Mumbai, 22nd April, 2008

ANNEXURE 'A'

<u>REGISTERS AS MAINTAINED BY THE COMPANY</u>	<u>SECTION OF THE COMPANIES ACT, 1956</u>	<u>REGISTERS AS MAINTAINED BY THE COMPANY</u>	<u>SECTION OF THE COMPANIES ACT, 1956</u>
1. Register of Share Application & Allotment	u/s 75	5. Register of Directors' Shareholding	u/s 307
2. Register of Members	u/s 150	6. Register of Charges	u/s 143
3. Register of Transfers	u/s 108	7. Register of Contracts	u/s 301
4. Register of Directors	u/s 303	8. Disclosures of Interest	u/s 301(3)

ANNEXURE 'B'

FORMS AND RETURNS FILED BY THE COMPANY WITH REGISTRAR OF COMPANIES, REGIONAL DIRECTOR, CENTRAL GOVERNMENT OR OTHER AUTHORITIES DURING THE FINANCIAL YEAR ENDED 31st MARCH, 2008.

Sr. No.	Forms>Returns	Section	Purpose	Date of filing	Whether filed within prescribed time	If delay in filing, whether requisite additional fee paid
1.	Annual Return	159	for the year ended 31-3-2007	19-10-2007	Yes	—
2.	Balance Sheet	220	-do-	4-10-2007	Yes	—
3.	Compliance Certificate	383A	-do-	4-10-2007	Yes	—

R. C. THAWANI
Company Secretary
C.P.: 4197

Mumbai, 22nd April, 2008

AUDITORS' REPORT**TO THE MEMBERS OF
SIMTO INVESTMENT COMPANY LIMITED**

1. We have audited the attached Balance Sheet of **SIMTO INVESTMENT COMPANY LIMITED** as at 31st March, 2008 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraph 4 of the said Order, to the extent applicable to the Company.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, the Company as required by law has kept proper books of account so far as it appears from our examination of those books;
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet and the Profit and Loss account and Cash Flow Statement dealt with by this report are in compliance with Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director under Section 274(1)(g) of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S. A. BUHARIWALLA & CO.,
Chartered Accountants

N.S. Buhariwalla
Partner

Membership No. 43963

Mumbai, 8th May, 2008

ANNEXURE TO THE AUDITORS' REPORT

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

As required by the Companies (Auditor's Report) Order, 2003, we report below on the matters specified in paragraph 4 of the said Order:

1. As the Company did not have any fixed assets, all matters relating to fixed assets referred to in the Order are not applicable.
2. Matters relating to inventories referred to in the Order are not applicable to the Company.
3. The Company has neither taken nor granted any loans from/to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. There is adequate internal control system commensurate with size of the Company and the nature of its business in regard to purchase / sale of investments. As the Company has no fixed assets or inventory, the question of commenting on the internal control system, in this regard does not arise.
5. There were no transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956.
6. The Company had applied for registration as provided in Section 45-IA of the Reserve Bank of India Act, 1934 which has been granted by Reserve Bank of India.
7. The Company had passed the Resolution for non-acceptance of public deposits and no public deposits were accepted during the year.
8. The Company has complied with the prudential norms relating to income recognition, accounting standards, assets classification and provisioning for bad and doubtful debts as applicable to it.
9. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
10. The Central Government has not prescribed the maintenance of Cost records under Section 209(1)(d) of the Act and therefore the question of maintaining these records does not arise.
11. Since the Company has only one employee, the question of depositing Provident Fund and Employees State Insurance Fund dues with the appropriate authorities does not arise. There was no undisputed amount payable in respect of income tax, outstanding as at 31st March, 2008 for a period exceeding six months from the date it became payable.
12. The Company has no accumulated loss as at 31st March, 2008. The Company has not incurred cash losses during the current financial year and in the immediately preceding financial year.
13. The Company has not borrowed any funds from banks or financial institutions or in the form of debentures and therefore, the question of commenting on the repayment of any dues in this regard does not arise.
14. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and therefore, the question of maintenance of records in respect thereof, does not arise.
15. As the Company is not a chit fund, nidhi or mutual benefit fund / society, the question of application of any special statute does not arise.
16. The Company has maintained proper records of the transactions/contracts in respect of its dealings in shares, securities and other investments and timely entries have been made therein. All the shares and other investments of the Company have been held by the Company in its own name except in one case where the Company is holding beneficial rights in shares pending transfer thereof.
17. The Company has not given any guarantee for loans taken by others from banks or financial institutions.
18. The Company has not taken any term loans.
19. The Company has not raised any funds during the year.
20. The Company has not made any preferential allotment of shares during the year.
21. The Company has not issued any debentures during the year.
22. The Company has not raised any money through public issue during the year.
23. No fraud on or by the Company has been noticed or reported during the year.

For S. A. BUHARIWALLA & CO.,
Chartered Accountants

N.S. Buhariwalla
Partner

Membership No. 43963

Mumbai, 8th May, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule	Rupees in '000s	Rupees in '000s	As at 31-3-2007 Rupees in '000s
SOURCES OF FUNDS				
1. SHARE CAPITAL	A		15299	15299
2. RESERVES AND SURPLUS	B		106748	80594
	TOTAL		122047	95893
APPLICATION OF FUNDS				
3. INVESTMENTS	C		121063	90761
4. CURRENT ASSETS, LOANS & ADVANCES				
(A) Current Assets				
Balances with scheduled banks				
- current accounts		3218		5707
(B) Loans and Advances				
(Unsecured, considered good)				
Application money paid for Shares and Mutual Funds		—		4996
Payment against taxes		28040		25557
		31258		36260
5. LESS: CURRENT LIABILITIES AND PROVISIONS				
(A) Current Liabilities				
Unpaid Dividend		2152		5513
Sundry creditors (other than micro and small enterprises)		62		60
(B) Provisions				
Taxation		28060		25555
		30274		31128
NET CURRENT ASSETS			984	5132
	TOTAL		122047	95893

In terms of our report of even date attached
For S. A. BUHARIWALLA & Co.
Chartered Accountants

N. S. Buhariwalla
Partner
Membership No. 43963

Mumbai, 8th May, 2008

Directors
A. Soni
P. D. Karkaria
M. M. Miyajiwala

Mumbai, 8th May, 2008

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

	Rupees in '000s	2006-07 Rupees in '000s
1. INCOME		
(a) Income from trade investments	4250	4463
(b) Income from other investments	2486	330
(c) Other income	249	409
(d) Profit on sale of investments	21936	203462
TOTAL	<u>28921</u>	<u>208664</u>
2. EXPENDITURE		
(a) Salary	129	98
(b) Directors' sitting fees	3	3
(c) Audit fees	19	15
(d) General expenses	36	28
TOTAL	<u>187</u>	<u>144</u>
3. PROFIT BEFORE TAXATION	28734	208520
4. PROVISION FOR TAX	2580	25502
Add : Adjustment for previous year	—	22
5. PROFIT AFTER TAXATION	26154	182996
6. TRANSFER TO SPECIAL RESERVE	5231	36600
7. TRANSFER TO GENERAL RESERVE	17500	1074
8. INTERIM PREFERENCE DIVIDEND	—	5910
9. INTERIM EQUITY DIVIDEND	—	120858
10. DIVIDEND DISTRIBUTION TAX	—	17779
	3423	775
11. BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR	—	(775)
12. BALANCE CARRIED FORWARD	<u>3423</u>	<u>Nil</u>

In terms of our report of even date attached
For S. A. BUHARIWALLA & Co.
Chartered Accountants

N. S. Buhariwalla
Partner
Membership No. 43963

Mumbai, 8th May, 2008

Directors
A. Soni
P. D. Karkaria
M. M. Miyajiwalla

Mumbai, 8th May, 2008

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

	Rupees in '000s	Rupees in '000s	2006-07 Rupees in '000s
Cash flow from operating activities			
Interest and commission receipts	249		409
Payments to employees and suppliers	<u>(187)</u>		<u>(144)</u>
Operating profit before changes in operating assets	62		265
(Increase)/Decrease in operating assets:			
Sundry Creditors	2		3
Net cash from operating activities before income tax	64		268
Income tax paid	<u>(7)</u>		<u>-</u>
Net cash from operating activities		57	268
Cash flow from investing activities			
Dividends received	6736		4793
Proceeds from sale of investments	110730		46338
Profit on sale of investments	<u>21936</u>		<u>203462</u>
	139402		254593
Purchase of investments	<u>(136036)</u>		<u>(84798)</u>
	3366		169795
Income tax paid	<u>(2551)</u>		<u>(25496)</u>
Net cash from investing activities		815	144299
Cash flow from financing activities			
Dividend including Dividend Distribution Tax	<u>(3361)</u>		<u>(139037)</u>
Net cash from financing activities		<u>(3361)</u>	<u>(139037)</u>
Net increase/(decrease) in cash and cash equivalents		(2489)	5530
Cash and cash equivalents at beginning of period		5707	177
Cash and cash equivalents at end of period		3218	5707

In terms of our report of even date attached
For S. A. BUHARIWALLA & Co.
Chartered Accountants

N. S. Buhariwalla
Partner
Membership No. 43963

Mumbai, 8th May, 2008

Directors
A. Soni
P. D. Karkaria
M. M. Miyajiwala

Mumbai, 8th May, 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

		Rupees in' 000s	Rupees in' 000s	As at 31-3-2007 Rupees in' 000s
SCHEDULE A : SHARE CAPITAL				
(I) AUTHORIZED				
2500000 (2006-07 : 2500000) Equity Shares of Rs. 10 each			25000	25000
855000 (2006-07 : 855000) 14% Cumulative Redeemable Preference Shares of Rs. 100 each			85500	85500
			<u>110500</u>	<u>110500</u>
(II) ISSUED, SUBSCRIBED AND PAID-UP				
1529850 (2006-07 : 1529850) Equity Shares of Rs. 10 each.			15299	15299
			<u>15299</u>	<u>15299</u>
SCHEDULE B : RESERVES AND SURPLUS				
(1) Special Reserve		51375		14775
Add : Transfer from Profit and Loss Account		<u>5231</u>		<u>36600</u>
			56606	51375
(2) Capital Redemption Reserve			28145	28145
(3) General Reserve		1074		Nil
Add : Transfer from Profit and Loss Account		<u>17500</u>		<u>1074</u>
			18574	1074
(4) Balance in Profit and Loss Account			<u>3423</u>	<u>Nil</u>
			<u>106748</u>	<u>80594</u>
SCHEDULE C : INVESTMENTS (AT COST LESS DIMINUTION IN VALUE)				
		Face Value per Share Rupees	Rupees in' 000s	As at 31-3-2007 Rupees in' 000s
1. TRADE INVESTMENTS	Nos.			
Fully paid Equity Shares				
OMC Computers Limited	153562	10	879	879
Westerwork Engineers Limited	600	100	754	754
Industrial Estates Private Limited	1	1000	1	1
Brihat Trading Private Limited	3350	10	34	34
Tata Chemicals Limited (100000 shares sold during the year)	525000	10	29138	34688
Bank of Baroda	10684	10	2457	2457
GVK Power & Infrastructure Limited (Stock Split 10 shares of Re.1 each)	4600	1	143	143
Cairn India Limited	26250	10	4200	4200
Power Finance Corporation Limited	1220	10	104	104
MindTree Consulting Limited	115	10	49	49
ICRA Limited (allotted during the year)	237	10	78	Nil
ICICI Bank Limited (subscribed during the year)	21919	10	20604	Nil
Bharat Earth Movers Limited (subscribed during the year)	1675	10	1801	Nil
Central Bank of India (subscribed during the year)	1524	10	155	Nil
Power Grid Corporation Limited (subscribed during the year)	5091	10	265	Nil
Tata Motors Limited (purchased during the year)	9682	10	7972	Nil
Reliance Power Limited (subscribed during the year)	545	10	245	Nil
2. OTHER INVESTMENTS				
Fully paid Equity Shares				
Hitachi Home & Life Solutions (I) Limited	100	10	2	2
Carrier Airconditioning & Refrigeration Company Limited	400	10	2	2
Blue Star Limited	375	2	2	2
Agro Foods Punjab Limited (Beneficial rights in shares pending transfer)	280000	100	280	280

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2008 (contd.)

SCHEDULE C : INVESTMENTS (AT COST LESS DIMINUTION IN VALUE) (contd.)

	Nos.	Face Value per Share Rupees	Rupees in '000s	As at 31-3-2007 Rupees in '000s
Investment in Units of Mutual Funds				
Fidelity International Opportunities Fund (purchased during the year)	488998	10	5000	Nil
Optimix Dynamic Multi Manager Fund (purchased during the year)	500000	10	5000	Nil
Tata Indo Global Infrastructure Fund (purchased during the year)	500000	10	5000	Nil
JM Agri & Infra Fund (Dividend Payout) (purchased during the year)	250000	10	2500	Nil
LICMF Floating Rate Fund ST Weekly Dividend (purchased during the year)	983245	10	10127	Nil
HDFC FRIF STF WP Daily Dividend (purchased during the year)	991975	10	10119	Nil
Tata Liquid Fund HIP Daily Dividend (purchased during the year)	5384	10	6065	Nil
Kotak FMP 13 M Series 4 Institutional Growth (purchased during the year)	1000000	10	10000	Nil
Tata Mid Cap Fund - Growth (sold during the year)	391198	10	Nil	4000
Standard Chartered Ent. Eq. Fund - Growth (sold during the year)	500000	10	Nil	5000
LICMF Floating Rate Fund - Dividend (sold during the year)	1972688	10	Nil	20052
HDFC Cash Mangement Fund - Dividend (sold during the year)	960549	10	Nil	10015
Prudential ICICI Floating Rate Fund - Dividend (sold during the year)	1001063	10	Nil	10012
TOTAL INVESTMENTS			122976	92674
Less : Provision for diminution in value			1913	1913
			121063	90761
Out of the above :				
Quoted : Cost			121026	90724
: Market Value			234573	186290
Unquoted : Cost / Book Value			37	37

SCHEDULE D : PARTICULARS IN TERMS OF PARAGRAPH 13 OF NON-BANKING FINANCIAL (NON DEPOSIT ACCEPTING OR HOLDING) COMPANIES PRUDENTIAL NORMS (RESERVE BANK) DIRECTIONS, 2007 AS ON 31ST MARCH 2008

Particulars	Rupees in '000s	
	Amount outstanding	Amount overdue
Liabilities side :		
(1) Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid :		
(a) Debentures : Secured	NIL	NIL
: Unsecured (other than falling within the meaning of public deposits)	NIL	NIL
(b) Deferred Credits	NIL	NIL
(c) Term Loans	NIL	NIL
(d) Inter-corporate loans and borrowing	NIL	NIL
(e) Commercial Paper	NIL	NIL
(f) Other Loans (specify nature)	NIL	NIL

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008 (contd.)

SCHEDULE D : (contd.)

Particulars	Amount outstanding	Amount overdue
Assets side :		
(2) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :		
(a) Secured	NIL	
(b) Unsecured	NIL	
(3) Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities:		
(i) Lease assets including lease rentals under sundry debtors :		
(a) Financial lease	NIL	
(b) Operating lease	NIL	
(ii) Stock on hire including hire charges under sundry debtors:		
(a) Assets on hire	NIL	
(b) Repossessed Assets	NIL	
(iii) Other loans counting towards AFC activities		
(a) Loans where assets have been repossessed	NIL	
(b) Loans other than (a) above	NIL	
(4) Break-up of Investments :		
Current Investments :		
1. Quoted :		
(i) Shares (a) Equity	NIL	
(b) Preference	NIL	
(ii) Debentures and Bonds	NIL	
(iii) Units of Mutual Funds	NIL	
(iv) Government Securities	NIL	
(v) Others (Please specify)	NIL	
2. Unquoted :		
(i) Shares (a) Equity	NIL	
(b) Preference	NIL	
(ii) Debentures and Bonds	NIL	
(iii) Units of Mutual Funds	NIL	
(iv) Government Securities	NIL	
(v) Others (Please specify)	NIL	
Long Term Investments :		
1. Quoted :		
(i) Shares (a) Equity	67215	
(b) Preference	NIL	
(ii) Debentures and Bonds	NIL	
(iii) Units of Mutual Funds	53811	
(iv) Government Securities	NIL	
(v) Others (Please specify)	NIL	
2. Unquoted :		
(i) Shares (a) Equity	37	
(b) Preference	NIL	
(ii) Debentures and Bonds	NIL	
(iii) Units of Mutual Funds	NIL	
(iv) Government Securities	NIL	
(v) Others (Please specify)	NIL	

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008 (contd.)

(5) Borrower group-wise classification of assets financed as in (2) and (3) above :

Category	Amount net of provisions		Total
	Secured	Unsecured	
1. Related Parties *			
(a) Subsidiaries	NIL	NIL	NIL
(b) Companies in the same group	NIL	NIL	NIL
(c) Other related parties	NIL	NIL	NIL
2. Other than related parties	NIL	NIL	NIL

(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :

Category	Market Value/ Break-up or Fair Value or NAV Rs. in '000s	Book Value (Net of Provisions) Rs. in '000s
	1. Related Parties *	
(a) Subsidiaries	NIL	NIL
(b) Companies in the same group	NIL	NIL
(c) Other related parties	NIL	NIL
2. Other than related parties	234573	121063
Total	<u>234573</u>	<u>121063</u>

* As per Accounting Standard of ICAI

(7) Other information

(i) Gross Non-Performing Assets	
(a) Related parties	Not Applicable
(b) Other than related parties	Not Applicable
(ii) Net Non-Performing Assets	
(a) Related parties	Not Applicable
(b) Other than related parties	Not Applicable
(iii) Assets acquired in satisfaction of debt	Not Applicable

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

- Accounting Policies:
 - The Company follows accrual system of accounting.
 - Investments are valued at cost less permanent diminution in value of such investments.
- Investments held are of long term nature.
- Contingent Liabilities not provided for : Nil.
- In terms of Accounting Standard 22 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, the Company does not have any deferred tax liability.
- Auditors' Fees include :

	2006-07 Rupees	2006-07 Rupees
Audit fees	15000/-	15000/-
Service Tax	3708/-	Nil
	<u>18708/-</u>	<u>15000/-</u>

- Figures have been regrouped wherever necessary.

Signatures to Notes and Schedules "A" to "D"

Directors
A. Soni
P. D. Karkaria
M. Miyajiwala
 Mumbai, 8th May, 2008

Balance Sheet Abstract and Company's General Business Profile pursuant to Part IV of Schedule VI to the Companies Act, 1956

I. Registration Details :

Registration No. : U 6 7 1 2 0 M H 1 9 8 3 P L C 0 3 1 6 3 2

State Code : 1 1

Balance Sheet Date : 3 1 0 3 2 0 0 8
Date Month Year

II. Capital raised during the year (Amount In Rs. Thousands) :

Public Issue : N I L

Rights Issue : N I L

Bonus Issue : N I L

Private Placement : N I L

III. Position of Mobilisation and Deployment of Funds (Amount In Rs. Thousands):

Total Liabilities : 1 2 2 0 4 7

Total Assets : 1 2 2 0 4 7

Sources of Funds

Paid-up Capital : 1 5 2 9 9

Reserves and Surplus : 1 0 6 7 4 8

Secured Loans : N I L

Unsecured Loans : N I L

Application of Funds

Net Fixed Assets : N I L

Investments : 1 2 1 0 6 3

Net Current Assets : 9 8 4

Misc. Expenditure : N I L

Accumulated Losses : N I L

IV. Performance of Company (Amount In Rs. Thousands) :

Turnover/Total Income : 2 8 9 2 1

Total Expenditure : 1 8 7

Profit Before Tax : 2 8 7 3 4

Profit After Tax : 2 6 1 5 4

Earnings per Share (in Rs.) : 1 7 . 1 1

Dividend Rate (%) : N I L

V. Generic Names of Three Principal Products/Services of the Company (as per Monetary Terms) :

Item Code No. (ITC Code) : N. A.

Product Description : I N V E S T M E N T

AUTO AIRCON (INDIA) LIMITED

Directors :

M. M. Miyajiwala
R. P. Mahajan
B. D. Mehta

DIRECTORS' REPORT

TO THE MEMBERS

The Directors submit their Thirteenth Annual Report and Accounts for the year ended 31st March, 2008.

2. The Company has recorded a loss of Rs.10.19 lakhs for the year ended 31st March, 2008. It has no employee of the category indicated under Section 217(2A) of the Companies Act, 1956 and the particulars with respect to conservation of energy, technology absorption are not relevant. The Company had no foreign exchange earnings and outgo during the year under review.
3. Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:
 - (a) in the preparation of the annual accounts, the applicable accounting standards have been followed;
 - (b) appropriate accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2008 and of the loss of the Company for the year ended 31st March, 2008;
 - (c) proper and sufficient care have been taken for the maintenance of adequate records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
 - (d) The annual accounts have been prepared on a going concern basis.
4. In accordance with the provisions of the Companies Act, 1956, Mr. M. M. Miyajiwala retires by rotation and being eligible, offers himself for reappointment.
5. M/s. Damji Merchant & Co., Chartered Accountants, the retiring Auditors, being eligible offer themselves for reappointment. As regards the remarks of the Auditors in para 3 of their Report, the same have been dealt with at Note No. 3(i) of Schedule 'I' forming part of the Accounts.

On behalf of the Board of Directors

M. M. Miyajiwala
B. D. Mehta
Directors

Mumbai, 9th May, 2008

AUDITORS' REPORT

TO THE MEMBERS OF AUTO AIRCON (INDIA) LIMITED

1. We have audited the attached Balance Sheet of **Auto Aircon (India) Limited** as at 31st March, 2008 together with the Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. *We draw your attention to Note No. 3(i) of Schedule 'I'. The matters raised in the said note raise a doubt that the Company will be able to continue as a Going Concern.*
4. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 and according to the information and explanations given to us during the course of the audit and on the basis of such checks as were considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comment in paragraph 3 and 4 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit;
 - (b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the Books of Accounts.
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.
 - (e) On the basis of the written representations received from the Directors, as at 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (f) Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - (ii) in the case of Profit and Loss Account, of the loss for the year ended on that date; and
 - (iii) in the case of cash flow statement, of the cash flows for the year ended on that date.

For DAMJI MERCHANT & Co.
Chartered Accountants

Damji Merchant
Partner
Membership No. 3741

Mumbai, 9th May, 2008

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 4 of our report of even date)

As required by the Companies (Auditor's Report) Order, 2003 and according to the information and explanations given to us during the course of the audit and on the basis of such checks as were considered appropriate, we report that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, the assets have been physically verified by the management in accordance with a phased programme of verification which in our opinion is reasonable, considering the size and the nature of its business. The frequency of verification is reasonable and no material discrepancies have been noticed on such physical verification.
- (c) Since substantial part of the fixed assets have been disposed off during the previous years, it has affected the going concern assumption.
- (ii) (a) The inventories have been physically verified by the management during the year at reasonable intervals.
- (b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) There is no closing stock of inventories at year-end.
- (iii) According to the information and explanation given to us, the Company has neither granted nor taken any loans to and from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) There are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods/ assets.
- (v) In our opinion and according to the information and explanation given to us, there are no transactions made in pursuance of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956,
- (vi) The Company has not accepted any deposits from the public and therefore, provisions of Section 58A and 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules framed thereunder and directions issued by the Reserve Bank of India, where applicable, do not apply.
- (vii) The Company has an adequate internal audit system commensurate with its size and nature of its business.
- (viii) We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for any of the products of the Company.
- (ix) (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues including Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable

in respect of such statutory dues which have remained outstanding as at 31st March, 2008 for a period more than six months from the date they became payable. Since there were no employees, the question of payment of dues on Provident Fund and Employees State Insurance does not arise;

- (b) According to the information and explanation given to us, the details of disputed dues on account of Sales Tax, Income Tax, Wealth Tax, Customs Duty, Excise Duty, Cess etc. are as under:

Name of the Statute	Nature of the dues	Amount (Rs. in Lakhs)	Forum where dispute is pending
Central Excise Act	Excise Duty	473.35	CESTAT
Bombay Sales Tax Act	Sales Tax	30.94	Tribunal

- (x) The Company has accumulated losses exceeding fifty percent of its net worth at the end of the financial year. The Company has incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) The Company has no liability towards financial institutions, banks or debenture holders.
- (xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/ Societies are not applicable to the Company.
- (xiv) The Company is not dealing or trading in shares, securities, debentures or other investments and hence the requirements of Para 4(xiv) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- (xvi) The Company has not taken any term loan during the year.
- (xvii) According to the information and explanation given to us and on an overall examination of the balance sheet of the Company, we report that the Company has not raised funds during the year and hence the question of use of such funds does not arise.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) The Company has not issued any debentures, and hence, there is no requirement for creation of securities.
- (xx) The Company has not raised any money by way of public issues during the year.
- (xxi) On the basis of our examination and according to the information and explanations given to us, no fraud, on or by the Company, has been noticed or reported during the year.

For DAMJI MERCHANT & Co.
Chartered Accountants

Damji Merchant
Partner

Membership No. 3741

Mumbai, 9th May, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule	Rupees in '000s	As At 31-3-2007 Rupees in '000s
I. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
Share Capital	A	<u>113000</u>	<u>113000</u>
 II. APPLICATION OF FUNDS			
1. FIXED ASSETS			
Gross Block	B	2999	2999
Less: Depreciation		2869	2851
		<u>130</u>	<u>148</u>
2. CURRENT ASSETS, LOANS AND ADVANCES			
(A) Current Assets			
(a) Sundry Debtors	C	-	-
(b) Cash and Bank Balances	D	98	399
(B) Loans and Advances			
	E	<u>3897</u>	<u>4679</u>
		<u>3995</u>	<u>5078</u>
3. LESS : CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities		11194	11276
(b) Provisions		-	-
		<u>11194</u>	<u>11276</u>
NET CURRENT ASSETS (2-3)		(7199)	(6198)
4. PROFIT AND LOSS ACCOUNT			
		<u>120069</u>	<u>119050</u>
		<u>113000</u>	<u>113000</u>
NOTES TO ACCOUNTS	I		

The Schedules referred to above form an integral part of the Balance Sheet

As per our report of even date attached

For DAMJI MERCHANT & Co.

Chartered Accountants

Damji Merchant

Partner

Membership No. 3741

Mumbai, 9th May, 2008

For and on behalf of the Board

Directors

M. M. Miyajiwala

B. D. Mehta

Mumbai, 9th May, 2008

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

	Schedule	Rupees in '000s	2006-07 Rupees in '000s
1. INCOME			
Sales (including Excise Duty Less Sales Returns)		<u>—</u>	<u>740</u>
2. EXPENDITURE			
(a) Cost of Raw Material and Components	G	—	548
(b) Expenses	H	1001	1576
(c) Depreciation	B	18	593
		<u>1019</u>	<u>2717</u>
3. PROFIT/(LOSS) BEFORE TAX		(1019)	(1977)
4. PROVISION FOR TAX		—	—
5. PROFIT/(LOSS) AFTER TAX		(1019)	(1977)
6. PROFIT/(LOSS) BROUGHT FORWARD FROM PREVIOUS YEAR		<u>(119050)</u>	<u>(117073)</u>
7. PROFIT/(LOSS) CARRIED FORWARD TO BALANCE SHEET		<u>(120069)</u>	<u>(119050)</u>
BASIC AND DILUTED EARNINGS PER SHARE (in Rs.)		(0.09)	(0.17)

NOTES TO ACCOUNTS

I

The Schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date attached

For DAMJI MERCHANT & Co.

Chartered Accountants

Damji Merchant

Partner

Membership No. 3741

Mumbai, 9th May, 2008

For and on behalf of the Board

Directors

M. M. Miyajiwala

B. D. Mehta

Mumbai, 9th May, 2008

CASH FLOW FOR THE YEAR ENDED 31ST MARCH, 2008

	Rupees in '000s	2006-07 Rupees in '000s
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Taxation	(1019)	(1977)
Add - Adjustments for		
Depreciation	18	593
(Profit)/ Loss on Sale/Retirement of Fixed Assets	—	943
	18	1536
Operating Profit before Working Capital changes	(1001)	(441)
Less - Adjustments for		
Increase/(Decrease) in Inventory	—	(548)
Increase/(Decrease) in Loans and Advances	(782)	14
Decrease/(Increase) in Trade Payables	82	476
	(700)	(58)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(301)	(383)
 B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Sale of Fixed Assets	—	498
NET CASH FROM/(USED IN) INVESTMENT ACTIVITIES	—	498
 C. CASH FLOW FROM FINANCIAL ACTIVITIES		
NET CASH FROM/(USED IN) FINANCIAL ACTIVITIES	—	—
 NET INCREASE/(DECREASE) IN CASH AND BANK EQUIVALENTS	(301)	115
 CASH AND CASH EQUIVALENTS AS AT 1-4-2007 (See Schedule D)	399	284
CASH AND CASH EQUIVALENTS AS AT 31-3-2008 (See Schedule D)	98	399

As per our report of even date attached

For DAMJI MERCHANT & Co.

Chartered Accountants

Damji Merchant

Partner

Membership No. 3741

Mumbai, 9th May, 2008

For and on behalf of the Board

Directors

M. M. Miyajiwala

B. D. Mehta

Mumbai, 9th May, 2008

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2008

		Rupees in '000s	As at 31-3-2007 Rupees in '000s
SCHEDULE A : SHARE CAPITAL			
1.	AUTHORISED 12000000 Equity Shares of Rs. 10 each (Previous Year : 12000000 Equity Shares of Rs.10 each)	<u>120000</u>	<u>120000</u>
2.	ISSUED, SUBSCRIBED AND PAID-UP 11300000 Equity Shares of Rs. 10 each fully paid-up (Previous Year : 11300000 Equity Shares of Rs. 10 each fully paid-up)	<u>113000</u>	<u>113000</u>

SCHEDULE B : FIXED ASSETS

(Rupees in '000s)

Sr. No.	Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK	
		As at 31-3-2007	Additions/ (Deductions)	As at 31-3-2008	As at 1-4-2007	For the Year	Deduction/ Adjustment	Up to 31-3-2008 (4+5-6)	As at 31-3-2008 (3-7)	As at 31-3-2007
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	Leasehold Improvement	927	—	927	911	12	—	923	4	16
2.	Plant & Machinery	1618	—	1618	1548	—	—	1548	70	70
3.	Computers	130	—	130	130	—	—	130	—	—
4.	Furniture & Fittings	324	—	324	262	6	—	268	56	62
	TOTAL	2999	—	2999	2851	18	—	2869	130	148
	Previous Year's Figures	6423	(3424)	2999	4242	593	1984	2851	148	

		Rupees in '000s	As at 31-3-2007 Rupees in '000s
SCHEDULE C : SUNDRY DEBTORS (Unsecured, considered good unless otherwise stated)			
Debtors outstanding for a period exceeding six months			
Considered Good		—	—
Considered Doubtful		—	106
		—	106
Less: Provision for Doubtful Debts		—	106
		—	—

SCHEDULE D : CASH AND BANK BALANCES

		Rupees in '000s	As at 31-3-2007 Rupees in '000s
1.	Cash on hand	—	2
2.	Balances with Scheduled Banks in Current Accounts	<u>98</u>	<u>397</u>
		<u>98</u>	<u>399</u>

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2008 (contd.)

	Rupees in '000s	As at 31-3-2007 Rupees in '000s
SCHEDULE E : LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
1. Advances recoverable in cash or in kind for value to be received	3428	4115
2. Security Deposits	—	3
3. Balances with excise and sales tax authorities	469	469
4. Tax deducted at source	—	92
	3897	4679

	Rupees in '000s	As at 31-3-2007 Rupees in '000s
SCHEDULE F : CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
1. Sundry creditors for goods and expenses	7740	7767
2. Other Liabilities	3454	3509
	11194	11276

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Rupees in '000s	2006-07 Rupees in '000s
SCHEDULE G : COST OF MATERIAL AND COMPONENTS		
1. MANUFACTURING		
(a) Stock as on 1st April, 2007	—	535
(b) Less: Stock transferred for Trading Sale	—	535
	—	—
2. TRADING		
(a) Stock as on 1st April, 2007	—	13
(b) Add: Stock transferred from factory for Trading Sale	—	535
	—	548
	—	548

	Rupees in '000s	2006-07 Rupees in '000s
SCHEDULE H : ADMINISTRATIVE AND SELLING EXPENSES		
1. Rent, Rates & Taxes	1	282
2. Travelling	2	5
3. Auditors' Remuneration	22	22
4. Communication Expenses	4	6
5. Miscellaneous Expenses	829	882
6. Legal & Professional charges	143	155
7. Loss on Sale of Assets	—	70
8. Security Charges	—	154
	1001	1576

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008**SCHEDULE I :**

1. Nature of Operations
The principal activities of the Company are designing, manufacturing, assembly and marketing of Heating Ventilation and Air Conditioning Systems.
2. Statement on Significant Accounting Policies
 - (a) Accounting Conventions
The Financial Statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
The Financial Statements have been prepared under the historical cost convention on an accrual basis.
The Accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.
 - (b) Fixed Assets
Fixed Assets are stated at their original cost of acquisition less depreciation. Cost includes the purchase price, net of cenvat and sales tax set off to the extent available and all other incidental expenses related to installation, freight and octroi charges wherever clearly recognized.
 - (c) Depreciation
Depreciation on Fixed Assets has been provided on the Straight Line Method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. Leasehold Improvements are amortized over the period of lease. In respect of addition to/sale of assets made during the year, depreciation for the year is calculated from/upto the date on which the addition/sales are made (Except to those items costing Rs. 5,000 and less which are depreciated at the rate of 100% in the year of purchase/addition).
 - (d) Inventory Valuation
Raw materials, Spares and Components and Loose tools are valued at cost or net realisable value whichever is lower, cost being determined on First-in-First-Out Basis (FIFO). However, there is no closing stock at year-end.
Semi-finished goods and Finished goods are valued at cost or net realisable value whichever is lower, cost being factory cost consisting of direct material and labour costs and a proportion of manufacturing overheads based on the normal operating capacity.
Trading goods are valued at cost or net realisable value whichever is lower, cost being factory cost consisting of direct material. However, there is no closing stock at year-end.
Loose Tools costing less than Rupees Five Thousand each have been written off in the year of purchase.
 - (e) Sundry Debtors/Loans and Advances
Sundry debtors and Loans and advances are stated after making adequate provision/write offs for doubtful debts.
 - (f) Retirement Benefits
Since the Company had no employees during the year no such provision/contribution was made in respect of Gratuity and Leave Encashment Liability/Provident Fund and ESIC.
 - (g) Revenue Recognition
Revenue from sale of goods is recognized upon passage of title to the customer, which generally coincides with their delivery. Sales are inclusive of amounts recovered towards Excise Duty but exclude Sales Tax and are net of return and discount.
 - (h) Excise Duty
Excise Duty is provided for on all finished / trading goods in stock at the year end.
 - (i) Contingent Liability not provided for
 - (a) Excise duty demands (including penalties) aggregating Rs. 473.35 lakhs. Company in appeal before CESTAT.
 - (b) Sales Tax demand of Rs.30.94 lakhs (including penalty of Rs.0.14 lakh) against which the Company has filed an appeal before Tribunal.
 - (j) Provision for Income Tax
Income Tax is provided as per the tax payable method of accounting as per the prevalent practice in India. In terms of Accounting Standard 22 'Accounting for taxes on Income' issued by the Institute of Chartered Accountants of India, the Company does not have any deferred tax liability.
 - (k) As the Company has single segment, there is no requirement of disclosures as per Accounting Standard 17 – Segment Reporting issued by Institute of Chartered Accountants of India.
3. Notes
 - (i) Pursuant to the Termination Agreement dated 22nd November, 2002 entered into between Air International, Australia and Voltas Limited, the joint venture partners, Air International had exited from the Joint Venture and had transferred its entire shareholding in the Company to Voltas Limited. Thus, the Company became a wholly owned subsidiary of Voltas Limited. Voltas Limited has committed to provide necessary support to the Company as and when needed. The management is therefore of the opinion that the Company will be able to continue as a Going Concern and the accounts have been prepared accordingly.
 - (ii) Sales for the year is net of returns of previous years amounting to Rs. Nil (Previous year : Nil).
 - (iii) No amount is outstanding in respect of Micro and Small Enterprises.

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008 (contd.)

- (iv) In the opinion of the management, all the Current Assets, Loans and Advances have a value on realization at least equal to the amount at which they are stated.
- (v) Annualised earnings per Equity Share have been calculated based on Net Profit/(Loss) after taxation of (Rs.1018667/-) [Previous year: (Rs. 1977165/-)].
Weighted average number of Equity Shares used in computing basic and diluted earnings per Equity Share – 11300000.

	(Rupees)	(Rupees)
	2007-08	2006-07
Basic and Diluted earnings per share	<u>(0.09)</u>	<u>(0.17)</u>

- (vi) Capacity and Production of A/C and Components (In Units)

	2007-08	2006-07
(a) Licenced Capacity	N.A.	N.A.
(b) Installed Capacity	Not Ascertainable	Not Ascertainable
(c) Actual Production	N.A.	N.A.

The Installed Capacity is as certified by the management and relied upon by the auditors, without verification, this being a technical nature.

- (vii) Details of Raw Material/Components Consumed - Nil (Previous year : Nil)

- (viii) Details of Trading Goods

Particulars	Purchases		Opening Stock		Closing Stock	
	Quantity	Value Rupees in '000s	Quantity	Value Rupees in '000s	Quantity	Value Rupees in '000s
Compressor	—	—	—	—	—	—
Temp Swithces	(—)	(—)	(1)	(8)	(—)	(—)
	—	—	—	—	—	—
	<u>(—)</u>	<u>(—)</u>	<u>(30)</u>	<u>(5)</u>	<u>(—)</u>	<u>(—)</u>
	—	—	—	—	—	—
	<u>(—)</u>	<u>(—)</u>	<u>(31)</u>	<u>(13)</u>	<u>(—)</u>	<u>(—)</u>

Note : Figures in brackets pertain to Previous year.

- (ix) Value of Imported and Indigeneous Raw Materials and Components Consumed - Nil (Previous year : Nil)

- (x) Details of Sales

(A) Manufacturing - Nil (Previous year : Nil)

(B) Trading

				2006-2007	
Particulars	Unit	Quantity	Value Rupees in '000s	Quantity	Value Rupees in '000s
Others	Nos.	<u>—</u>	<u>—</u>	<u>—</u>	<u>740</u>

- (xi) Details of Opening and Closing Stock - Nil (Previous year : Nil)

- (xii) Earnings in Foreign Exchange - Nil (Previous year : Nil)

- (xiii) Expenditure in Foreign Currency - Nil (Previous year : Nil)

- (xiv) CIF Value of Imports - Nil (Previous year : Nil)

- (xv) Auditors' Remuneration

	2006-2007	
	Rupees in '000s	Rupees in '000s
Statutory Audit Fees	<u>22</u>	<u>22</u>

- (xvi) Figures for the previous year have been regrouped/restated wherever necessary to confirm to the current year's classification.

Signatures to Schedules 'A' to 'I'

For and on behalf of the Board

Directors **M. M. Miyajiwala**

B. D. Mehta

Mumbai, 9th May, 2008

Balance Sheet Abstract and Company's General Business Profile pursuant to Part IV of Schedule VI to the Companies Act, 1956

I. Registration Details

Registration No. :

U	2	9	1	9	2	P	N	1	9	9	5	P	T	C	0	0	1	2	8	8	5
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

State Code :

2	5
---	---

Balance Sheet Date :

3	1
---	---

0	3
---	---

2	0	0	8
---	---	---	---

Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands) :

Public Issue :

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

 Rights Issue :

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

Bonus Issue :

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

 Private Placement :

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

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

Total Liabilities :

		1	1	3	0	0	0
--	--	---	---	---	---	---	---

 Total Assets :

				1	1	3	0	0	0
--	--	--	--	---	---	---	---	---	---

Sources of Funds

Paid-up Capital :

		1	1	3	0	0	0
--	--	---	---	---	---	---	---

 Reserve & Surplus :

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

Secured Loans :

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

 Unsecured Loans :

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

Application of Funds

Net Fixed Assets :

					1	3	0
--	--	--	--	--	---	---	---

 Investments :

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

Net Current Assets :

			(-)	7	1	9	9
--	--	--	-----	---	---	---	---

 Accumulated Losses :

				1	2	0	0	6	9
--	--	--	--	---	---	---	---	---	---

IV. Performance of Company (Amount in Rs. Thousands) :

Turnover (Total Income) :

								-
--	--	--	--	--	--	--	--	---

 Total Expenditure :

								1	0	1	9
--	--	--	--	--	--	--	--	---	---	---	---

Loss Before Tax :

				1	0	1	9
--	--	--	--	---	---	---	---

 Loss After Tax :

								1	0	1	9
--	--	--	--	--	--	--	--	---	---	---	---

Earning Per Share (in Rs.) :

			(-)	0	.	0	9
--	--	--	-----	---	---	---	---

 Dividend Rate (%) :

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

V. Generic Names of Three Principal Products/Services of Company (as per Monetary Terms) :

Item Code No. 8415.82
 (ITC Code) 8414.30
 Product Description : Transport Airconditioning Equipment and Accessories (HVAC/AC)
 Item Code No. 8708.91
 (ITC Code)
 Product Description : Blow Vent / Kit for Heater / Radiators

METROVOL FZE

Directors :

A. Soni (*Chairman*)
P. N. Dhume
N. Visvanathan

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting their Fourteenth Annual Report and the Accounts for the year ended 31st March, 2008.

2. The Company recorded higher turnover of Dirhams (AED) 28.024 million for the year ended 31st March, 2008, as compared to AED 22.664 million in the previous year. The profit for the year under review was also higher at AED 0.708 million as compared to AED 0.557 million in the previous year.
3. The Directors recommend dividend of 25% aggregating AED 0.500 million for the year ended 31st March, 2008, same as last year.
4. M/s. Pannell Kerr Forster, Chartered Accountants, the retiring Auditors, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

A. Soni
Chairman

Dubai, 5th May, 2008

AUDITORS' REPORT TO THE SHAREHOLDERS OF METROVOL FZE

Report on the financial statements

We have audited the accompanying financial statements of **METROVOL FZE**, which comprise the balance sheet as at 31st March, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 2 to 15.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of **METROVOL FZE** as of 31st March, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We further confirm that the financial statements comply with Implementing Regulation No. 1/92 issued by the Jebel Ali Free Zone Authority pursuant to Law No. 9 of 1992. Also, in our opinion, proper books of account and other records have been maintained in accordance with the said regulation.

Dubai
United Arab Emirates
10th April, 2008

PANNELL KERR FORSTER

BALANCE SHEET AS AT 31ST MARCH, 2008

	Notes	AED	As at 31-3-2007 AED	Rupees in '000s	As at 31-3-2007 Rupees in '000s
NON-CURRENT ASSETS					
Property, plant and equipment	3	<u>76213</u>	<u>142965</u>	<u>827</u>	<u>1694</u>
CURRENT ASSETS					
Inventories	4	702408	625513	7621	7412
Trade and other receivables	5	9484504	7346237	102907	87053
Cash and cash equivalents	7	2085612	3377807	22629	40027
Other current financial assets	8	161750	137750	1755	1632
		<u>12434274</u>	<u>11487307</u>	<u>134912</u>	<u>136124</u>
CURRENT LIABILITIES					
Trade and other payables	9	(5581402)	(4931615)	(60558)	(58440)
Amount due to related parties	6	(503012)	(514547)	(5458)	(6097)
		<u>(6084414)</u>	<u>(5446162)</u>	<u>(66016)</u>	<u>(64537)</u>
NET CURRENT ASSETS		6349860	6041145	68896	71587
NON-CURRENT LIABILITY					
Staff end-of-service gratuity	11	(222729)	(188518)	(2417)	(2234)
		<u>6203344</u>	<u>5995592</u>	<u>67306</u>	<u>71047</u>
SHAREHOLDERS' EQUITY FUNDS					
Share Capital	12	2000000	2000000	21700	23700
General Reserve		2057931	2057931	22328	24386
Retained Earnings		2145413	1937661	23278	22961
		<u>6203344</u>	<u>5995592</u>	<u>67306</u>	<u>71047</u>

The accompanying notes form an integral part of these financial statements.

Note : The Balance Sheet has been converted into Indian Rupees @ 1 AED = Rs.10.85, being the exchange rate prevailing on 31st March, 2008. Previous year figures have been converted @ AED = Rs. 11.85, being the exchange rate prevailing on 31st March, 2007.

Dubai, 5th May, 2008

Directors

A. Soni
N. Visvanathan

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

	Notes	AED	2006-07 AED	Rupees in '000s	2006-07 Rupees in '000s
Revenue		28024120	22664149	318074	272423
Cost of sales	14	<u>(25907331)</u>	<u>(20860211)</u>	<u>(294048)</u>	<u>(250740)</u>
Gross Profit		2116789	1803938	24026	21683
Other Operating Income	15	<u>765580</u>	<u>815436</u>	<u>8689</u>	<u>9802</u>
Gross Income		2882369	2619374	32715	31485
Staff Costs	16	(1083049)	(963997)	(12292)	(11587)
Depreciation		(71152)	(115445)	(808)	(1388)
Other Operating Expenses	17	<u>(1117183)</u>	<u>(1090311)</u>	<u>(12680)</u>	<u>(13106)</u>
Profit from Operating Activities		610985	449621	6935	5404
Interest Income on bank deposits		96767	107089	1098	1287
Profit for the year		<u><u>707752</u></u>	<u><u>556710</u></u>	<u><u>8033</u></u>	<u><u>6691</u></u>

The accompanying notes form an integral part of these financial statements.

Note : The Profit and Loss Account has been converted into Indian Rupees @ 1 AED = Rs. 11.35, being the average of the exchange rates prevailing on 31st March, 2007 (1 AED = Rs. 11.85) and as on 31st March, 2008 (1 AED = Rs. 10.85). Previous year figures have been converted @ AED = Rs. 12.02 being the average of the exchange rates prevailing on 31st March, 2006 (1 AED = Rs. 12.19) and as on 31st March, 2007 (1 AED = Rs. 11.85).

Dubai, 5th May, 2008

Directors

A. Soni
N. Visvanathan

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2008

	Share Capital		*General Reserve		Retained Earnings		Total	
	AED	Rupees in '000s	AED	Rupees in '000s	AED	Rupees in '000s	AED	Rupees in '000s
As at 31-3-2006	2000000	24380	2057931	25086	1380951	16834	5438882	66300
Profit for the year	-	-	-	-	556710	6691	556710	6691
As at 31-3-2007	2000000	23700	2057931	24386	1937661	22961	5995592	71047
Profit for the year	-	-	-	-	707752	8033	707752	8033
Dividends paid and declared during the year	-	-	-	-	(500000)	(5925)	(500000)	(5925)
As at 31-3-2008	2000000	21700	2057931	22328	2145413	23278	6203344	67306

*The General Reserve is available for distribution as dividends.

The accompanying notes form an integral part of these financial statements.

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

	Notes	AED	2006-07 AED	Rupees in '000s	2006-07 Rupees in '000s
Cash flow from operating activities					
Cash generated (used in)/from operations	18	(851566)	303738	(9665)	3651
Net cash (used in)/from operating activities (A)		(851566)	303738	(9665)	3651
Cash flow from investing activities					
Proceeds on disposal of property, plant and equipment		-	9000	-	108
Purchase of property, plant and equipment		(13396)	(132545)	(145)	(1571)
Increase in current financial asset		(24000)	(44800)	(123)	(499)
Interest received		96767	107089	1098	1287
Net cash from/(used in) investing activities (B)		59371	(61256)	830	(675)
Cash flow from financing activities					
Dividends paid		(500000)	-	(5925)	-
Net cash used in financing activities (C)		(500000)	-	(5925)	-
Net (decrease)/increase in cash and cash equivalents (A+B+C)		(1292195)	242482	(17398)	1807
Cash and cash equivalents at beginning of year		3377807	3135325	40027	38220
Cash and cash equivalents at end of year	7	2085612	3377807	22629	40027

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008

1. LEGAL STATUS AND BUSINESS ACTIVITY

- METROVOL FZE was incorporated on 7th August, 1994 as a free zone establishment with limited liability in the Jebel Ali Free Zone, Dubai, UAE and operates under a special license issued by the Jebel Ali Free Zone Authority on 19th September, 1994. The registered office is P.O. Box 61085, Dubai, UAE.
- The establishment trades in mechanical and industrial machinery, engineering goods and allied products. It also acts as sales agent for manufacturers of various products.
- The establishment is a wholly owned subsidiary of Voltas Limited, India.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008 (contd.)

beginning on or after 1st January, 2007, and the laws of the Jebel Ali Free Zone. The significant accounting policies adopted, and that have been consistently applied, are as follows:

(a) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value, where material is depreciated using the straight-line method over their estimated useful lives as follows:

Lease office improvements	4 years
Furniture, fixtures and office equipment	4 years
Plant, machinery and equipment	4 years
Motor vehicles	3 years

An assessment of residual values is undertaken at each balance sheet date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

(b) **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is arrived at using the weighted average method and comprises invoice value plus applicable landing charges. Net realizable value is based on estimated selling price less any estimated cost of completion and disposal.

(c) **Staff end-of-service gratuity**

Provision is made for end-of-service gratuity payable to the staff at the balance sheet date in accordance with the local labour laws.

(d) **Revenue**

Revenue represents the net amount invoiced for goods delivered during the year.

(e) **Agency commission income**

Agency commission income represents the commissions earned on indenting orders executed during the year.

(f) **Leases**

Leases under which substantially all the risks and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payments are charged to the income statement on a straight-line basis over the period of the lease.

(g) **Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the balance sheet date.

Gains or losses resulting from foreign currency transactions are taken to the income statement.

(h) **Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank current accounts, bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

(i) **Financial instruments**

Financial assets and financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognised when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognised when, and only when, they are extinguished, cancelled or expired.

Current financial assets that have fixed or determinable payments and for which there is no active market, which comprise trade and other receivables and other current financial assets are stated at cost or, if the impact is material, at amortised cost using the effective interest method, less any write down for impairment losses plus reversals of impairment losses. Impairment losses and reversals thereof are recognised in the income statement.

Current financial liabilities, which comprise trade and other payables and related party payable are measured at cost or, if the impact is material, at amortised cost using the effective interest method.

(j) **Significant judgements and key assumptions**

The significant judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Impairment

At each balance sheet date, management conducts an assessment of property, plant, equipment and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to the income

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008 (contd.)

statement or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

Key assumptions made concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Inventory provisions

Management regularly undertakes a review of the Company's inventory, stated at AED 798039 (Rs. 8658723) [previous year AED 721144 (Rs. 8545556)] in order to assess the likely realisation proceeds, taking into account purchase and replacement prices, technological changes, age, likely obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment assumptions are made as to the level of provisioning required.

Doubtful debt provisions

Management regularly undertakes a review of the amounts of receivables owed to the Company either from third parties, (see Note 5) and assesses the likelihood of non-recovery. At the balance sheet date, the net amount considered recoverable from overdue receivables representing more than one year amounted to AED 467844 (Rs. 5076107) [previous year : AED 238266 (Rs. 2823452)] and amounts impaired Nil [previous year : Nil]. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment, assumptions are made as to the level of provisioning required.

Impairment

Assessments of net recoverable amounts of property, plant, equipment, investment property and all financial assets other than loans and receivables (see above) are based on assumptions regarding future cash flows expected to be received from the related assets.

Staff end-of-service gratuity

The Company computes the provision for the liability to staff end-of-service stated at AED 222729 (Rs. 2416610) [previous year : AED 188518 (Rs. 2233938)] assuming that all employees were to leave as of the balance sheet date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite affects.

(k) **Adoption of new International Financial Reporting Standards**

The following International Financial Reporting Standards, amendments thereto and Interpretations that are assessed by management as likely to have an impact on the financial statements, have been issued by the IASB prior to 31st March, 2008 but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods, as referred to below. It is anticipated that their adoption in the relevant accounting periods will have an impact only on presentation and disclosures within the financial statements:

- IAS 1: Presentation of Financial Statements (1st January, 2009)
- IAS 23: Borrowing Costs (1st January, 2009)

3. **PROPERTY, PLANT AND EQUIPMENT**

	Lease office improvements		Plant, Machinery & equipments		Furniture fixtures and office equipment		Motor vehicles		Total	
	AED	Rupees in '000s	AED	Rupees in '000s	AED	Rupees in '000s	AED	Rupees in '000s	AED	Rupees in '000s
Net book values										
As at 31-3-2007										
Cost	85965	-	11420	135	230816	2736	305400	3619	633601	6490
Accumulated depreciation	(85965)	-	(7107)	(84)	(186460)	(2210)	(211104)	(2502)	(490636)	(4796)
Net book value	-	-	4313	51	44356	526	94296	1117	142965	1694
As at 31-3-2008										
Cost	85965	-	12920	140	209736	2276	305400	3314	614021	5730
Accumulated depreciation	(85965)	-	(11413)	(124)	(178858)	(1941)	(261572)	(2838)	(537808)	(4903)
Net book value	-	-	1507	16	30878	335	43828	476	76213	827
Reconciliation of net book values										
As at 1-4-2006	19701	240	7013	86	56053	683	43098	525	125865	1534
Additions	-	-	900	11	17745	210	113900	1350	132545	1571
Depreciation for the year	(19701)	(237)	(3600)	(43)	(29442)	(354)	(62702)	(754)	(115445)	(1388)
As at 31-3-2007	-	-	4313	51	44356	526	94296	1117	142965	1694
Additions	-	-	1500	16	11896	129	-	-	13396	145
Disposals	-	-	-	-	(8996)	(98)	-	-	(8996)	(98)
Depreciation for the year	-	-	(4306)	(49)	(16378)	(186)	(50468)	(573)	(71152)	(808)
As at 31-3-2008	-	-	1507	16	30878	335	43828	476	76213	827

Note : The office lease is renewable annually.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008 (contd.)

	AED	As at 31-3-2007 AED	Rupees in '000s	As at 31-3-2007 Rupees in '000s
4. INVENTORIES				
Goods held for sale	798039	721144	8659	8545
Less: Provision for slow moving inventory	(95631)	(95631)	(1038)	(1133)
	<u>702408</u>	<u>625513</u>	<u>7621</u>	<u>7412</u>
		As at		As at
	AED	31-3-2008 AED	Rupees in '000s	31-3-2007 Rupees in '000s
5. TRADE AND OTHER RECEIVABLES				
Trade receivables*	8766187	7002806	95113	82983
Less: Provision for doubtful accounts	(59934)	(19928)	(650)	(236)
	<u>8706253</u>	6982878	<u>94463</u>	82747
Prepayments	156434	162657	1697	1928
Advances and other receivables	576445	170924	6255	2025
Deposits	45372	29778	492	353
	<u>9484504</u>	<u>7346237</u>	<u>102907</u>	<u>87053</u>

*Includes commission receivable of AED 602236 (Rs. 6534261) [previous year : AED 629162 (Rs. 7455570)].

A reconciliation of the movements in the doubtful debt provision account are as follows:

Opening balance	19928	11744	236	143
Provisions made during the year	45006	19928	488	236
Less: Amounts recovered/written back	(5000)	(11744)	(54)	(127)
Closing balance	59934	19928	650	236

6. RELATED PARTIES

The establishment enters into transactions with companies that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in normal course of business.

Related parties comprise the parent company, fellow subsidiaries, associates of the parent company, companies under common ownership and/or common management control and directors.

At the Balance Sheet date balances with related parties were follows:

Included in trade and other receivables

	AED	As at 31-3-2007 AED	Rupees in '000s	As at 31-3-2007 Rupees in '000s
Parent Company	-	886	-	11
Other Related parties	1337370	776652	14510	9203
	<u>1337370</u>	<u>777538</u>	<u>14510</u>	<u>9214</u>

Included in trade and other payables

Parent Company	-	124992	-	1481
Other Related parties	-	-	-	-
	-	124992	-	1481

Disclosed as due to related parties

Parent Company	-	-	-	-
Other Related parties	503012	514547	5458	6097
	<u>503012</u>	<u>514547</u>	<u>5458</u>	<u>6097</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008 (contd.)

	AED	As at 31-3-2007 AED	Rupees in '000s	As at 31-3-2007 Rupees in '000s
All balances are unsecured and are expected to be settled in cash.				
Significant transactions with related parties during the year were as follows:				
Sales	1714167	1336761	19456	16068
Purchases	-	657536	-	7904
Commission	-	1684	-	20
Director's remuneration and benefits	222653	203190	2527	2442
Transfer of provision for staff end-of-service gratuity	6569	4940	71	59
	AED	As at 31-3-2007 AED	Rupees in '000s	As at 31-3-2007 Rupees in '000s
7. CASH AND CASH EQUIVALENTS	7833	-	85	--
Cash on hand	7833	-	85	--
Bank balances:				
Current accounts	164799	739970	1788	8769
Call deposits	292868	938064	3178	11116
Fixed deposits	1620112	1699773	17578	20142
	<u>2085612</u>	<u>3377807</u>	<u>22629</u>	<u>40027</u>
	AED	As at 31-3-2007 AED	Rupees in '000s	As at 31-3-2007 Rupees in '000s
8. OTHER CURRENT FINANCIAL ASSETS				
Margin deposits	<u>161750</u>	<u>137750</u>	<u>1755</u>	<u>1632</u>
	AED	As at 31-3-2007 AED	Rupees in '000s	As at 31-3-2007 Rupees in '000s
9. TRADE AND OTHER PAYABLES				
Trade payables	3944736	3965044	42800	46986
Accruals	627189	471871	6805	5592
Advances received from customers	759975	373024	8246	4420
Other payables	249502	121676	2707	1442
	<u>5581402</u>	<u>4931615</u>	<u>60558</u>	<u>58440</u>
10. DIVIDEND				
Dividends paid during the year of AED 500000 (Rs. 5925000) [previous year : Nil] represent dividend per share of AED 500000 (Rs. 5925000) [previous year : Nil].				
	AED	As at 31-3-2007 AED	Rupees in '000s	As at 31-3-2007 Rupees in '000s
11. PROVISION FOR STAFF END-OF-SERVICE GRATUITY				
Opening balance	188518	165955	2234	2023
Add: Provision during the year	65549	53904	744	648
Transfer from a related party	6569	4940	71	59
Less: Paid during the year	(37907)	(36281)	(632)	(496)
	<u>222729</u>	<u>188518</u>	<u>2417</u>	<u>2234</u>
	AED	As at 31-3-2007 AED	Rupees in '000s	As at 31-3-2007 Rupees in '000s
12. SHARE CAPITAL				
Issued and paid-up:				
1 share of AED 2000000	<u>2000000</u>	<u>2000000</u>	<u>21700</u>	<u>23700</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008 (contd.)

13. MANAGEMENT OF CAPITAL

The establishment objectives when managing capital are to ensure that the establishment continues as a going concern and to provide the shareholders with a rate of return on their investment commensurate with the level of risk assumed.

Capital, which is unchanged from the previous year, comprises equity funds as presented in the balance sheet together with amounts due to/from related parties. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

As at the year end, the total debt to capital was 0.68 to 1 (previous year: 0.38 to 1).

	AED	2006-07 AED	Rupees in '000s	2006-07 Rupees in '000s
14. COST OF SALES				
Inventory, beginning of the year	721144	1052818	8546	12834
Add: Purchases (including direct expenses)	25984226	20528537	294921	246753
	26705370	21581355	303467	259587
Less: Inventory, end of the year	(798039)	(721144)	(9419)	(8847)
	25907331	20860211	294048	250740

	AED	2006-07 AED	Rupees in '000s	2006-07 Rupees in '000s
15. OTHER OPERATING INCOME				
Profit on disposal of property, plant and equipment (net)	-	9000	-	108
Commission income	748800	740044	8499	8896
Recovery of bad debts/written back	5000	-	56	-
Miscellaneous income	11780	66392	134	798
	765580	815436	8689	9802

The commission income represents commission earned on indenting orders amounting to AED 18613074 (Rs. 211258390) [previous year : AED 18006254 (Rs. 216435173)] executed during the year.

	AED	2006-07 AED	Rupees in '000s	2006-07 Rupees in '000s
16. STAFF COSTS				
Director's remuneration and benefits	222653	203190	2527	2442
Staff salaries and benefits	794847	706903	9022	8497
Staff end-of-service gratuity	65549	53904	744	648
	1083049	963997	12293	11587

	AED	2006-07 AED	Rupees in '000s	2006-07 Rupees in '000s
17. OTHER OPERATING EXPENSES				
Rent	541858	516151	6150	6204
Provision for doubtful accounts	45006	29575	511	356
Other expenses	530319	544585	6019	6546
	1117183	1090311	12680	13106

	AED	2006-07 AED	Rupees in '000s	2006-07 Rupees in '000s
18. CASH (USED IN)/GENERATED FROM OPERATIONS				
Profit for the year	707752	556710	8033	6691
Adjustments for:				
Depreciation of property, plant and equipment	71152	115445	808	1388
Net book value of assets scrapped and written off	8996	-	98	-
Interest income	(96767)	(107089)	(1098)	(1287)
Profit on sale of property, plant and equipment	-	(9000)	-	(108)
Operating profit before changes in operating assets and liabilities	691133	556066	7841	6684
(Increase)/decrease in inventories	(76895)	341321	(209)	4374
Increase in trade and other receivables	(2138267)	(1188484)	(15854)	(11990)
Increase in trade and other payables	649787	625466	2118	5948
(Decrease)/increase in amounts due to related parties	(11535)	(53194)	639	(824)
Increase in staff gratuity provision	34211	22563	183	211
	(851566)	303738	(9665)	3651

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2008 (contd.)

19. FINANCIAL INSTRUMENTS

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed comprise credit, currency, liquidity and cash flow interest rate risks.

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up. As part of the Company's credit risk management, where it is considered necessary, such receivables are covered by letters of credit or bank guarantees in favour of the Company, issued by high credit quality financial institutions.

The establishment buys and sells goods and services in foreign currencies. Exposure is minimised where possible by denominating such transactions in US Dollar to which the UAE Dirham is pegged.

Management continuously monitors its cash flows to determine its cash requirements in order to manage exposure to liquidity risk. Exposures to the aforementioned risks are detailed below:

Credit risk

Financial assets that potentially expose the establishment to concentrations of credit risk comprise principally bank accounts and trade and other receivables.

The establishment's bank accounts are placed with high credit quality financial institutions.

Trade and other receivables are stated net of the allowance for doubtful recoveries. At the balance sheet date, the establishment's maximum exposure to credit risk from such receivables situated outside the UAE is as follows:

	As at 31-3-2007 AED	As at 31-3-2007 AED	Rupees in '000s	As at 31-3-2007 Rupees in '000s
AGCC countries	2839297	2526892	30806	29944
Asian countries	343302	562881	3725	6670
African countries	107494	-	1166	-
European countries	277223	101326	3008	1201
	<u>3567316</u>	<u>3191099</u>	<u>38705</u>	<u>37815</u>

At the balance sheet date, 14% of trade receivables were due from one customer (previous year : 17% due from one customer).

As at the balance sheet date significant concentration of credit risk by industry are as follows:

	As at 31-3-2007 AED	As at 31-3-2007 AED	Rupees in '000s	As at 31-3-2007 Rupees in '000s
Chemicals	3374825	2523403	36617	29902
Engineering	3315740	1855252	35976	21985
FMCG	1266621	2073095	13743	24566
Trading and distribution	661207	-	7174	-

Interest rate risk

Call and fixed deposit accounts are subject to fixed interest rates at levels generally obtained in the UAE and are therefore exposed to fair value interest rate risk.

Exchange rate risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed except for the following, which are denominated in Euros:

	As at 31-3-2007 AED	As at 31-3-2007 AED	Rupees in '000s	As at 31-3-2007 Rupees in '000s
Current account and fixed deposits	136054	308111	1476	3651
Trade payables	667424	826654	7242	9796

Reasonably possible changes to exchange rates at the balance sheet date are unlikely to have had a significant impact on profit or equity.

Fair values

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of the unquoted equity shares that are carried at cost in the absence of reasonably reliable valuation parameters are, in the opinion of the director, at least equal to their carrying values.

20. CONTINGENT LIABILITIES

	As at 31-3-2007 AED	As at 31-3-2007 AED	Rupees in '000s	As at 31-3-2007 Rupees in '000s
Bankers' letters of guarantee	307762	561975	3339	6659
Unutilised balances of commercial letters of credit	3590147	3719181	38953	44072

Directors

A. Soni

N. Visvanathan

Dubai, 5th May, 2008

VIL OVERSEAS ENTERPRISES B.V.

Directors :

A. Soni (*Chairman*)
P. N. Dhume
Shaukat Ali Mir
Representative of
Amicorp Netherlands B.V.

DIRECTORS' REPORT **TO THE MEMBERS**

Your Directors have pleasure in presenting their Ninth Annual Report and the Accounts for the year ended 31st March, 2008.

2. The Company earned higher income of Euro 0.583 million for the year ended 31st March, 2008 as compared to Euro 0.259 million in the previous year. The profit for the year was also higher at Euro 0.515 million as compared to Euro 0.015 million in the previous year.
3. The Directors recommend dividend of 25% aggregating Euro 0.155 million for the year ended 31st March, 2008 (2006-07 : Nil).
4. M/s PKF Wallast, Accountants & Business Advisors, the retiring Auditors, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

A. Soni
Chairman

Doha, 3rd May, 2008

AUDITORS' REPORT **TO THE SHAREHOLDERS OF** **VIL OVERSEAS ENTERPRISES B.V.**

Introduction

We have audited the accompanying financial statements for consolidation purposes of **VIL Overseas Enterprises B.V.**, Delft, the Netherlands for the year ended 31st March, 2008, which have been prepared for incorporation in the consolidated financial statements of Voltas Limited. These financial statements for consolidation purposes are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements for consolidation purposes based on our audit.

Scope

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the Company's financial position as at 31st March, 2008 and of the result for the year then ended in accordance with the accounting principles of the parent company.

Emphasis of matter

Without qualifying our opinion above, we emphasize that the financial statements have been prepared for consolidation purposes and that they do not therefore necessarily provide the view necessary to enable the forming of a sound judgement according to section 2:362, subsection 2 of the Netherlands Civil Code.

PKF Wallast

drs. E. Bakker RA
Chartered Accountant
Schiphol-Rijk, 24th April, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

	Euro	As at 31-3-2007 Euro	Rupees in '000s	As at 31-3-2007 Rupees in '000s
SOURCES OF FUNDS				
Share Capital	618729	618729	38961	35942
Reserves and Surplus	559952	44500	35260	2585
Shareholders' Funds	1178681	663229	74221	38527
APPLICATION OF FUNDS				
Participations (at cost)				
Voice Antilles N.V.	414661	414661	26111	24088
Saudi Ensas Company for Engineering Services W.L.L.	160788	160788	10125	9340
Lalbuksh Voltas Engineering Services & Trading L.L.C.	25934	25934	1633	1506
	601383	601383	37869	34934
Less: Depreciation-Saudi Ensas Company for Engineering Services W.L.L.	(160788)	(160788)	(10125)	(9340)
	440595	440595	27744	25594
CURRENT ASSETS, LOANS AND ADVANCES				
Receivables from group companies	283891	135198	17877	7854
Current Assets	2766	-	174	-
Bank Balances	485932	104920	30599	6095
Less: Current Liabilities and Provisions	(34503)	(17484)	(2173)	(1016)
Net Current Assets	738086	222634	46477	12933
	1178681	663229	74221	38527

Note : The Balance Sheet has been converted into Indian Rupees @ 1 Euro = Rs. 62.97 being the exchange rate prevailing as on 31st March, 2008. Previous year figures have been converted into Indian Rupees @ 1 Euro = Rs. 58.09 being the exchange rate prevailing as on 31st March, 2007.

Doha, 3rd May, 2008

Directors
A. Soni
P. N. Dhume

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

	Euro	2006-07 Euro	Rupees in '000s	2006-07 Rupees in '000s
OTHER INCOME				
Dividends from participations	582586	259499	35264	14592
EXPENSES				
Operating and Administrative Expenses	36281	37838	2196	2128
Financial results	30853	3237	1868	182
Write down participation	-	160788	-	9041
Provision receivables from group companies	-	43068	-	2422
	67134	244931	4064	13773
Profit before extraordinary items and taxation	515452	14568	31200	819

Note : The Profit and Loss Account have been converted into Indian Rupees @1 Euro = Rs. 60.53 being the average of the exchange rates prevailing as on 31st March, 2007 (1 Euro = Rs. 58.09) and as on 31st March, 2008 (1 Euro = Rs. 62.97). Previous year figures have been converted into Indian Rupees @ 1 Euro = Rs. 56.23, being the average of the exchange rates prevailing as on 31st March, 2006 (1 Euro = Rs. 54.37) and as on 31st March, 2007 (1 Euro = Rs. 58.09).

Doha, 3rd May, 2008

Directors
A. Soni
P. N. Dhume

NOTES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT

Objectives

The Corporation's object categories of business are:
Investment in overseas ventures, undertaking turnkey projects and trading activities.

General

Assets and liabilities are valued at nominal values if not stated otherwise. Profits are taken into account at the moment they have been realized and the losses are taken as soon as they appear.

Amounts in foreign currencies are taken at the moment that they have been converted at the official rate of exchange as per balance sheet date. Exchange differences are dealt with through the profit and loss account.

Accounting period

The financial statements cover the period 1st April, 2007 upto and including 31st March, 2008.

Participations

The participations consist of acquired interests in the capital of the following companies:

		Acquisition costs	
	%	Euro	Rupees in '000s
Voice Antilles N.V.	100	414661	26111
Saudi Ensas Company for Engineering Services W.L.L.	39	160788	10125
Lalbuksh Voltas Engineering Services & Trading L.L.C.	29	<u>25934</u>	<u>1633</u>
Total acquisition costs		601383	37869
Less: Depreciation-Saudi Ensas Company for Engineering Services W.L.L. due to negative net asset value		(160788)	(10125)
		<u><u>440595</u></u>	<u><u>27744</u></u>

The participations are carried at acquisition costs.

Share Capital

The entire paid up share capital of the Company, consist of 13635 Shares of Euro 45.38 each, is held by Voltas Limited, Mumbai, India.
The capital has been transferred into Euro's in accordance with Article 178c Part 9, Book 2 of the Netherlands Civil Code.

Reserves and Surplus

Balance as per 31st March, 2007	44500	2585
Profit for the year ended 31st March, 2007	515452	31200
Dividend Bookyear 2007/2008	-	-
Balance as per 31st March, 2008	<u><u>559952</u></u>	<u><u>35260</u></u>

Receivables from group companies

Loan Saudi Ensas Company for Engineering Services W.L.L.	169390	10667
Dividend to be received from Voice Antilles N. V.	114501	7210
Dividend to be received from Saudi Ensas Company for Engineering Services W.L.L.	43068	2712
Less : Provision on Dividend receivable from Saudi Ensas Company for Engineering Services W.L.L.	(43068)	(2712)
Balance as per 31st March, 2008	<u><u>283891</u></u>	<u><u>17877</u></u>

Doha, 3rd May, 2008

Directors

A. Soni
P. N. Dhume

VOICE ANTILLES N.V.

Directors :

A. Soni (*Chairman*)
P. N. Dhume
Shaukat Ali Mir
Representative of
CTM Corporation N. V.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present their Ninth Annual Report and the Accounts for the year ended 31st March, 2008.

2. The Company earned an income of USD 0.645 million and after meeting its operating and administrative expenses, reported a net profit of USD 0.628 million for the year under review as compared to a profit of USD 0.795 million in the previous year.
3. An interim dividend of USD 0.619 million was paid on 19th February, 2008 by the Board of Directors of the Company. The Directors recommend a final dividend of USD 0.181 million for the year ended 31st March, 2008. The total dividend for the year is USD 0.800 million (2006-07 : USD 0.180 million).
4. M/s. Deloitte & Touche, the retiring Auditors, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

Doha, 3rd May, 2008

A. Soni
Chairman

AUDITORS' REPORT TO THE SHAREHOLDERS OF VOICE ANTILLES N.V.

We have audited the accompanying financial statements for the year ended 31st March, 2008 of **Voice Antilles N.V.** (a wholly owned subsidiary of VIL Overseas Enterprises B.V. in the Netherlands), established in Curacao, which comprise the balance sheet as at 31st March, 2008, the profit and loss account and statement of cash flow for the year ended and the notes, duly identified by us.

Management's responsibility

Management of the Company is responsible for the preparation and fair presentation of the financial statements, as required in this case, in accordance with Book 2 of the Netherlands Antilles Civil Code. Management has elected to prepare the financial statements in accordance with the accounting principles as defined on page 6 of the financial statements. Management's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements, as is required in this case, that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a view of the financial position of **Voice Antilles N.V.** as at 31st March, 2008, and of its result and its cash flows for the year then ended, as is required in this case, in accordance with the accounting principles as defined on page 6 of the financial statements.

Deloitte & Touche Netherlands Antilles & Aruba

A. C. Cijntje RA
Curacao, Netherlands Antilles, 21st April, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

	Notes	USD	As at 31-3-2007 USD	Rupees in '000s	As at 31-3-2007 Rupees in '000s
ASSETS					
Financial Fixed Assets					
Investment in associate	3	390000	390000	15543	16971
CURRENT ASSETS					
Time Deposits	5	250695	254424	9991	11071
Interest Receivable		325	207	13	9
Dividend Receivable		640244	802115	25517	34904
Cash at Bank	6	1496	460	60	20
Total Current Assets		892760	1057206	35581	46004
Total Assets		1282760	1447206	51124	62975
SHAREHOLDERS' EQUITY					
Share Capital	7	400000	400000	15942	17406
Retained Earnings		57941	62884	2309	2736
Profit/(Loss) for the year		627924	795057	25026	34597
Total Shareholders' equity		1085865	1257941	43277	54739
CURRENT LIABILITIES					
Accounts Payable		4541	2600	181	113
Provision for profit taxes		11267	6665	449	290
Final / Interim Dividend		181087	180000	7217	7833
Total current liabilities		196895	189265	7847	8236
Total Shareholders' equity and liabilities		1282760	1447206	51124	62975

Note: The Balance Sheet has been converted into Indian Rupees @ 1 USD = Rs. 39.855 being the exchange rate prevailing as on 31st March, 2008. Previous year figures have been converted @ 1 USD = Rs. 43.515 being the exchange rate prevailing as on 31st March, 2007.

Doha, 3rd May, 2008

Directors

A. Soni
P. N. Dhume

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

	USD	2006-07 USD	Rupees in '000s	2006-07 Rupees in '000s
FINANCIAL INCOME / (EXPENSES)				
Dividend Income	640244	802115	26688	35379
Interest Income	4648	6435	194	284
Total financial income	644892	808550	26882	35663
GENERAL AND ADMINISTRATIVE EXPENSES				
Management Fee	1485	1485	62	66
Audit Fee	2500	1750	104	77
Time spent	2281	1320	95	58
Administration services	538	500	22	22
Tax services	350	350	15	16
Bank charges	414	408	17	18
Exchange currency differences	3330	802	139	35
Miscellaneous expenses	1469	213	61	9
	12366	6828	515	301
Gross Profit	632526	801722	26367	35362
Profit tax	(4602)	(6665)	(192)	(294)
Net Profit	627924	795057	26175	35068

Note: The Profit and Loss Account have been converted into Indian Rupees @1 USD = Rs. 41.685 being the average of the exchange rates prevailing as on 31st March, 2007 (1 USD = Rs. 43.515) and as on 31st March, 2008 (1 USD = Rs. 39.855). Previous year figures have been converted into Indian Rupees @ 1 USD = Rs. 44.108 being the average of the exchange rates prevailing as on 31st March, 2006 (1 USD = Rs. 44.70) and as on 31st March, 2007 (1 USD = Rs. 43.515).

Doha, 3rd May, 2008

Directors

A. Soni
P. N. Dhume

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

	USD	2006-07 USD	Rupees in '000s	2006-07 Rupees in '000s
Result for the year	627924	795057	26175	35068
Final/Interim Dividend	(800000)	(180000)	(31884)	(7833)
	<u>(172076)</u>	<u>615057</u>	<u>(11462)</u>	<u>26001</u>
(Increase)/Decrease in current liabilities	(7630)	(126305)	(389)	(5423)
Increase/(Decrease) in pecuniary sources	(164446)	741362	(11073)	31424
	<u>(172076)</u>	<u>615057</u>	<u>(11462)</u>	<u>26001</u>

NOTES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT**1. General**

Voice Antilles N.V. (the Company) was incorporated on 30th November, 1999 and is a corporation under the laws of the Netherlands Antilles. The financial bookyear runs from 1st April, through 31st March.

The Company's object categories of business are :

Investment in overseas ventures, undertaking turnkey projects and trading activities.

2. Accounting principles

Assets and liabilities are valued at nominal values if not stated otherwise. Profits are taken at the moment that they have been realized; losses are taken as soon as they appear.

2.1 Foreign Currencies

Transactions in currencies other than US Dollars are recorded at the rates of exchange prevailing on the date of the transactions.

Monetary assets and liabilities stated in foreign currency are translated to US Dollars at rates prevailing on the balance sheet date. Gains or losses on conversion are included in the profit and loss account.

3. Investment in Associate

During 2000, the Company acquired 49% of the outstanding share capital of Universal Voltas LLC, U.A.E. a company with its statutory seat in Abu Dhabi City - Emirate of Abu Dhabi, for a price of USD 390,000 from Omega Limited. The participation is carried at acquisition cost.

	% of holding	USD	As at 31-3-2007 USD	Rupees in '000s	As at 31-3-2007 Rupees in '000s
Universal Voltas LLC, U.A.E.	49	<u>390000</u>	<u>390000</u>	<u>15543</u>	<u>16971</u>

NOTES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT (contd.)

4. **Dividend Income**

Dividend Income are recognized when declared.

5. **Time Deposit**

Time deposit comprise two short-term bank deposits with maturity dates of 4th April, 2008 and 21st April, 2008 with interest rates on time deposits of 1.95% and 1.65% p.a.

6. **Cash at banks**

	USD	As at 31-3-2007 USD	Rupees in '000s	As at 31-3-2007 Rupees in '000s
First Caribbean International Bank	<u>1496</u>	<u>460</u>	<u>60</u>	<u>20</u>

7. **Share Capital**

The total share capital of the Company consists of 1,000,000 shares of 1 USD each. Of this number 400,000 shares are paid-up and issued. The entire paid and issued capital is held by VIL Overseas Enterprises B.V., the Netherlands.

8. **Retained Earnings**

	USD	As at 31-3-2007 USD	Rupees in '000s	As at 31-3-2007 Rupees in '000s
Balance as per 1st April	857941	242884	37333	10857
Dividend declared	(800000)	(180000)	(31884)	(7833)
Result according to the profit and loss account	627924	795057	26175	35068
Balance as at 31st March	<u>685865</u>	<u>857941</u>	<u>27335</u>	<u>37333</u>

Doha, 3rd May, 2008

Directors
A. Soni
P. N. Dhume

WEATHERMAKER LIMITED

Directors :

P. N. Dhume
Shaukat Ali Mir

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present their Fifteenth Annual Report and the Accounts for the year ended 31st December, 2007.

2. Despite increase in competition coupled with certain regulatory changes in UAE, the Company recorded higher turnover of AED 33.197 million for the year ended 31st December, 2007 as compared to AED 30.147 million in the previous year. The profit for the year under review was however lower at AED 4.131 million as compared to AED 6.694 million in the previous year, basically due to sharp increase in steel prices, which is a major input cost for the Company, without corresponding increase in the selling prices.
3. With a view to increase the shareholders funds and conserve the resources, to be utilized for investments in plant and machinery/ equipment for diversification and new ventures, the Directors do not recommend any dividend for the year ended 31st December, 2007.
4. M/s. Pannell Kerr Forster, Chartered Accountants, the retiring Auditors, being eligible, offer themselves for reappointment.

Dubai, 25th February, 2008

Directors **P. N. Dhume**
Shaukat Ali Mir

AUDITORS' REPORT TO THE SHAREHOLDERS OF WEATHERMAKER LIMITED

Report on the financial statements

We have audited the accompanying financial statements of **WEATHERMAKER LIMITED**, which comprise the balance sheet as at 31st December, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 3 to 17.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of **WEATHERMAKER LIMITED** as of 31st December, 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We further confirm that the financial statements comply with the Isle of Man Companies Acts, 1931 to 2005.

Dubai
United Arab Emirates
28th February, 2008

PANNELL KERR FORSTER

BALANCE SHEET AS AT 31ST DECEMBER, 2007

	Notes	AED	As at 31-12-2006 AED	Rupes in '000s	As at 31-12-2006 Rupes in '000s
NON-CURRENT ASSETS					
Property, plant and equipment	3	2661417	1909614	28584	22973
CURRENT ASSETS					
Inventories	4	7249459	5066214	77859	60946
Trade and other receivables	5	11341611	11897899	121809	143132
Cash and cash equivalents	7	613672	793579	6591	9547
Other current financial assets	8	322853	319075	3467	3838
		19527595	18076767	209726	217463
CURRENT LIABILITIES					
Bills payable		(3882531)	(2013986)	(41698)	(24228)
Trade and other payables	9	(4914308)	(7335523)	(52780)	(88247)
Dividends payable	10	-	(1500000)	-	(18045)
		(8796839)	(10849509)	(94478)	(130520)
NET CURRENT ASSETS		10730756	7227258	115248	86943
NON-CURRENT LIABILITIES					
Provision for staff end-of-service gratuity	11	(553688)	(429210)	(5947)	(5163)
		12838485	8707662	137885	104753
SHAREHOLDERS' EQUITY FUNDS					
Share Capital	12	1500000	1500000	16110	18045
Retained Earnings		11338485	7207662	121775	86708
		12838485	8707662	137885	104753

The accompanying notes form an integral part of these financial statements.

Note : The Balance Sheet has been converted into Indian Rupees @ 1 AED = Rs. 10.74 being the exchange rate prevailing on 31st December, 2007. Previous year figures have been converted @ 1 AED = Rs.12.03 being the exchange rate prevailing on 31st December, 2006.

Dubai, 25th February, 2008

Directors **P. N. Dhume**
Shaukat Ali Mir

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Notes	AED	2006 AED	Rupees in '000s	2006 Rupees in '000s
Revenue		33197541	30146978	378120	366889
Cost of sales	14	(27795061)	(21576324)	(316586)	(262584)
Gross Profit		5402480	8570654	61534	104305
Other operating income	15	943475	89108	10746	1084
Distribution costs	16	(700455)	(679727)	(7978)	(8272)
Administrative expenses	17	(1502049)	(1336085)	(17108)	(16260)
Profit from Operating Activities		4143451	6643950	47194	80857
Interest on overdraft		(30840)	(135)	(351)	(2)
Interest on bank deposits		18212	50081	207	609
Profit for the year		4130823	6693896	47050	81464

The accompanying notes form an integral part of these financial statements.

Note : The Profit and Loss Account has been converted into Indian Rupees @ 1 AED = Rs.11.39, being the average of the exchange rates prevailing on 31st December, 2006 (1 AED = Rs. 12.03) and as on 31st December, 2007 (1 AED = Rs.10.74). Previous year figures have been converted @ 1 AED = Rs.12.17 being the average of the exchange rates prevailing on 31st December, 2005 (1 AED = Rs.12.31) and as on 31st December, 2006 (1 AED = Rs.12.03).

Dubai, 25th February, 2008

Directors **P. N. Dhume**
Shaukat Ali Mir

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Share Capital		Retained Earnings		Total	
	AED	Rupees in '000s	AED	Rupees in '000s	AED	Rupees in '000s
As at 31-12-2005	1500000	18465	3513766	43254	5013766	61719
Dividends paid and declared during the year	—	—	(3000000)	(36090)	(3000000)	(36090)
Profit for the year	—	—	6693896	81464	6693896	81464
As at 31-12-2006	1500000	18045	7207662	86708	8707662	104753
Profit for the year	—	—	4130823	47050	4130823	47050
As at 31-12-2007	1500000	16110	11338485	121775	12838485	137885

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Notes	AED	2006 AED	Rupees in '000s	2006 Rupees in '000s
Cash flow from operating activities					
Cash generated from operations	19	2525878	2768698	28770	33695
Interest paid		(30840)	—	(351)	—
Net cash from operating activities (A)		2495038	2768698	28419	33695
Cash flow from investing activities					
Proceeds on disposal of property, plant and equipment		79670	27500	907	335
Purchase of property, plant and equipment		(1272827)	(637110)	(13670)	(7664)
Interest received		18212	50081	207	609
Net cash used in investing activities (B)		(1174945)	(559529)	(12556)	6720
Cash flow from financing activities					
Dividends paid		(1500000)	(2820000)	(18045)	(34714)
Net cash used in financing activities (C)		(1500000)	(2820000)	(18045)	(34714)
Net decrease in cash and cash equivalents (A+B+C)		(179907)	(610831)	(2956)	(7741)
Cash and cash equivalents at beginning of year		793579	1404410	9547	17288
Cash and cash equivalents at end of year	7	613672	793579	6591	9547

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007

1. LEGAL STATUS AND BUSINESS ACTIVITY

- WEATHERMAKER LIMITED is a limited liability company incorporated in the Isle of Man, on 12th October, 1992. The principal place of business is P.O. Box 17127, Dubai, UAE.
- The Company is engaged in manufacturing and trading of ducts. The activities are carried out in Jebel Ali, Dubai, UAE under a special licence issued by the Jebel Ali Free Zone Authority.
- The parent company and the ultimate parent company is Voltas Limited, India.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (contd.)

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1st January, 2007, and the requirements of Isle of Man Companies Acts, 1931 to 2005. The significant accounting policies adopted and that have been consistently applied, are as follows:

(a) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost less estimated residual value, where material, is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Factory buildings	10 years
Plant, machinery and equipment	6 –10 years
Furniture, fixtures and office equipment	4 years
Motor vehicles	3 years

An assessment of residual values is undertaken at each balance sheet date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

Capital work-in-progress relates to advance paid for the acquisition of plant and machinery and will be depreciated from the date the assets are put into use.

(b) **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is arrived at using the First-In-First-Out (FIFO) method and comprises invoice value plus applicable landing charges. Net realizable value is based on estimated selling price less any estimated cost of completion and disposal.

(c) **Staff end-of-service gratuity**

Provision is made for end-of-service gratuity payable to the staff at the balance sheet date in accordance with the local labour laws.

(d) **Revenue**

Revenue represents the net amount invoiced for goods delivered during the year.

(e) **Leases**

Leases under which substantially all the risk and rewards of ownership of the related asset remain with the lessor are classified as operating leases and the lease payment are charged to the income statement on a straight-line basis over the period of the lease.

(f) **Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the balance sheet date.

Gains or losses resulting from foreign currency transactions are taken to the income statement.

(g) **Cash and cash equivalents**

Cash and cash equivalents comprise cash, bank current accounts, bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

(h) **Financial instruments**

Financial assets and financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognised when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognised when, and only when, they are extinguished, cancelled or expired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (contd.)

Current financial assets that have fixed or determinable payments and for which there is no active market, which comprise trade and other receivables and related party receivables, are classified as loans and receivables and stated at cost or, if the impact is material, at amortised cost using the effective interest method, less any write down for impairment losses plus reversals of impairment losses. Impairment losses and reversals thereof are recognised in the income statement.

Current financial liabilities, which comprise current bank borrowings, trade and other payables and related party payables, are measured at cost or, if the impact is material, at amortised cost using the effective interest method.

(i) Significant judgements and key assumptions

The significant judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Impairment

At each balance sheet date, management conducts an assessment of property, plant, equipment and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to the income statement or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent if the related amounts being recovered.

Key assumptions made concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Carrying values of property, plant and equipment

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Inventory provisions

Management regularly undertakes a review of the Company's inventory, stated at AED 6088133 (Rs. 65386548) [previous year AED 4326115 (Rs. 52043163)] in order to assess the likely realisation proceeds, taking into account purchase and replacement prices, technological changes, age, likely obsolescence, the rate at which goods are being sold and the physical damage. Based on the assessment assumptions are made as to the level of provisioning required.

Doubtful debt provisions

Management regularly undertakes a review of the amounts of loans and receivables owed to the Company either from third parties, (see Note 5) or from related parties (see Note 6) and assesses the likelihood of non-recovery. At the balance sheet date, the total overdue receivables more than one year amounted to AED 3333124 (Rs. 35797752). The net amount expected to be recovered from receivables considered to be impaired amounted to AED Nil (Rs. Nil) (previous year : Nil). Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment

Assessments of net recoverable amounts of property, plant, equipment and all financial assets other than receivables (see above) are based on assumptions regarding future cash flows expected to be received from the related assets.

Staff end-of-service gratuity

The Company computes the provision for the liability to staff end-of-service stated at AED 553688 (Rs. 5946609) [previous year AED 429210 (Rs. 5163396)] assuming that all employees were to leave as of the balance sheet date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite affects.

(j) Adoption of new International Financial Reporting Standards

The following International Financial Reporting Standards, amendments thereto and Interpretations that are assessed by management as likely to have an impact on the financial statements, have been issued by the IASB prior to 31st December, 2007 but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods, as referred to below. It is anticipated that their adoption in the relevant accounting periods will have an impact only on disclosures within the financial statements:

IAS 23: Borrowing Costs (1st January, 2009)

IAS 1: Presentation of Financial Statements (1st January, 2009)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (contd.)

3. PROPERTY, PLANT AND EQUIPMENT

	Capital work-in-progress		Factory buildings		Plant, machinery and equipment		Furniture, fixtures and office equipment		Motor vehicles		Total	
	AED	Rupees in '000s	AED	Rupees in '000s	AED	Rupees in '000s	AED	Rupees in '000s	AED	Rupees in '000s	AED	Rupees in '000s
Net book values												
As at 31-12-2006												
Cost	344005	4138	901083	10840	3390159	40784	326482	3928	483463	5816	5445192	65506
Accumulated depreciation	-	-	(789598)	(9499)	(2289447)	(27542)	(129267)	(1555)	(327266)	(3937)	(3535578)	(42533)
Net book value	344005	4138	111485	1341	1100712	13242	197215	2373	156197	1879	1909614	22973
As at 31-12-2007												
Cost	-	-	901083	9678	4387151	47118	340330	3655	483462	5192	6112026	65642
Accumulated depreciation	-	-	(811990)	(8721)	(2035725)	(21864)	(197331)	(2119)	(405563)	(4356)	(3450609)	(37060)
Net book value	-	-	89093	957	2351426	25254	142999	1536	77899	837	2661417	28584
Reconciliation of net book values												
As at 1-1-2006	533387	6566	134895	1660	907836	11176	73619	906	61175	753	1710912	21061
Additions	-	-	-	-	357507	4301	170703	2054	108900	1310	637110	7665
Transfers	(189382)	(2278)	-	-	113382	1364	-	-	76000	914	-	-
Disposals/write offs (net)	-	-	-	-	(6580)	(79)	(1389)	(17)	-	-	(7969)	(96)
Depreciation for the year	-	-	(23410)	(285)	(271433)	(3303)	(45718)	(556)	(89878)	(1094)	(430439)	(5238)
As at 31-12-2006	344005	4138	111485	1341	1100712	13242	197215	2373	156197	1879	1909614	22973
Additions	-	-	-	-	1258979	13521	13848	149	-	-	1272827	13670
Transfer	(344005)	(3695)	-	-	344005	3695	-	-	-	-	-	-
Depreciation for the year	-	-	(22392)	(255)	(352270)	(4012)	(68064)	(775)	(78298)	(892)	(521024)	(5934)
As at 31-12-2007	-	-	89093	957	2351426	25254	142999	1536	77899	837	2661417	28584

Note : Factory building is constructed on a leasehold land, the lease period being fifteen years with a renewal option.

	AED	As at	Rupees in '000s	As at
		31-12-2006		31-12-2006
		AED		Rupees in '000s
4. INVENTORIES				
Raw materials	5217875	3779140	56040	45463
Less: Provision for slow moving inventory	(24207)	(427163)	(260)	5139
	5193668	3351977	55780	40324
Consumables	870258	546975	9346	6580
Goods in transit	1185533	1167262	12733	14042
	7249459	5066214	77859	60946
		As at		As at
		31-12-2006		31-12-2006
	AED	AED	Rupees in '000s	Rupees in '000s
5. TRADE AND OTHER RECEIVABLES				
Trade receivables	10990966	11909171	118043	143267
Less: Provision for doubtful accounts	-	328330	-	3949
	10990966	11580841	118043	139318
Advances	137309	24188	1475	291
Prepayments	174716	236980	1876	2851
Deposits	38620	55890	415	672
	11341611	11897899	121809	143132
A reconciliation of the movements in the doubtful debt provision account are as follows:				
Opening balance	328330	529040	3949	6512
Provision made during the year	-	28330	-	345
Provision no longer required/written off	(328330)	(229040)	3949	2787
Closing balance	-	328330	-	3949

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (contd.)

6. RELATED PARTIES

The Company enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business.

Related parties comprise the parent company, fellow subsidiaries and companies under common ownership and/or common management control.

At the balance sheet date, balances with related parties were as follows:

	AED	As at 31-12-2006 AED	Rupees in '000s	As at 31-12-2006 Rupees in '000s
Included in trade and other receivables	4503051	5862020	48363	70520
Included in trade and other payables	16213	136707	174	1645

All balances are unsecured and are expected to be settled in cash.

Significant transactions with related parties during the year were as follows:

Sales	6037035	7897581	68762	96114
Purchases	18387	24900	209	303

7. CASH AND CASH EQUIVALENTS

	AED	As at 31-12-2006 AED	Rupees in '000s	As at 31-12-2006 Rupees in '000s
Cash on hand	12000	12000	129	144
Bank balances in current accounts	601672	781579	6462	9403
	<u>613672</u>	<u>793579</u>	<u>6591</u>	<u>9547</u>

8. OTHER CURRENT FINANCIAL ASSETS

Fixed deposits	<u>322853</u>	<u>319075</u>	<u>3467</u>	<u>3838</u>
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9. TRADE AND OTHER PAYABLES

	AED	As at 31-12-2006 AED	Rupees in '000s	As at 31-12-2006 Rupees in '000s
Trade payables	4158453	6413977	44662	77160
Advance from customers	35477	187827	381	2260
Accruals	720378	733719	7737	8827
	<u>4914308</u>	<u>7335523</u>	<u>52780</u>	<u>88247</u>

10. DIVIDENDS

Dividends declared during the year of AED Nil (Rs. Nil) [previous year : AED 3000000 (Rs. 36090000)] represent a dividend per share of AED Nil (Rs. Nil) [previous year : AED 7.34 (Rs.88.30)].

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (contd.)

	AED	As at 31-12-2006 AED	Rupees in '000s	As at 31-12-2006 Rupees in '000s
11. PROVISION FOR STAFF END-OF-SERVICE GRATUITY				
Opening balance	429210	325925	5163	4102
Provision for the year	136503	111422	1466	1340
Paid during the year	(12025)	(8137)	(129)	(98)
Closing balance	<u>553688</u>	<u>429210</u>	<u>5947</u>	<u>5163</u>
	AED	As at 31-12-2006 AED	Rupees in '000s	As at 31-12-2006 Rupees in '000s
12. SHARE CAPITAL				
Authorised				
500000 shares of USD 1 each converted at USD 1 = AED 3.6725	<u>1836250</u>	<u>1836250</u>	<u>19721</u>	<u>22090</u>
Issued and paid up				
408441 shares of USD 1 each converted at USD 1 = AED 3.6725	<u>1500000</u>	<u>1500000</u>	<u>16110</u>	<u>18045</u>
13. MANAGEMENT OF CAPITAL				
The Company's objectives when managing capital are to ensure that the Company continues as a going concern and to provide the shareholders with a rate of return on their investment commensurate with the level of risk assumed.				
Capital, which is unchanged from the previous year, comprises equity funds as presented in the balance sheet. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.				
Funds are retained/drawn by the shareholders to meet its objectives. As at the year end, the total debt to capital was 0.68 to 1 (previous year: 1.25 to 1).				
	AED	2006 AED	Rupees in '000s	2006 Rupees in '000s
14. COST OF SALES				
Materials consumed and sub-contract costs	23725387	17987771	270232	218911
Wages and benefits	2640389	2278468	30074	27729
Staff end-of-service gratuity	74625	76659	850	933
Depreciation (Note 18)	374663	294842	4268	3588
Rent	29771	25500	339	311
Other direct costs	950226	913084	10823	11112
	<u>27795061</u>	<u>21576324</u>	<u>316586</u>	<u>262584</u>
	AED	2006 AED	Rupees in '000s	2006 Rupees in '000s
15. OTHER OPERATING INCOME				
Profit on sale of property, plant and equipment	79670	27500	907	334
Scrap sales	86575	59639	986	726
Bad debts recovered	21670	—	247	—
Miscellaneous income	67	1969	1	24
Write back of inventory provisions	427163	—	4865	—
Write back of doubtful debts	328330	—	3740	—
	<u>943475</u>	<u>89108</u>	<u>10746</u>	<u>1084</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (contd.)

	AED	2006 AED	Rupees in '000s	2006 Rupees in '000s
16. DISTRIBUTION COSTS				
Staff salaries and benefits	131269	134744	1495	1640
Staff end-of-service gratuity	5770	4927	66	60
Depreciation (Note 18)	25333	49016	288	596
Other distribution costs	538083	491040	6129	5976
	<u>700455</u>	<u>679727</u>	<u>7978</u>	<u>8272</u>
	AED	2006 AED	Rupees in '000s	2006 Rupees in '000s
17. ADMINISTRATIVE EXPENSES				
Loss on sale of property, plant and equipment	—	7969	—	97
Staff salaries, benefits and rent	853550	678220	9722	8254
Staff end-of-service gratuity	56108	29836	639	363
Depreciation (Note 18)	121028	86581	1378	1054
Provision for inventories	24206	20313	276	247
Provision for doubtful debts	—	28330	—	345
Other administrative expenses	447157	484836	5093	5900
	<u>1502049</u>	<u>1336085</u>	<u>17108</u>	<u>16260</u>
	AED	2006 AED	Rupees in '000s	2006 Rupees in '000s
18. DEPRECIATION				
Disclosed under cost of sales (Note 14)	374663	294842	4268	3588
Disclosed under distribution costs (Note 16)	25333	49016	288	596
Disclosed under administrative expenses (Note 17)	121028	86581	1378	1054
	<u>521024</u>	<u>430439</u>	<u>5934</u>	<u>5238</u>
	AED	2006 AED	Rupees in '000s	2006 Rupees in '000s
19. CASH GENERATED FROM OPERATIONS				
Profit for the year	4130823	6693896	47050	81464
Adjustments for:				
Depreciation of property, plant and equipment	521024	430439	5934	5238
Interest income	(18212)	(50081)	(207)	(609)
Profit on sale of property, plant and equipment	(79670)	(27500)	(907)	(335)
Loss on sale of property, plant and equipment	—	7969	—	96
Operating profit before changes in operating assets and liabilities	<u>4553965</u>	<u>7054723</u>	<u>51870</u>	<u>86524</u>
Increase in inventories	(2183245)	(2627032)	(16913)	(30920)
Decrease/(increase) in trade and other receivables	556288	(4967930)	21323	(57823)
(Decrease)/increase in trade and other payables	(2421215)	1704598	(35467)	18930
Increase in staff gratuity provision	124478	103285	784	1151
Increase in bills payable	1868545	1505129	17470	17964
Increase in deposit	(3778)	(4075)	(371)	(40)
	<u>2495038</u>	<u>2768698</u>	<u>28419</u>	<u>33695</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2007 (contd.)

20. FINANCIAL INSTRUMENTS

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed, which are unchanged from the previous year comprise credit, currency, liquidity and cash flow interest rate risks.

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up. As part of the Company's credit risk management, where it is considered necessary, such receivables are covered by letters of credit or bank guarantees in favour of the Company, issued by high credit quality financial institutions.

The Company buys and sells goods and services in foreign currencies. Exposure is minimised where possible by denominating such transactions in US Dollar to which the UAE Dirham is pegged.

Management continuously monitors its cash flows to determine its cash requirements and makes comparison with its funded and un-funded facilities with banks in order to manage exposure to liquidity risk.

Borrowing facilities are regularly reviewed to ensure that the Company obtains the best available pricing, terms and conditions on its borrowings.

Exposures to the aforementioned risks are detailed below:

Credit risk

Financial assets that potentially expose the Company to concentrations of credit risk comprise principally bank accounts and trade and other receivables.

The Company's bank accounts are placed with high credit quality financial institutions.

Trade and other receivables are stated net of the allowance for doubtful recoveries. The Company's customers principally comprise construction companies in the UAE. As at the balance sheet date, there was a significant concentration of credit risk from two customers amounting to AED 6456123 (Rs. 69338761) [previous year due from three customers : AED 8936637 (Rs. 107507743)].

Interest rate risk

Fixed deposit accounts are subject to fixed interest rates at levels generally obtained in the UAE and hence exposed to fair value interest rate risk.

Exchange rate risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed.

Fair values

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair values of the financial assets and financial liabilities which are required to be stated at cost or at amortising cost approximate to their carrying values.

21. OPERATING LEASE COMMITMENTS

The Company has entered into non-cancellable operating leases for factory land. The total of the future lease payments is as follows:

	AED	2006 AED	Rupees in '000s	2006 Rupees in '000s
Not later than one year	—	25500	—	310

22. OTHER CONTRACTED COMMITMENTS

For acquisition of property, plant and equipment

	AED	2006 AED	Rupees in '000s	2006 Rupees in '000s
For acquisition of property, plant and equipment	—	516007	—	6208

23. CONTINGENT LIABILITIES

Bankers' letters of guarantee	315000	315000	3383	3789
Unutilised balances of commercial letters of credit	3588273	901445	38538	10844

24. TAXATION

As a non-resident Company, there is no charge to Isle of Man Income Tax.

Dubai, 25th February, 2008

Directors
P. N. Dhume
Shaukat Ali Mir

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A **TATA** Enterprise