



VOLTAS

A TATA Enterprise

**Reports and Accounts
of Subsidiary Companies
2008-2009**

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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-Fifth Annual Report and the Accounts for the year ended 31st March, 2009.

2. The Company has earned income of Rs.74.23 lakhs and net profit of Rs.72.05 lakhs for the year ended 31st March, 2009 as compared to income of Rs.289.21 lakhs and profit of Rs.261.54 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, 2009 and of the profit of the Company for the year ended 31st March, 2009;
 - (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. A. Soni 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, offers themselves for reappointment.

On behalf of the Board of Directors

A. Soni
M. M. Miyajiwala
Directors

Mumbai, 19th May, 2009

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, 2009. 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 four times respectively on 8th May, 2008, 22nd September, 2008, 22nd December, 2008 and 24th March, 2009 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 Resolution passed on 25th April, 2008.
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, 2008 was held on 29th August, 2008 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 Company has not issued any duplicate share certificates during the financial year.
13. The Company :
 - (i) has delivered the certificates on lodgement thereof for transfer of shares in accordance with the provisions of the Act. There was no allotment/transmission 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/Wholetime 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, 2009.
 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, 15th April, 2009

ANNEXURE 'A'

| REGISTERS AS MAINTAINED BY THE COMPANY | SECTION OF THE COMPANIES ACT, 1956 | REGISTERS AS MAINTAINED BY THE COMPANY | SECTION OF THE COMPANIES ACT, 1956 |
|-----------------------------------------------|-------------------------------------------|-----------------------------------------------|-------------------------------------------|
| 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, 2009.

| Sr. No. | Forms>Returns | Section | Purpose | Date of filing | Whether filed within prescribed time | If delay in filing, whether requisite additional fee paid |
|---------|----------------------------------------------------------------------------------|---------|------------------------------|----------------|--------------------------------------|-----------------------------------------------------------|
| 1. | Form No. 20B with Annual Return | 159 | for the year ended 31-3-2008 | 27-10-2008 | Yes | — |
| 2. | Form No. 23AC with Balance Sheet and Form No. 23ACA with Profit and Loss Account | 220 | -do- | 26-9-2008 | Yes | — |
| 3. | Form No. 66 with Compliance Certificate | 383A | -do- | 25-9-2008 | Yes | — |

R. C. THAWANI

Company Secretary
C. P. : 4197

Mumbai, 15th April, 2009

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, 2009 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, 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, 2009 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, 2009;
 - (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 the 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

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, 2009 for a period exceeding six months from the date it became payable.
12. The Company has no accumulated loss as at 31st March, 2009. 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, 19th May, 2009

Mumbai, 19th May, 2009

BALANCE SHEET AS AT 31ST MARCH, 2009

| | Schedule | Rupees in '000s | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|----------------------------------------------------|----------|--------------------|--------------------|------------------------------------------|
| SOURCES OF FUNDS | | | | |
| 1. SHARE CAPITAL | A | | 15299 | 15299 |
| 2. RESERVES AND SURPLUS | B | | 113953 | 106748 |
| | TOTAL | | 129252 | 122047 |
| APPLICATION OF FUNDS | | | | |
| 3. INVESTMENTS | C | | 127907 | 121063 |
| 4. CURRENT ASSETS, LOANS & ADVANCES | | | | |
| (A) Current Assets | | | | |
| Balances with scheduled banks | | | | |
| – current accounts | | | | |
| | | 3476 | | 3218 |
| (B) Loans and Advances | | | | |
| (Unsecured, considered good) | | | | |
| Payment against taxes | | | | |
| | | 28070 | | 28040 |
| | | 31546 | | 31258 |
| 5. LESS: CURRENT LIABILITIES AND PROVISIONS | | | | |
| (A) Current Liabilities | | | | |
| Unpaid Dividend | | | | |
| | | 2112 | | 2152 |
| Sundry creditors | | | | |
| | | 74 | | 62 |
| (other than micro and small enterprises) | | | | |
| (B) Provisions | | | | |
| Taxation | | | | |
| | | 28015 | | 28060 |
| | | 30201 | | 30274 |
| NET CURRENT ASSETS | | | | |
| | TOTAL | | 1345 | 984 |
| | | | 129252 | 122047 |

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

N. S. Buhariwalla
Partner
Membership No. 43963
Mumbai, 19th May, 2009

For and on behalf of the Board
Directors **A. Soni**
P. D. Karkaria
M. M. Miyajiwala
Mumbai, 19th May, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

| | Rupees in '000s | 2007-08 Rupees in '000s |
|------------------------------------------------------------------------------------|--------------------|-------------------------------|
| 1. INCOME | | |
| (a) Income from trade investments | 5227 | 4250 |
| (b) Income from other investments | 2180 | 2486 |
| (c) Other income | 16 | 249 |
| (d) Profit on sale of investments | — | 21936 |
| TOTAL | <u>7423</u> | <u>28921</u> |
| 2. EXPENDITURE | | |
| (a) Salary | 165 | 129 |
| (b) Directors' sitting fees | 3 | 3 |
| (c) Audit fees | 15 | 19 |
| (d) General expenses | 20 | 36 |
| TOTAL | <u>203</u> | <u>187</u> |
| 3. PROFIT BEFORE TAXATION | 7220 | 28734 |
| 4. PROVISION FOR TAX | — | 2580 |
| 5. SECURITIES TRANSACTION TAX | 15 | — |
| 6. PROFIT AFTER TAXATION | 7205 | 26154 |
| 7. TRANSFER TO SPECIAL RESERVE | 1441 | 5231 |
| 8. TRANSFER TO GENERAL RESERVE | — | 17500 |
| | <u>5764</u> | <u>3423</u> |
| 9. BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR | 3423 | — |
| 10. BALANCE CARRIED FORWARD | <u>9187</u> | <u>3423</u> |
| Basic and diluted earnings per share (in Rs.) (See Note 6 of Notes to Accounts) | 4.71 | 17.10 |

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

N. S. Buhariwalla
Partner
Membership No. 43963
Mumbai, 19th May, 2009

For and on behalf of the Board
Directors **A. Soni**
P. D. Karkaria
M. M. Miyajiwala

Mumbai, 19th May, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

| | Rupees in '000s | Rupees in '000s | 2007-08 Rupees in '000s |
|-------------------------------------------------------------|--------------------|--------------------|-------------------------------|
| Cash flow from operating activities | | | |
| Interest and commission receipts | — | | 249 |
| Excess Provision written off | 16 | | — |
| Payments to employee | (203) | | (187) |
| Operating profit before changes in operating assets | (187) | | 62 |
| Increase/(Decrease) in operating liabilities: | | | |
| Sundry Creditors | 12 | | 2 |
| Net cash from operating activities before income tax | (175) | | 64 |
| Income tax paid | — | | (7) |
| Net cash from operating activities | | (175) | 57 |
| Cash flow from investing activities | | | |
| Dividends received | 7407 | | 6736 |
| Proceeds from sale of investments | 15819 | | 110730 |
| Profit on sale of investments | — | | 21936 |
| | 23226 | | 139402 |
| Purchase of investments | (22663) | | (136036) |
| | 563 | | 3366 |
| Securities Transaction Tax | (15) | | — |
| Income tax paid | (75) | | (2551) |
| Net cash from investing activities | | 473 | 815 |
| Cash flow from financing activities | | | |
| Dividend including Dividend Distribution Tax | | (40) | (3361) |
| Net cash from financing activities | | (40) | (3361) |
| Net increase/(decrease) in cash and cash equivalents | | 258 | (2489) |
| Cash and cash equivalents at beginning of period | | 3218 | 5707 |
| Cash and cash equivalents at end of period | | 3476 | 3218 |

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

N. S. Buhariwalla
Partner
Membership No. 43963
Mumbai, 19th May, 2009

For and on behalf of the Board
Directors **A. Soni**
P. D. Karkaria
M. M. Miyajiwalla

Mumbai, 19th May, 2009

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

| | Rupees in '000s | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|---------------------------------------------------------------------------------------|--------------------|--------------------|------------------------------------------|
| SCHEDULE A : SHARE CAPITAL | | | |
| (1) AUTHORISED | | | |
| 2500000 (2007-08 : 2500000) Equity Shares of Rs. 10 each | | 25000 | 25000 |
| 855000 (2007-08 : 855000) 14% Cumulative Redeemable Preference Shares of Rs. 100 each | | 85500 | 85500 |
| | | <u>110500</u> | <u>110500</u> |
| (2) ISSUED, SUBSCRIBED AND PAID-UP | | | |
| 1529850 (2007-08 : 1529850) Equity Shares of Rs. 10 each | | <u>15299</u> | <u>15299</u> |
| SCHEDULE B : RESERVES AND SURPLUS | | | |
| (1) Special Reserve | 56606 | | 51375 |
| Add : Transfer from Profit and Loss Account | <u>1441</u> | | <u>5231</u> |
| | | 58047 | 56606 |
| (2) Capital Redemption Reserve | | 28145 | 28145 |
| (3) General Reserve | 18574 | | 1074 |
| Add : Transfer from Profit and Loss Account | <u>Nil</u> | | <u>17500</u> |
| | | 18574 | 18574 |
| (4) Balance in Profit and Loss Account | | <u>9187</u> | <u>3423</u> |
| | | <u>113953</u> | <u>106748</u> |

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

| | Nos. | Face Value per Share Rupees | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|------------------------------------------------------------------------------------------|--------|-----------------------------------|--------------------|------------------------------------------|
| 1. LONG TERM INVESTMENTS | | | | |
| (A) TRADE INVESTMENT | | | | |
| 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 (93000 shares purchased during the year) | 618000 | 10 | 40930 | 29138 |
| Bank of Baroda | 10684 | 10 | 2457 | 2457 |
| GVK Power & Infrastructure Limited | 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 | 237 | 10 | 78 | 78 |
| ICICI Bank Limited | 21919 | 10 | 20604 | 20604 |
| Bharat Earth Movers Limited | 1675 | 10 | 1801 | 1801 |
| Central Bank of India | 1524 | 10 | 155 | 155 |
| Power Grid Corporation Limited | 5091 | 10 | 265 | 265 |
| Tata Motors Limited (1613 Ordinary shares subscribed in Rights issue during the year) | 11295 | 10 | 8520 | 7972 |
| Tata Motors Limited (A' Ordinary shares subscribed in Rights issue during the year) | 1613 | 10 | 492 | Nil |
| Reliance Power Limited (327 Bonus shares received during the year) | 872 | 10 | 245 | 245 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009 (contd.)

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

| | Nos. | Face Value per Share Rupees | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-----------------------------------------------------------------------------|---------|-----------------------------------|----------------------------|------------------------------------------|
| (B) OTHER INVESTMENTS | | | | |
| (a) 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 |
| (b) Investments in Units of Mutual Funds | | | | |
| Fidelity International Opportunities Fund | 488998 | 10 | 5000 | 5000 |
| Optimix Dynamic Multi Manager Fund | 500000 | 10 | 5000 | 5000 |
| Tata Indo Global Infrastructure Fund | 500000 | 10 | 5000 | 5000 |
| JM Agri & Infra Fund (Dividend Payout) | 250000 | 10 | 2500 | 2500 |
| Kotak FMP 13 M Series 4 Institutional Growth | 1000000 | 10 | 10000 | 10000 |
| 2. CURRENT INVESTMENTS | | | | |
| Investments in Units of Mutual Funds | | | | |
| LICMF Liquid Plus Fund Dividend (switched from LICMF Floating Rate Fund) | 836420 | 10 | 8364 | 10127 |
| Tata Floater Fund Dividend (switched from Tata Liquid Fund Dividend) | 924372 | 10 | 9277 | 6065 |
| JM Money Manger Fund Dividend (purchased during the year) | 268009 | 10 | 2682 | Nil |
| HDFC FRIF STF WP Daily Dividend (sold during the year) | 991975 | 10 | Nil | 10119 |
| TOTAL INVESTMENTS | | | 129820 | 122976 |
| Less : Provision for diminution in value | | | 1913 | 1913 |
| | | | 127907 | 121063 |
| Out of the above : | | | | |
| Quoted : Cost | | | 129783 | 122939 |
| : Market Value | | | 147496 | 234573 |
| Unquoted : Cost / Book Value | | | 37 | 37 |

Note : Investments purchased and sold during the year

| | Number of Units | |
|-------------------------------------------------------|-----------------|---------|
| | | 2007-08 |
| Mutual Funds | | |
| Prudential ICICI Liquid IP - Dividend | — | 1265801 |
| Prudential ICICI Flexi Income Plan - Dividend | — | 28373 |
| Tata Floater Fund - Dividend | — | 657659 |
| Tata Liquid Fund HIP - Daily Dividend | 628 | — |
| LICMF Liquid Plus Fund - Daily Dividend | 250000 | — |
| JM Money Manger Fund Super Plus Plan - Daily Dividend | 250000 | — |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009 (contd.)

SCHEDULE D : (contd.)

| Particulars | Rupees in '000s | |
|--------------------------------|--------------------|--------------------|
| | 31st March, 2009 | 31st March, 2008 |
| | Amount outstanding | Amount outstanding |
| Long Term Investments : | | |
| 1. Quoted : | | |
| (i) Shares (a) Equity | 80047 | 67215 |
| (b) Preference | Nil | Nil |
| (ii) Debentures and Bonds | Nil | Nil |
| (iii) Units of Mutual Funds | 27500 | 27500 |
| (iv) Government Securities | Nil | Nil |
| (v) Others (Please specify) | Nil | Nil |
| 2. Unquoted : | | |
| (i) Shares (a) Equity | 37 | 37 |
| (b) Preference | Nil | Nil |
| (ii) Debentures and Bonds | Nil | Nil |
| (iii) Units of Mutual Funds | Nil | Nil |
| (iv) Government Securities | Nil | Nil |
| (v) Others (Please specify) | Nil | Nil |

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

| Category | Amount net of provisions | | | 31st March, 2008 | | |
|---------------------------------|--------------------------|------------|------------|------------------|-----------|-------|
| | Secured | Unsecured | Total | Secured | Unsecured | Total |
| | | | | | | |
| 1. Related Parties * | | | | | | |
| (a) Subsidiaries | NIL | NIL | NIL | NIL | NIL | NIL |
| (b) Companies in the same group | NIL | NIL | NIL | NIL | NIL | NIL |
| (c) Other related parties | NIL | NIL | NIL | NIL | NIL | NIL |
| 2. Other than related parties | NIL | NIL | NIL | 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 Rupees in '000s | Book Value (Net of Provisions) Rupees in '000s | 31st March, 2008 | 31st March, 2008 |
|---------------------------------|-------------------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------------------|
| | | | Market Value/ Break-up or Fair Value or NAV Rupees in '000s | Book Value (Net of Provisions) Rupees in '000s |
| | | | | |
| 1. Related Parties * | | | | |
| (a) Subsidiaries | NIL | NIL | NIL | NIL |
| (b) Companies in the same group | NIL | NIL | NIL | NIL |
| (c) Other related parties | NIL | NIL | NIL | NIL |
| 2. Other than related parties | 147496 | 127907 | 234573 | 121063 |
| Total | 147496 | 127907 | 234573 | 121063 |

* As per Accounting Standard of ICAI

(7) Other information :

| | | 31st March, 2008 |
|-----------------------------------------------|-----------------------|------------------|
| (I) Gross Non-Performing Assets | | |
| (a) Related parties | Not Applicable | Not Applicable |
| (b) Other than related parties | Not Applicable | Not Applicable |
| (ii) Net Non-Performing Assets | | |
| (a) Related parties | Not Applicable | Not Applicable |
| (b) Other than related parties | Not Applicable | Not Applicable |
| (iii) Assets acquired in satisfaction of debt | Not Applicable | Not Applicable |

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

1. Accounting Policies:
 - (a) The Company follows accrual system of accounting.
 - (b) Investments are valued at cost less permanent diminution in value of such investments.
2. Investments held in shares are of long term nature.
3. Contingent Liabilities not provided for : Nil
4. The Company operates in a single business (viz. investment) and geographical segment. Due to this, segment reporting in accordance with Accounting Standard 17 is not required.
5. 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.
6. Earnings per Share has been computed as under :

| | | |
|------------------------------------------------------|----------------|----------|
| | | 2007-08 |
| Net Profit (Rs.) | 7205298 | 26153539 |
| Weighted average number of Equity Shares Outstanding | 1529850 | 1529850 |
| Basic and Diluted Earnings per Share (Rs.) | 4.71 | 17.10 |
| (Face value of Rs. 10 per Share) | | |

7. Auditors' Remuneration :

| | | |
|----------------------|-----------------|----------|
| | Rupees | 2007-08 |
| | in '000s | Rupees |
| Statutory Audit fees | 15 | in '000s |
| | | 15 |
8. Figures have been regrouped wherever necessary.

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

For and on behalf of the Board

Directors

A. Soni

P. D. Karkaria

M. M. Miyajiwala

Mumbai, 19th May, 2009

AUTO AIRCON (INDIA) LIMITED

Directors :

M. M. Miyajiwala
B. D. Mehta
V. P. Malhotra

DIRECTORS' REPORT TO THE MEMBERS

The Directors submit their Fourteenth Annual Report and Accounts for the year ended 31st March, 2009.

2. The Company has reported a loss of Rs.2.98 lakhs for the year ended 31st March, 2009. 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, 2009 and of the loss of the Company for the year ended 31st March, 2009;
 - (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 the assumption that the Company is not a going concern.
4. In accordance with the provisions of the Companies Act, 1956, Mr. B. D. Mehta retires by rotation and being eligible, offers himself for reappointment.
5. Mr. V. P. Malhotra was appointed as an Additional Director of the Company effective 30th September, 2008 and being eligible, is proposed to be appointed at the ensuing Annual General Meeting. Mr. R. P. Mahajan resigned as a Director of the Company effective 30th September, 2008. The Directors wish to place on record their sincere appreciation of the valuable advice given by him during his tenure on the Board.
6. M/s. Damji Merchant & Co., Chartered Accountants, the retiring Auditors, being eligible offer themselves for reappointment.

On behalf of the Board of Directors

M. M. Miyajiwala
V. P. Malhotra
Directors

Mumbai, 21st May, 2009

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, 2009 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 'H'. The financial statements have been prepared on the assumption that the Company is not a going concern. All assets and liabilities are at net realisable value.*
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 and Profit and Loss Account 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, 2009 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, 2009;
 - (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

Ambrish Mehta
Partner

Membership No. 16086

Mumbai, 21st May, 2009

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 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 earlier years, it has affected the going concern status of the Company.
- (ii) The Company has no inventories and therefore, question of its physical verification does not arise.
- (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, Customs 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, 2009 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

Ambrish Mehta
Partner

Membership No. 16086

Mumbai, 21st May, 2009

BALANCE SHEET AS AT 31ST MARCH, 2009

| | Schedule | Rupees in '000s | As at 31-3-2008 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 | | <u>2996</u> | <u>2869</u> |
| | | <u>3</u> | <u>130</u> |
| 2. CURRENT ASSETS, LOANS & ADVANCES | | | |
| (A) Current Assets | | | |
| (a) Sundry Debtors | C | — | — |
| (b) Cash and Bank Balances | D | 31 | 98 |
| (B) Loans and Advances | | | |
| | E | <u>3897</u> | <u>3897</u> |
| | | <u>3928</u> | <u>3995</u> |
| 3. LESS: CURRENT LIABILITIES AND PROVISIONS | | | |
| (a) Current Liabilities | F | 11298 | 11194 |
| (b) Provisions | | — | — |
| | | <u>11298</u> | <u>11194</u> |
| 4. NET CURRENT ASSETS (2-3) | | | |
| | | (7370) | (7199) |
| 5. PROFIT AND LOSS ACCOUNT | | | |
| | | <u>120367</u> | <u>120069</u> |
| | | <u>113000</u> | <u>113000</u> |
| NOTES TO ACCOUNTS | H | | |

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

Ambrish Mehta

Partner

Membership No. 16086

Mumbai, 21st May, 2009

For and on behalf of the Board

Directors

M. M. Miyajiwala

B. D. Mehta

V. P. Malhotra

Mumbai, 21st May, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

| | Schedule | Rupees in '000s | 2007-08 Rupees in '000s |
|------------------------------------------------------------|----------|--------------------|-------------------------------|
| 1. INCOME | | | |
| Sales | | <u>—</u> | <u>—</u> |
| 2. EXPENDITURE | | | |
| (a) Administrative and Finance Expenses | G | 171 | 1001 |
| (b) Depreciation | B | 9 | 18 |
| (c) Impairment of Assets | B | <u>118</u> | <u>—</u> |
| | | <u>298</u> | <u>1019</u> |
| 3. PROFIT/(LOSS) BEFORE TAX | | (298) | (1019) |
| 4. PROVISION FOR TAX | | — | — |
| 5. PROFIT/(LOSS) AFTER TAX | | (298) | (1019) |
| 6. PROFIT/(LOSS) BROUGHT FORWARD FROM PREVIOUS YEAR | | <u>(120069)</u> | <u>(119050)</u> |
| 7. PROFIT/(LOSS) CARRIED FORWARD TO BALANCE SHEET | | <u>(120367)</u> | <u>(120069)</u> |
| BASIC AND DILUTED EARNINGS PER SHARE (in Rs.) | H | (0.03) | (0.09) |
| NOTES TO ACCOUNTS | H | | |

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

Ambrish Mehta

Partner

Membership No. 16086

Mumbai, 21st May, 2009

For and on behalf of the Board

Directors

M. M. Miyajiwala

B. D. Mehta

V. P. Malhotra

Mumbai, 21st May, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

| | Rupees in '000s | 2007-08 Rupees in '000s |
|----------------------------------------------------------------|--------------------|-------------------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit/(Loss) before Taxation | (298) | (1019) |
| Add - Adjustments for | | |
| Depreciation | 9 | 18 |
| Impairment of Assets | 118 | — |
| Operating Profit/(Loss) before Working Capital changes | (171) | (1001) |
| Less - Adjustments for | | |
| Increase/(Decrease) in Loans And Advances | — | (782) |
| Decrease/(Increase) in Trade Payables | (104) | 82 |
| Cash generated from Operations | (104) | (700) |
| NET CASH FROM/(USED IN) OPERATING ACTIVITIES | (67) | (301) |
| B. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (67) | (301) |
| CASH AND CASH EQUIVALENTS AS AT 1-4-2008 (See Schedule D) | 98 | 399 |
| CASH AND CASH EQUIVALENTS AS AT 31-3-2009 (See Schedule D) | 31 | 98 |

As per our report of even date attached

For **DAMJI MERCHANT & CO.**

Chartered Accountants

Ambrish Mehta

Partner

Membership No. 16086

Mumbai, 21st May, 2009

For and on behalf of the Board

Directors

M. M. Miyajiwala

B. D. Mehta

V. P. Malhotra

Mumbai, 21st May, 2009

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2009

| | Rupees in '000s | As at 31-3-2008 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) | 120000 | 120000 |
| 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) | 113000 | 113000 |

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2009 (contd.)

SCHEDULE B : FIXED ASSETS

Rupees in '000s

| Sr. No. | Particulars | GROSS BLOCK | | | DEPRECIATION | | | | NET BLOCK | |
|---------|-------------------------|----------------|-------------------------|-----------------|----------------|--------------|------------|-------------------------|-----------------------|-----------------|
| | | As at 1-4-2008 | Additions/ (Deductions) | As at 31-3-2009 | As at 1-4-2008 | For the Year | Impairment | Up to 31-3-2009 (4+5+6) | As at 31-3-2009 (3-7) | As at 31-3-2008 |
| | | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| 1. | Leasehold Improvement | 927 | — | 927 | 923 | 3 | — | 926 | 1 | 4 |
| 2. | Plant & Machinery | 1618 | — | 1618 | 1548 | — | 69 | 1617 | 1 | 70 |
| 3. | Computers | 130 | — | 130 | 130 | — | — | 130 | — | — |
| 4. | Furniture & Fittings | 324 | — | 324 | 268 | 6 | 49 | 323 | 1 | 56 |
| | TOTAL | 2999 | — | 2999 | 2869 | 9 | 118 | 2996 | 3 | 130 |
| | Previous Year's Figures | 2999 | — | 2999 | 2851 | 18 | — | 2869 | 130 | |

Note: Plant & Machinery and Furniture & Fittings have been impaired and have been held for sale. Their estimated realisable value is higher than its net book value.

SCHEDULE C : SUNDRY DEBTORS

(Unsecured, considered good unless otherwise stated)
Debtors outstanding for a period exceeding six months
Considered Good
Considered Doubtful

Less: Provision for Doubtful Debts

| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|------------------------------------|----------------------------|------------------------------------------|
| Considered Good | — | — |
| Considered Doubtful | 106 | 106 |
| | 106 | 106 |
| Less: Provision for Doubtful Debts | 106 | 106 |
| | — | — |
| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |

SCHEDULE D : CASH AND BANK BALANCES

- Cash on hand
- Balances with Scheduled Banks in Current Accounts

| | | |
|---------------------------------------------------|----------------------------|------------------------------------------|
| Cash on hand | 1 | — |
| Balances with Scheduled Banks in Current Accounts | 30 | 98 |
| | 31 | 98 |
| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |

SCHEDULE E : LOANS AND ADVANCES

- (Unsecured, considered good unless otherwise stated)
- Advances recoverable in cash or in kind for value to be received
 - Balances with excise and sales tax authorities

| | | |
|------------------------------------------------------------------|----------------------------|------------------------------------------|
| Advances recoverable in cash or in kind for value to be received | 3428 | 3428 |
| Balances with excise and sales tax authorities | 469 | 469 |
| | 3897 | 3897 |
| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |

SCHEDULE F : CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES

- Sundry creditors for goods and expenses
- Other Liabilities

| | | |
|-----------------------------------------|----------------------------|------------------------------------------|
| Sundry creditors for goods and expenses | 7848 | 7740 |
| Other Liabilities | 3450 | 3454 |
| | 11298 | 11194 |
| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |

SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

| | Rupees in '000s | 2007-08 Rupees in '000s |
|-------------------------------------------------------------------|--------------------|-------------------------------|
| SCHEDULE G : ADMINISTRATIVE EXPENSES AND FINANCIAL CHARGES | | |
| 1. Rent, Rates & Taxes | 10 | 1 |
| 2. Travelling | 4 | 2 |
| 3. Auditors' Remuneration | 3 | 22 |
| 4. Communication Expenses | 2 | 4 |
| 5. Miscellaneous Expenses | 111 | 829 |
| 6. Legal & Professional charges | 40 | 143 |
| 7. Financial Charges | 1 | — |
| | <u>171</u> | <u>1001</u> |

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

SCHEDULE H :

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 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
There are no inventories.
 - (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.

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

3. Notes

- (i) The financial statements have been prepared on the assumption that the Company is not a going concern. All the assets and liabilities are at net realisable value.
- (ii) The Company has no amounts due to Micro and Small Enterprises under Micro, Small and Medium Enterprises Development Act, 2006.
- (iii) 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.
- (iv) Annualised earnings per Equity Share have been calculated based on Net Profit/(Loss) after taxation of (Rs. 297780/-) [Previous year : (Rs. 1018667/-)].

Weighted average number of Equity Shares used in computing basic and diluted earnings per Equity Share – 11300000.

| | | |
|--------------------------------------|----------------------|---------------|
| | Rupees | Rupees |
| | | 2007-08 |
| Basic and Diluted earnings per share | <u>(0.03)</u> | <u>(0.09)</u> |

- (v) As the Company has single segment, there is no requirement of disclosures as per Accounting Standard 17– Segment Reporting issued by the Institute of Chartered Accountants of India.

- (vi) Related Party Disclosures:

| Party | Relation | Rupees in '000s | 2007-08 Rupees in '000s |
|------------------------------------------------------|-----------------|----------------------------|-------------------------------|
| Voltas Limited | Holding Company | | |
| Amount payable towards liabilities/expenses incurred | | 50 | 4 |
| Amount outstanding at the year end | | 7760 | 7710 |

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

| | | | |
|------------------------|--|-------------------|-------------------|
| | | | 2007-08 |
| (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.

- (viii) Details of Raw Material/Components Consumed - Nil (Previous year : Nil)
- (ix) Details of Trading Goods - Nil (Previous year : Nil)
- (x) Value of Imported and Indigeneous Raw Materials and Components Consumed - Nil (Previous year : Nil)
- (xi) Details of Sales - Nil (Previous year : Nil)
- (xii) Details of Opening and Closing Stock - Nil (Previous year : Nil)
- (xiii) Earnings in Foreign Exchange - Nil (Previous year : Nil)
- (xiv) Expenditure in Foreign Currency - Nil (Previous year : Nil)
- (xv) CIF Value of Imports - Nil (Previous year : Nil)

| | | | |
|------------------------------|--|----------------------------|--------------------|
| (xvi) Auditors' Remuneration | | | 2007-08 |
| | | Rupees in '000s | Rupees in '000s |
| Statutory Audit Fees | | <u>3</u> | <u>22</u> |

Signature to Schedules 'A' to 'H'

For and on behalf of the Board
Directors **M. M. Miyajiwala**
B. D. Mehta
V. P. Malhotra

Mumbai, 21st May, 2009

UNIVERSAL COMFORT PRODUCTS LIMITED

Directors :

M. M. Miyajiwala (Chairman)
Sanjay Johri
Behram Sabawala

DIRECTORS' REPORT TO THE MEMBERS

The Directors present their Eighth Annual Report and Audited Accounts for the year ended 31st March, 2009.

2. The Company has recorded lower turnover of Rs. 152.75 crores for the year ended 31st March, 2009 as compared to Rs. 240.75 crores in the previous year. The Company reported a loss of Rs. 17.75 crores for the year under review as compared to a loss of Rs. 2.35 crores in the previous year, primarily due to higher input costs, interest and certain exceptional expenses. The Company has closed its Dadra Plant effective 29th December, 2008 and presently operates from its Pantnagar Plant at Uttarakhand.
3. At the last Annual General Meeting of the Company held on 13th September, 2008, the shareholders had approved the conversion of the Company from private limited company to a public limited company. Based on an application made, a fresh Certificate dated 27th October, 2008 deleting the word 'Private' from the name of the Company was issued by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli.
4. The Company has no employee of the category indicated under Section 217(2A) of the Companies Act, 1956, as amended to date.
5. Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to technology absorption is given by way of an Annexure to this Report. As regards information in respect of foreign exchange earnings and outgo, the same has been given in the notes forming part of the accounts for the year ended 31st March, 2009.
6. Pursuant to 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 and that there are no material departures;
 - (b) proper 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, 2009 and of the loss of the Company for the year ended 31st March, 2009;
 - (c) proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for

safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (d) the annual accounts have been prepared on a going concern basis.
7. The Company has obtained the approval of the Central Government for appointment of M/s. N.I. Mehta & Co., Cost Accountants as Cost Auditors in respect of Room Airconditioners for the year ending 31st March, 2010.
8. In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. M.M. Miyajiwala retires by rotation and being eligible, offers himself for reappointment.
9. Messrs Deloitte Haskins & Sells, Chartered Accountants, the retiring Auditors, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

M. M. Miyajiwala
Chairman

Mumbai, 22nd May, 2009.

ANNEXURE TO THE DIRECTORS' REPORT

FORM B

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

1. **Specific areas in which R&D carried out by the Company**
Development of energy efficient air conditioners from 1 star to 3 star ratings.
2. **Product and processes developed through in-house technology**
1 TR, 1.5 TR and 2 TR Window and Split air conditioners with 1 star and 2 star ratings.
3. **Imported Technology**
No technology has been imported in last five years.
4. **Expenditure on R&D**
The capital expenditure on R&D activities for the year 2008-09 was Rs.12.07 lakhs. The R&D expenditure was 0.08% of the gross turnover.
5. **Energy Conservation**
Some of the measures taken for energy conservation are switching off lights, fans and air conditioners, when not required, putting off monitors of desktops and ensuring that PCs are kept in hibernation mode when not needed. Use of CFL lighting in offices and shop floor areas in place of fluorescent lamps.

AUDITORS' REPORT**TO THE MEMBERS OF
UNIVERSAL COMFORT PRODUCTS LIMITED**

1. We have audited the attached Balance Sheet of **UNIVERSAL COMFORT PRODUCTS LIMITED** (formerly, Universal Comfort Products Private Limited) as at 31st March, 2009, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in

the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
 - (b) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the directors as on 31st March, 2009 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants

Nalin M. Shah
Partner

Mumbai, 22nd May, 2009

Membership No. 15860

ANNEXURE TO THE AUDITORS' REPORT

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

1. The nature of the Company's business/activities during the year is such that clauses (vi), (xii) (xiii), (xiv), (xv), (xviii), (xix), (xx) of paragraph 4 of the Order are not applicable.
2. In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) Physical verification of most of the fixed assets has been carried out in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable interval. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The Company has not disposed off any fixed assets during the year.
3. In respect of its inventories:
 - (a) As explained to us, inventories have been physically verified by the Management at reasonable intervals during the year.

- (b) According to the information and explanations given to us, the procedures for verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) According to the information and explanations given to us, the Company has maintained proper records of inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
4. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act 1956.
5. In our opinion and according to the information and explanations given to us, there is a generally adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.
6. In our opinion and according to the information and explanations given to us, the Company has no contracts or arrangements that needed to be entered into the Register maintained in pursuance of Section 301 of the Companies Act, 1956.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
8. We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of air conditioners pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate and complete.
9. According to the information and explanations given to us and the books and records examined by us in respect of statutory dues:

- (a) The Company has generally been regular in depositing undisputed statutory dues, including provident fund, income tax, sales tax, wealth tax, customs duty, service

tax, excise duty, cess and any other material statutory dues applicable to it with the appropriate authorities.

- (b) There were no undisputed amounts outstanding as at 31st March, 2009 for a period of more than six month from the date they became payable.
- (c) Details of dues of sales tax, service tax and income tax which have not been deposited as on 31st March, 2009 on account of disputes are given below:

| Particulars | Forum where Dispute is pending | Period to which the amount relates | Amount involved (Rs. in lakhs) |
|-------------|-----------------------------------------------------|------------------------------------|--------------------------------|
| Sales Tax | High Court | 2002-03 | 407.52 |
| Service Tax | Commissioner (Appeal) of Central Excise and Customs | 2002-03 | 11.94 |

10. The Company does have accumulated losses as at 31st March, 2009 exceeding 50% of its net worth but it has incurred cash losses during the financial year covered by our audit, although had not incurred cash losses in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues in respect of its borrowings from a bank.
12. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.
13. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short term basis amounting to Rs. 2688.73 lakhs have been used during the year for long-term investment.
14. To the best of our knowledge and according to the information and explanation given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

Nalin M. Shah
Partner

Mumbai, 22nd May, 2009

Membership No. 15860

BALANCE SHEET AS AT 31ST MARCH, 2009

| | Schedule | Rupees in '000s | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|------------------------------------------------------------------------------------------------------------|----------|--------------------|--------------------|------------------------------------------|
| SOURCES OF FUNDS | | | | |
| SHAREHOLDERS FUNDS | | | | |
| 1. SHARE CAPITAL | A | | 276420 | 276420 |
| 2. SHARE APPLICATION MONEY | | | — | 86500 |
| 3. RESERVES AND SURPLUS | B | | — | 30260 |
| 4. TOTAL SHAREHOLDERS' FUNDS | | | 276420 | 393180 |
| LOAN FUNDS | | | | |
| 5. SECURED LOANS | C | | 264251 | 440762 |
| 6. DEFERRED TAX LIABILITY (NET) (Refer Note 15 of Schedule 'O') | | | — | 30000 |
| | TOTAL | | 540671 | 863942 |
| APPLICATION OF FUNDS | | | | |
| 7. FIXED ASSETS | | | | |
| Gross Block | D | 703536 | | 694135 |
| Less : Depreciation/Amortisation | | 308394 | | 202184 |
| Net Block | | 395142 | | 491951 |
| Capital Work in Progress (including capital advance Rs. 29.29 Lakhs, Previous year : Rs. 5.20 Lakhs) | | 2929 | | 520 |
| | | | 398071 | 492471 |
| 8. CURRENT ASSETS, LOANS & ADVANCES | | | | |
| (A) CURRENT ASSETS | | | | |
| (a) Inventories | E | 335213 | | 361804 |
| (b) Sundry Debtors | F | 13825 | | 458143 |
| (c) Cash and Bank Balances | G | 4516 | | 6203 |
| (B) LOANS AND ADVANCES | H | 104231 | | 104970 |
| | | | 457785 | 931120 |
| 9. LESS : CURRENT LIABILITIES AND PROVISIONS | | | | |
| (a) Current Liabilities | I | 460045 | | 554567 |
| (b) Provisions | I | 2362 | | 5082 |
| | | | 462407 | 559649 |
| 10. NET CURRENT ASSETS/(LIABILITIES) | | | (4622) | 371471 |
| 11. DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT | B | | 147222 | — |
| | TOTAL | | 540671 | 863942 |

(For notes forming part of the Accounts see Schedule 'O'.
The Schedules referred to above form an integral part of the Accounts)

In terms of our report of even date attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

Nalin M. Shah
Partner
Mumbai, 22nd May, 2009

For and on behalf of the Board

Directors **M. M. Miyajiwala**
Sanjay Johri
Behram Sabawala
Mumbai, 22nd May, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

| | Schedule | Rupees in '000s | Rupees in '000s | 2007-08 Rupees in '000s |
|-----------------------------------------------------------------------------------------|----------|----------------------|------------------------|-------------------------------|
| 1. SALES | | 1527473 | | 2407533 |
| Less: Excise Duty on Sales | | <u>183648</u> | | <u>396488</u> |
| | | | 1343825 | 2011045 |
| 2. OTHER INCOME | J | | <u>42618</u> | <u>10144</u> |
| | | | 1386443 | 2021189 |
| 3. COST OF SALES | K | | 1257039 | 1727323 |
| 4. OPERATING AND ADMINISTRATIVE EXPENSES | L | | <u>160684</u> | <u>230862</u> |
| | | | 1417723 | 1958185 |
| 5. PROFIT/(LOSS) BEFORE INTEREST, DEPRECIATION AND EXCEPTIONAL ITEMS | | | (31280) | 63004 |
| 6. INTEREST | M | | 50905 | 56701 |
| 7. DEPRECIATION/AMORTISATION | | | 26634 | 30876 |
| 8. EXCEPTIONAL ITEMS | N | | <u>98402</u> | <u>3930</u> |
| 9. PROFIT/(LOSS) BEFORE TAXATION | | | (207221) | (28503) |
| 10. PROVISION FOR TAXATION : | | | | |
| – Current Taxes (Including Wealth Tax Rs. 0.20 Lakh) (Previous year : Rs. 0.20 Lakh) | | 20 | | 20 |
| – Deferred Tax credit | | (30000) | | (5450) |
| – Fringe Benefit Tax | | 241 | | 450 |
| – Write back/(off) of excess tax provision of earlier year | | <u>—</u> | | <u>(10)</u> |
| | | | (29739) | (4970) |
| 11. PROFIT/(LOSS) AFTER TAXATION | | | (177482) | (23533) |
| 12. BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR (Refer Schedule B) | | | <u>30260</u> | <u>53793</u> |
| 13. BALANCE CARRIED FORWARD | | | <u>(147222)</u> | <u>30260</u> |
| 14. Basic and diluted earnings per share (in Rs.) (Refer Note 16 of Schedule 'O') | | | (6.42) | (0.85) |

(For notes forming part of the Accounts see Schedule 'O'.
The Schedules referred to above form an integral part of the Accounts)
In terms of our report of even date attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

Nalin M. Shah
Partner
Mumbai, 22nd May, 2009

For and on behalf of the Board

Directors **M. M. Miyajiwala**
Sanjay Johri
Behram Sabawala
Mumbai, 22nd May, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

| | Rupees in '000s | 2007-08 Rupees in '000s |
|-------------------------------------------------------------------------|----------------------------|-------------------------------|
| A. Cash Flow from Operating activities | | |
| Net Loss before tax | (207221) | (28503) |
| Adjustments : | | |
| – Depreciation | 26634 | 30876 |
| – Impairment of Fixed Assets | 79576 | 3930 |
| – Provision for Employee Benefits | (2619) | 427 |
| – Interest expenses considered separately (Net) | 50905 | 56497 |
| Operating cash flows before Working Capital changes | (52725) | 63227 |
| (Increase)/decrease in inventories | 26591 | (28139) |
| (Increase)/decrease in sundry debtors | 444318 | (88548) |
| (Increase)/decrease in loans and advances | 643 | (40936) |
| Increase/(decrease) in current liabilities | (93319) | 208871 |
| Cash generated from Operations | 325508 | 114475 |
| Direct Taxes paid (Net) | (266) | (409) |
| <i>Net Cash from Operating activities (A)</i> | 325242 | 114066 |
| B. Cash Flow from Investing activities | | |
| Purchase of fixed assets and movement in CWIP | (11810) | (4111) |
| Interest received | — | 204 |
| <i>Net Cash used In Investing activities (B)</i> | (11810) | (3907) |
| C. Cash Flow from Financing activities | | |
| Repayment of long term borrowings | (58300) | (208300) |
| Change in cash credit account | (118211) | 155126 |
| Interest paid | (52108) | (55498) |
| Share application money refunded | (86500) | — |
| <i>Net Cash used In Financing activities (C)</i> | (315119) | (108672) |
| Net Increase/(Decrease) in cash and cash equivalents (A)+(B)+(C) | (1687) | 1487 |
| Opening cash and cash equivalents as per Schedule 'G' | 6203 | 4716 |
| Closing cash and cash equivalents as per Schedule 'G' | 4516 | 6203 |

Note: Interest paid is exclusive of and purchase of fixed assets and movement in CWIP is inclusive of interest capitalised Rs. Nil (Previous year : Rs. 15.54 Lakhs).

In terms of our report of even date attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

Nalin M. Shah
Partner
Mumbai, 22nd May, 2009

For and on behalf of the Board

Directors **M. M. Miyajiwala**
Sanjay Johri
Behram Sabawala
Mumbai, 22nd May, 2009

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

SCHEDULE 'A' : SHARE CAPITAL

| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|------------------------------------------|
| (i) AUTHORISED 50000000 Equity Shares of Rs. 10 each | 500000 | <u>500000</u> |
| (ii) ISSUED, SUBSCRIBED AND PAID-UP 27642000 Equity Shares of Rs.10 each (27642000 (Previous year : 13821000) Equity Shares are held by Voltas Limited, the holding company) | 276420 | <u>276420</u> |

SCHEDULE 'B' : RESERVES AND SURPLUS

| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|---------------------------------|--------------------|------------------------------------------|
| Opening Profit and Loss balance | 30260 | 53793 |
| Less : Loss for the year | (177482) | (23533) |
| | (147222) | <u>30260</u> |

SCHEDULE 'C' : SECURED LOANS

| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-----------------------------------------------------------------------------------|--------------------|------------------------------------------|
| Loans from a Bank (Refer Note 2 of Schedule 'O') | | |
| – Term Loan [Rs. 334 Lakhs (Previous year : Rs. 583 Lakhs) due within a year.] | 33400 | 91700 |
| – Cash credit | 230851 | 349062 |
| TOTAL | 264251 | <u>440762</u> |

SCHEDULE 'D' : FIXED ASSETS

| Particulars | GROSS BLOCK | | | DEPRECIATION/IMPAIRMENT | | | | NET BLOCK | |
|------------------------------------|-------------------|-----------|--------------------|-------------------------|--------------|----------------------------|-------------------|--------------------|--------------------|
| | As at 1-4-2008 | Additions | As at 31-3-2009 | As at 1-4-2008 | For the year | Impairment for the year | Upto 31-3-2009 | As at 31-3-2009 | As at 31-3-2008 |
| | | | | | | | | | |
| 1. Freehold Land | 16441 | — | 16441 | — | — | — | — | 16441 | 16441 |
| 2. Leasehold Land | 25626 | — | 25626 | 288 | 284 | — | 572 | 25054 | 25338 |
| 3. Buildings * | 193842 | 630 | 194472 | 28088 | 6443 | — | 34531 | 159941 | 165754 |
| 4. Plant & Machinery ** | 445455 | 3799 | 449254 | 167939 | 16844 | 77892 | 262675 | 186579 | 277516 |
| 5. Furniture & Fittings *** | 4860 | 4972 | 9832 | 1613 | 1837 | 1684 | 5134 | 4698 | 3247 |
| 6. Vehicles | 2008 | — | 2008 | 1863 | 45 | — | 1908 | 100 | 145 |
| 7. Intangible Assets (Software) | 5903 | — | 5903 | 2393 | 1181 | — | 3574 | 2329 | 3510 |
| Total | 694135 | 9401 | 703536 | 202184 | 26634 | 79576 | 308394 | 395142 | 491951 |
| Previous Year | 562488 | 131647 | 694135 | 167378 | 30876 | 3930 | 202184 | 491951 | 395110 |

* Includes Rs. 2250 being cost of 45 shares of Rs. 50 each in Co-operative Housing Societies.

** Plant & Machinery includes Gross Block Rs. 1865 Lakhs and Accumulated Depreciation/Impairment Rs. 1679.72 Lakhs which has been held for sale and the estimated realisable value is higher than the net book value.

*** Furniture & Fittings includes Gross Block Rs. 34 Lakhs and Accumulated Depreciation/Impairment Rs. 31.10 Lakhs which has been held for sale and the estimated realisable value is higher than the net book value.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009 (contd.)

SCHEDULE 'E': INVENTORIES

| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|----------------------------------|--------------------|------------------------------------------|
| 1. Stores | 127 | 233 |
| 2. Stock-in-Trade | | |
| (a) Raw Materials and Components | 279549 | 304850 |
| (b) Work-in-Progress | 474 | 2618 |
| (c) Finished Goods | 55063 | 54103 |
| TOTAL | <u>335213</u> | <u>361804</u> |

SCHEDULE 'F': SUNDRY DEBTORS

| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|--------------------------------------|--------------------|------------------------------------------|
| 1. Unsecured and considered good | | |
| (i) Over six months old | — | 93843 |
| (ii) Others | 13825 | 364300 |
| TOTAL (A) | <u>13825</u> | <u>458143</u> |
| 2. Unsecured and considered doubtful | | |
| Over six months old | — | 1030 |
| Less : Provision for Doubtful Debt | — | 1030 |
| TOTAL (B) | <u>—</u> | <u>—</u> |
| TOTAL (A+B) | <u>13825</u> | <u>458143</u> |

SCHEDULE 'G': CASH AND BANK BALANCES

| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|---------------------------------|--------------------|------------------------------------------|
| 1. Cash in hand | 6 | 50 |
| 2. Balances with Scheduled Bank | | |
| – In Current Account | 4510 | 6153 |
| TOTAL | <u>4516</u> | <u>6203</u> |

SCHEDULE 'H': LOANS AND ADVANCES

| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|------------------------------------------------------------------------|--------------------|------------------------------------------|
| (Unsecured, considered good) | | |
| 1. Advances Recoverable in cash or in kind or for value to be received | 95159 | 96447 |
| 2. Advance Payment of Income Tax (Net) | 4369 | 4465 |
| 3. Loans to Employees | 97 | 121 |
| 4. Deposits with Customers/Others | 785 | 804 |
| 5. Balance with Excise | 3821 | 3133 |
| TOTAL | <u>104231</u> | <u>104970</u> |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009 (contd.)

SCHEDULE 'I': CURRENT LIABILITIES AND PROVISIONS

| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-----------------------------------------------------------------|--------------------|------------------------------------------|
| (A) CURRENT LIABILITIES | | |
| 1. Acceptances | — | 79486 |
| 2. Sundry Creditors (Refer Note 18 of Schedule 'O') | 327260 | 465119 |
| 3. Advance payments and deposits received from Customers/Others | 122194 | 659 |
| 4. Other Liabilities | 10591 | 8100 |
| 5. Interest accrued but not due on loans | — | 1203 |
| TOTAL (A) | 460045 | 554567 |
| (B) PROVISIONS | | |
| 6. Provision for Employee Benefits | 2342 | 4961 |
| 7. Provision for Wealth Tax (Net) | 20 | 20 |
| 8. Provision for Fringe Benefit Tax (Net) | — | 101 |
| TOTAL (B) | 2362 | 5082 |
| TOTAL (A)+(B) | 462407 | 559649 |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

SCHEDULE 'J': OTHER INCOME

| | Rupees in '000s | 2007-08 Rupees in '000s |
|---------------------------------------------------|--------------------|-------------------------------|
| 1. Credit balances no longer payable written back | 29738 | — |
| 2. Foreign exchange fluctuation (Net) | 10390 | 7347 |
| 3. Rent Income | 205 | — |
| 4. Miscellaneous Income | 2285 | 2593 |
| 5. Interest on Income Tax Refund | — | 100 |
| 6. Interest on other Account | — | 104 |
| TOTAL | 42618 | 10144 |

SCHEDULE 'K': COST OF SALES

| | Rupees in '000s | 2007-08 Rupees in '000s |
|------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------|
| 1. Opening Stock [Including Work-in-Progress : Rs. 26.18 Lakhs (1-4-2007 : Rs. 8.09 Lakhs)] | 361571 | 333436 |
| 2. Purchases and cost of manufacture | 1230555 | 1755458 |
| | 1592126 | 2088894 |
| 3. Stock-in-Trade as at 31-3-2009 [Including Work-in-Progress : Rs. 4.74 Lakhs (31-3-2008 : Rs. 26.28 Lakhs)] | 335087 | 361571 |
| 4. Cost of Sales (1+2-3) (Refer Note 7 of Schedule 'O') | 1257039 | 1727323 |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)**SCHEDULE 'L' : OPERATING AND ADMINISTRATIVE EXPENSES**

| | Rupees in '000s | Rupees in '000s | 2007-08 Rupees in '000s |
|----------------------------------------------------------------------------------------------|--------------------|----------------------|-------------------------------|
| 1. Staff Expenses | | | |
| (a) Salaries, Wages and Bonus | 16899 | | 25522 |
| (b) Company's contribution to Provident Funds and other Funds | 1294 | | 1478 |
| (c) Retiring Gratuity | 1347 | | 1037 |
| (d) Welfare Expenses | <u>4885</u> | | <u>5469</u> |
| | | 24425 | 33506 |
| 2. Forwarding Charges | | 6501 | 11002 |
| 3. Commission other than to Sole Selling Agents under Section 294 of the Companies Act, 1956 | | 32464 | 57632 |
| 4. Advertising | | 25895 | 43517 |
| 5. Contractors Labour Charges | | 8482 | 12789 |
| 6. Warranty Cost | | 3388 | 4962 |
| 7. Rent | | — | 114 |
| 8. Rates and taxes | | 336 | 430 |
| 9. Insurance | | 352 | 887 |
| 10. Stores consumed | | 6832 | 7657 |
| 11. Power | | 8563 | 14478 |
| 12. Repairs to Buildings | | 2249 | 569 |
| 13. Repairs to Plant and Machinery | | 3195 | 7401 |
| 14. Repairs and Maintenance - Others | | 203 | 146 |
| 15. Travelling and Conveyance | | 795 | 1367 |
| 16. Stationery, Postage, Telex and Telephone | | 908 | 1064 |
| 17. Legal and professional charges | | 2261 | 4414 |
| 18. Auditor's Remuneration | | | |
| – Audit Fees | 1000 | | 1000 |
| – Tax Audit Fees | 300 | | 300 |
| – Tax Matters | 365 | | 10 |
| – Reimbursement of Expenses | <u>28</u> | | <u>6</u> |
| [Net of service tax set off Rs. 2.09 Lakhs (Previous year : Rs. 1.62 Lakhs)] | | 1693 | 1316 |
| 19. Bad Debts/Advances written off | | 14 | 1707 |
| 20. Other expenses | | 32033 | 25809 |
| 21. Audit Fees to Cost Auditors | | 95 | 95 |
| TOTAL | | <u>160684</u> | <u>230862</u> |

SCHEDULE 'M' : INTEREST

| | Rupees in '000s | 2007-08 Rupees in '000s |
|----------------------------------------------------------------------------------------------|---------------------|-------------------------------|
| Interest paid | | |
| (a) On Fixed Loan [Net of Interest capitalised Rs. Nil (Previous year : Rs. 15.54 Lakhs)] | 8016 | 14228 |
| (b) On other account | 42889 | 42473 |
| TOTAL | <u>50905</u> | <u>56701</u> |

SCHEDULE 'N' : EXCEPTIONAL ITEMS

| | Rupees in '000s | 2007-08 Rupees in '000s |
|-------------------------------|---------------------|-------------------------------|
| 1. Impairment of Fixed Assets | 79576 | 3930 |
| 2. Workmen Compensation | 18826 | — |
| TOTAL | <u>98402</u> | <u>3930</u> |

SCHEDULE 'O': NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

- (i) The accounts are prepared on historical cost convention, on accrual basis of accounting and comply with the Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006 of the Companies Act, 1956.

The preparation of the accounts requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including the contingent liabilities) of the accounts and the reported income and expenses during the period. The Management believes that the estimates used in the preparation of the accounts are prudent and reasonable. Future results could differ due to these estimates and differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.

- (ii) All revenues, costs, assets and liabilities are accounted for on accrual basis.

(iii) SALES

- (a) Sales inclusive of excise duty, exclude sales tax or value added tax.
(b) Sales are accounted on accrual basis, when sale of goods is completed.

(iv) DEPRECIATION

Depreciation on all assets has been provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956, except computers and vehicles, which are depreciated at the rate of 20% per annum, which is higher than the prescribed rate.

Leasehold Land is amortised over the balance life of lease from the commencement of project.

Intangible assets are amortised on straight line basis over their useful lives or five years whichever is earlier.

(v) FIXED ASSETS

Fixed assets are shown at cost less accumulated depreciation. Cost of assets includes freight, octroi, duties, taxes, cost of installation and all other incidental expenses incurred towards acquisition and installation of fixed assets.

Own manufactured goods are capitalised at cost excluding interest but including excise duty net of Cenvat.

Directly identifiable preoperative expenses of new projects of capital nature and interest on borrowed money allocated to and utilised for fixed assets, pertaining to the period up to the date of capitalisation is capitalised.

(vi) INVENTORIES

Inventories are accounted at cost or net realisable value whichever is lower, cost being worked out on weighted average basis. Cost includes all charges incurred for bringing the goods to the point of sale including all duties, taxes, levies, transit insurance and receiving charges, which are directly attributable to receiving such goods but excludes duties and taxes, which can be subsequently, recovered by the Company from the authorities.

(vii) CONVERSION OF FOREIGN EXCHANGE TRANSACTIONS

Monetary assets and liabilities relating to foreign currency transactions remaining unsettled at the end of the year are translated at the year-end rate and the difference in translation and realised gains and losses on foreign exchange transactions are recognised in the Profit and Loss Account. In respect of transactions covered by foreign exchange contracts, the difference between the contract rate and the spot rate on the date of the transaction is charged to the Profit and Loss Account over the period of the contract.

(viii) EMPLOYEE BENEFITS

- (a) Defined Contribution Plan

The Company's contributions during the year to Provident and Superannuation Funds are recognised in the Profit and Loss Account.

- (b) Defined Benefit Plan

The Company's liabilities towards gratuity is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Obligation is measured at the present value of estimated future cash flow using a discounted rate that is determined by reference to market yields at Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation. The liability is determined by an independent external actuarial valuation determined on the basis of the projected unit credit method carried out annually. Actuarial gains and losses are immediately recognised in the Profit and Loss Account.

- (c) The compensated absences benefits are expected to be availed or encashed within a period of 12 months, are therefore, accrued without discounting the liability.

(ix) TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the provisions of Income Tax Act, 1961.

Deferred tax is recognised on timing differences, between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Where there is unabsorbed depreciation or carry forward loss, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Other deferred assets are recognised only to the extent there is reasonable certainty of realisation in future.

SCHEDULE 'O' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

(x) INTANGIBLE ASSETS

Computer software having future expected benefit is capitalised as per Accounting Standard (AS) 26 – Intangible Assets as notified by the Companies (Accounting Standards) Rules, 2006.

(xi) IMPAIRMENT OF FIXED ASSETS

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of such impairment exists, the recoverable amount of those assets is estimated and impairment is recognised, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discounting factor.

(xii) BORROWING COSTS

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(xiii) PROVISIONS AND CONTINGENCIES

A provision is recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to their present values and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to effect the current best estimation. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

2. Secured Loans from a Bank

Loans are secured by a charge over the Company's land and buildings, plant and machinery and other movable assets including inventories, receivables, etc. (present as well as future).

3. Contingent Liabilities

Claim not acknowledged as debt in respect of Sales Tax and Service Tax Rs. 378.03 Lakhs. (Previous year : Rs. 266.51 Lakhs).

Letter of credit discounted with bank Rs. Nil (Previous year : Rs. 2933.32 Lakhs).

Bank Guarantee of Rs. 18.76 Lakhs for import of capital goods and others (Previous year : Rs. 20.07 Lakhs).

4. Information in regard to Raw Materials and Components consumed (excluding raw materials sold) :

| (a) Items | Unit of Measurement | Quantity | 2007-08 Quantity | Rupees in '000s | 2007-08 Rupees in '000s |
|------------------------------|---------------------|----------------|---------------------|-----------------------|-------------------------------|
| Steel/Ferrous Metals | Kgs. | 1186740 | 1776538 | 59404 | 78293 |
| Non-Ferrous Metals-Aluminium | Kgs. | 147474 | 272196 | 24313 | 43169 |
| Non-Ferrous Metals-Copper | Mtrs. | 2372252 | 4953838 | 56322 | 150769 |
| Fan Motors | Nos. | 67116 | 136712 | 36053 | 81795 |
| Compressors | Nos. | 83205 | 137120 | 297886 | 494932 |
| Valves | Nos. | 141971 | 194313 | 12508 | 16980 |
| Fan Coil Unit | Nos. | 69614 | 89273 | 256838 | 340212 |
| Others | | * | * | 333422 | 296925 |
| | | | | <u>1076745</u> | <u>1503074</u> |

* Comprise dissimilar items which can not be practically aggregated and therefore quantitative information in respect thereof has not been furnished

| (b) | % to total Consumption | Value Rupees in '000s | 2007-08 % to total Consumption | 2007-08 Value Rupees in '000s |
|------------|---------------------------|-----------------------------|--------------------------------------|----------------------------------------|
| Imported | 46.17 | 497150 | 48.02 | 721756 |
| Indigenous | 53.83 | 579595 | 51.98 | 781318 |
| Total % | <u>100.00</u> | <u>1076745</u> | <u>100.00</u> | <u>1503074</u> |

SCHEDULE 'O' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

5. Capital Commitments

Estimated amount of contracts remaining to be executed on capital accounts and not provided for as at the year- end aggregated Rs. 31.14 Lakhs (Previous year : Nil), net of advance of Rs. 29.29 Lakhs (Previous year : Rs. 5.20 Lakhs).

6. As per the requirement of Accounting Standard 28 as notified under the Companies (Accounting Standards) Rules, 2006, the Company has estimated an impairment loss of Rs. 795.76 Lakhs (Previous year : Rs. 39.30 Lakhs) on certain Fixed Assets as the estimated realisable value/value in use is lower than the net book value.

7. Cost of sales includes decrease in stock of work-in-progress and finished goods of Rs.11.84 Lakhs (Previous year : increase in stock of Rs. 92.25 Lakhs).

8. Quantitative information in regard to Licensed Capacity, Installed Capacity and Actual Production of the goods :

| | Installed Capacity (Nos.) | 2007-08 Installed Capacity (Nos.) | Actual Production (Nos.) | 2007-08 Actual Production (Nos.) |
|-----------------------|--------------------------------------|-----------------------------------------|-------------------------------------|----------------------------------------|
| Room Air conditioners | 405000 | 405000 | 91408 | 133980 |

Notes:

- (i) As per the Industrial Policy declared in July 1991 and as amended in April 1993, no licenses are required for the products manufactured by the Company.
- (ii) Installed capacities are as certified by the Management and relied upon by the Auditors as this is a technical matter.

9. Information in regard to Purchases, Sales, Opening Stocks and Closing Stocks :

(a) Sales :

| Class of Goods | Unit of Measurement | Quantity | 2007-08 Quantity | Rupees in '000s | 2007-08 Rupees in '000s |
|--------------------------------------------------|------------------------|-----------------|---------------------|----------------------------|-------------------------------|
| Room air conditioners (Including Split Units) | Numbers | 90534 | 134278 | 1393681 | 2407533 |
| Others (Raw materials) | | | | 133792 | — |
| | | | | 1527473 | 2407533 |

(b) Opening and Closing Stocks :

| Class of Goods | Unit of Measurement | Quantity | Opening Stocks | | Closing Stocks | | Quantity | 2007-08 Quantity | Rupees in '000s | 2007-08 Rupees in '000s |
|-----------------------|------------------------|-----------------|---------------------|----------------------------|---------------------|----------------------------|-----------------|---------------------|----------------------------|-------------------------------|
| | | | 2007-08 Quantity | Rupees in '000s | 2007-08 Quantity | Rupees in '000s | | | | |
| Room Air conditioners | Numbers | 3537 | 3836 | 54103 | 46688 | 4411 | 3537 | 55063 | 54103 | |

10. Segment Reporting

The Company is engaged solely in the business of manufacture of air conditioners which constitute, its only business and primary segment. It has no geographical segment.

Hence the activities of the Company have been disclosed as a single segment as per Accounting Standard 17 on 'Segment Reporting' as notified by the Companies (Accounting Standards) Rules, 2006.

11. Expenditure in foreign currency is Nil (Previous year : Rs. Nil)

SCHEDULE 'O': NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

12. Value of imports on C.I.F. basis :

| | | |
|-----------------|-----------------|---------|
| | Rupees | 2007-08 |
| | in '000s | Rupees |
| Raw Materials | 457285 | 581562 |
| Stores & Spares | 1790 | 5454 |

13. Related Party Disclosure :

| | Voltas Limited | | Fedders International Air Conditioning Pvt. Ltd. | Fedders International Inc. |
|------------------------------------------|--------------------------------------------|------------------------------------------------|---------------------------------------------------------|------------------------------------------|
| Relationship | Joint Venture (upto 17th June,2008) | Holding Company (w.e.f 17th June, 2008) | Joint Venturer | Holding Company of Joint Venturer |
| Purchase of Goods | 91 (161) | 146197 (—) | — (—) | — (4680) |
| Purchase of Assets | — (73) | — (—) | — (—) | — (—) |
| Sale of Goods | 773697 (1854165) | 300583 (—) | — (52903) | — (—) |
| Rendering of services | 437 (3873) | 1081 (—) | — (—) | — (—) |
| Freight paid | 3256 (10895) | 3207 (—) | — (—) | — (—) |
| Commission paid | 17285 (57632) | 15179 (—) | — (—) | — (—) |
| Advertisement paid | 13450 (43517) | 12439 (—) | — (—) | — (—) |
| Warranty expenses paid | 1705 (4962) | 1683 (—) | — (—) | — (—) |
| Recovery of Interest | — (4361) | — (—) | — (—) | — (—) |
| Share Application money Repaid/ Adjusted | 43250 (—) | — (—) | 43250 (—) | — (—) |
| Related Party Balances | | | | |
| Net Receivable | — (—) | — (363089) | — (95045) | — (1014) |
| Net Payable | — (—) | 164258 (—) | — (—) | — (17752) |

(Figures in bracket relate to previous year)

14. Employee Benefits : Actuarial Gratuity

- (a) The Company has recognized the following amounts in the Profit and Loss Account under the head Company's Contribution to Provident Fund and Other Funds :

Particulars

| | | |
|---------------------|-----------------|-------------|
| | Rupees | 2007-08 |
| | in '000s | Rupees |
| Provident Fund | 1085 | 1400 |
| Superannuation Fund | 209 | 76 |
| | 1294 | 1476 |

- (b) Defined benefit plan for gratuity as per actuarial valuation on 31st March, 2009. The details of the Company's Post-retirement benefit plans for the Gratuity for its employees are given below which is certified by the actuary and relied upon by the auditors.

A. Assumptions

| | | |
|----------------------------------------|----------------------|---------------|
| | Rupees | 2007-08 |
| | in '000s | Rupees |
| Discount Rate Previous | 8% | 8% |
| Rate of Return on Plan Assets Previous | — | — |
| Salary Escalation Previous | 5% | 3.50% |
| Discount Rate Current | 8% | 8% |
| Rate of Return on Plan Assets Current | — | — |
| Salary Escalation Current | 5% | 5% |
| Mortality Table | LIC (1994-96) | LIC (1994-96) |
| | Ultimate | Ultimate |

SCHEDULE 'O' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

| | Rupees in '000s | 2007-08 Rupees in '000s | |
|--------------------------------------------------------|--------------------|-------------------------------|-----------------|
| B. Table showing change in Benefit Obligation | | | |
| Liability at the beginning of the year | 3856 | 2997 | |
| Interest Cost | 190 | 259 | |
| Current Service Cost | 352 | 326 | |
| Past Service Cost (Non Vested Benefit) | — | — | |
| Past Service Cost (Vested Benefit) | — | — | |
| Benefit Paid | (3670) | (178) | |
| Actuarial (Gain)/Loss on obligations | 805 | 452 | |
| Liability at the end of the year | 1533 | 3856 | |
| C. Table of Fair value of Plan Assets | | | |
| Fair Value of Plan Assets at the beginning of the year | — | — | |
| Expected Return on Plan Assets | — | — | |
| Contributions | 3670 | 178 | |
| Benefit Paid | (3670) | (178) | |
| Actuarial Gain/(Loss) on Plan Assets | — | — | |
| Fair Value of Plan Assets | — | — | |
| Total Accrual Gain/(Loss) to be Recognised | (805) | 452 | |
| D. Actual Return on Plan Assets | | | |
| Expected Return on Plan Assets | — | — | |
| Actuarial Gain/(Loss) on Plan Assets | — | — | |
| Actual Return on Plan Assets | — | — | |
| E. Amount Recognised in Balance sheet | | | |
| Liability at the end of the year | 1533 | 3856 | |
| Fair Value of Plan Assets at the end of the year | — | — | |
| Difference | 1533 | 3856 | |
| Unrecognised Past Service Cost | — | — | |
| Amount Recognised in Balance Sheet | 1533 | 3856 | |
| F. Amount Recognised in Income Statement | | | |
| Current Service Cost | 352 | 326 | |
| Interest Cost | 190 | 259 | |
| Expected Return on Plan Asset | — | — | |
| Net Actuarial (Gain)/Loss to be Recognised | 805 | 452 | |
| Past Service Cost (Non Vested Benefit) Recognised | — | — | |
| Past Service Cost (Vested Benefit) Recognised | — | — | |
| Expenses Recognised in Profit and Loss Account | 1347 | 1037 | |
| G. Balance Sheet Reconciliation | | | |
| Opening Net Liability | 3856 | 2997 | |
| Expenses as above | 1347 | 1037 | |
| Employers Contribution | (3670) | 178 | |
| Amount Recognised in Balance Sheet | 1533 | 3856 | |
| Rupees in '000s | | | |
| H. Experience Adjustment | | | |
| On Plan Liability (Gain)/Loss | 2008-09 805 | 2007-08 452 | 2006-07 (32) |
| On Plan Assets (Gain)/Loss | — | — | — |

SCHEDULE 'O' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

- I. Expected contribution to defined benefit plan in next year Rs. 13.41 Lakhs.
The actuarial calculation used to estimate defined benefit commitment and expenses are based on the above assumptions which, if changed, would affect the defined benefit commitments and expenses.
The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

15. Deferred Taxes

As per Accounting Standard 22 on 'Accounting for taxes on income' as notified by the Companies (Accounting Standards) Rules, 2006, the Company has recognised deferred tax credit of Rs. 300 Lakhs (Previous year : Rs. 54.50 Lakhs) for the year as indicated below.

The break-up of deferred tax liability and deferred tax asset as at 31st March, 2009 are as under:

| Particulars | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|------------------------------------------|--------------------|------------------------------------------|
| Deferred Tax Liability | | |
| Depreciation (A) | 35400 | (59155) |
| Deferred Tax Asset | | |
| Unabsorbed depreciation (B) | 35400 | 29155 |
| Net Deferred Tax (Liability)/Asset (A-B) | <u>—</u> | <u>(30000)</u> |

The deferred tax asset has been recognised on unabsorbed depreciation to the extent of virtual certainty on account of deferred tax liability on depreciation timing difference .

16. Earnings Per Share

| | | 2007-08 |
|-----------------------------------------------------------|-----------------|----------|
| Profit/(Loss) After Tax (Rupees in '000s) | (177482) | (23533) |
| Number of Equity Shares | 27642000 | 27642000 |
| Basic and Diluted Earnings per share of Rs. 10 each (Rs.) | (6.42) | (0.85) |

17. The Company became a Public Limited Company from Private Limited Company with effect from 13th September, 2008.
18. On the basis of the intimation received from 'suppliers' regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006, there are no suppliers registered under the said Act.
19. The Company has paid remuneration of Rs.6.76 Lakhs to Manager inclusive of contribution to provident fund and other fund of Rs. 0.85 Lakh, estimated money value of benefits of Rs Nil. It does not include provision for gratuity/compensated absence.
20. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement have not been authenticated by a Company Secretary as required under Section 215 of Companies Act, 1956 as the Company has not been able to appoint a Company Secretary.
21. Figures of the previous accounting year have been regrouped where necessary to confirm to the classification of the current year.

ROHINI INDUSTRIAL ELECTRICALS LIMITED

Directors :

P. N. Dhume (Chairman)

Prashant G. Kandoi (Managing Director & CEO)

Gopal M. Kandoi (Executive Director)

A. K. Joshi

Prasanna Pahade

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting their Twenty-Sixth Annual Report and Audited Accounts for the year ended 31st March, 2009. The Company has recorded higher turnover of Rs.191 crores for the year ended 31st March, 2009 as compared to Rs.120.40 crores in the previous year, a growth of 59%. The Profit after tax was significantly higher at Rs.11.76 crores for the year under review as compared to Rs.6.07 crores in the previous year, an increase of 94%. The Board of Directors have paid an interim dividend of Rs.12.30 per share aggregating Rs.2.15 crores for the year 2008-09 and no final dividend is recommended.

2. A Shareholders Agreement amongst Voltas Limited (Voltas), the Promoters and the Company was executed on 4th September, 2008. Pursuant to this Agreement, the Company has issued and allotted 75,782 equity shares of Rs.10 each at a premium of Rs. 649.80 per share aggregating Rs. 5 crores to Voltas and the Paid-up Capital of the Company has increased from Rs. 1.75 crores to Rs.1.83 crores comprising 18,25,782 equity shares of Rs. 10 each. Voltas also acquired 8,55,367 equity shares of Rs. 10 each from the Promoters of the Company and their total shareholding is 9,31,149 equity shares of Rs. 10 each representing 51% of the share capital of the Company. Accordingly, the Company became a subsidiary of Voltas effective 4th September, 2008. The Company has been converted into a public limited company and a fresh certificate dated 4th November, 2008, deleting the word 'Private' from the name of the Company, has been issued by the Registrar of Companies, Maharashtra, Mumbai.
3. As required by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, a statement of information relating to employees has been given by way of an Annexure to this Report.
4. The particulars with respect to conservation of energy, technology absorption being not relevant, have not been given. As regards information in respect of foreign exchange earnings and outgo, the same has been given in the notes forming part of the accounts for the year ended 31st March, 2009.
5. Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:
 - (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
 - (b) they have in the selection of accounting policies consulted the statutory auditors and have applied their recommendations consistently. During the year under

review, the Company had changed the accounting policies in regard to depreciation, revenue recognition, treatment of VAT, Works Contract and Service Tax and inventory, as disclosed in the Notes to Accounts. The Directors have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

- (c) they have taken proper and sufficient care to the best of their knowledge and ability, for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
 - (d) they have prepared the annual accounts on a going concern basis.
6. As a sequel to acquisition of 51% shareholding by Voltas, Mr. Prashant G. Kandoi was appointed as a Managing Director and Chief Executive Officer and Mr. Gopal M. Kandoi was appointed as an Executive Director effective 4th September, 2008 for a period upto 31st March, 2011 and 31st March, 2010, respectively. Mr. P. N. Dhume, Mr. A. K. Joshi and Mr. Prasanna Pahade were appointed as Additional Directors of the Company effective 4th September, 2008 and being eligible, are proposed to be appointed at the ensuing Annual General Meeting. In accordance with the Articles of Association of the Company, Mr. Gopal M. Kandoi retires at the ensuing Annual General Meeting and being eligible, is proposed to be reappointed.
 7. Mr. P. K. Mishra resigned as a Director of the Company effective 1st September, 2008. The Directors wish to place on record their sincere appreciation for the valuable advice given by Mr. Mishra during his tenure on the Board.
 8. 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.
 9. M/s. Deloitte Haskins & Sells (DHS), Chartered Accountants, were appointed as the Statutory Auditors in the casual vacancy caused by resignation of M/s. Piyush Baxi & Co., Chartered Accountants and their appointment was approved by the shareholders at the Extraordinary General Meeting of the Company held on 8th December, 2008. M/s. DHS, the retiring Auditors, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

Mumbai, 4th May, 2009

P. N. Dhume
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Information as per Section 217(2A)(b)(ii), read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2009

| Name | Age | Designation /Nature of Duties | Remuneration | | Qualifications | Date of commencement of employment | Experience | Last employment held, Designation - Period for which post held |
|--------------------|----------|-------------------------------|--------------|-----------|----------------|------------------------------------|------------|----------------------------------------------------------------|
| | | | Gross (Rs.) | Net (Rs.) | | | | |
| Gopal M. Kandoi | 65 years | Executive Director | 8480250 | 5254505 | B.E. | 27-8-1983 | 32 years | Indian Smelting & Refining Co. Ltd., Works Manager - 7 years |
| Prashant G. Kandoi | 38 years | Managing Director & CEO | 11451023 | 7215409 | B.E. | 1-4-1992 | 17 years | — |

Notes:

- (1) The nature of employment is contractual. All other terms and conditions are as per Company's Rules.
- (2) Remuneration includes, salary, allowances, bonus, perquisites, commission, contribution to provident fund, leave travel allowance, etc.
- (3) Net remuneration is shown after deduction of contribution to provident fund and income tax from gross remuneration.
- (4) The aforesaid employees are Directors of the Company and related to each other.

On behalf of the Board of Directors

P. N. Dhume
Chairman

Mumbai, 4th May, 2009

SECRETARIAL COMPLIANCE CERTIFICATE

TO THE MEMBERS OF ROHINI INDUSTRIAL ELECTRICALS LIMITED

I have examined the registers, records and papers of **ROHINI INDUSTRIAL ELECTRICALS 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, 2009. Consequent upon the Company becoming a subsidiary of Voltas Limited, it was converted into a public limited company and the Special Resolution in this regard was passed at the Extraordinary General Meeting held on 4th September, 2008. The Registrar of Companies, Maharashtra, Mumbai had issued a fresh Certificate of Incorporation consequent upon change of name upon its conversion into a public limited company on 4th November, 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 (barring few instances) 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 nine times respectively, on 10th April, 2008, 2nd May, 2008, 28th June, 2008, 16th July, 2008, 11th August, 2008, 26th August, 2008, 4th September, 2008, 21st October, 2008 and 5th March, 2009 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 7th October, 2008 and 8th December, 2008.
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, 2008 was held on 9th July, 2008 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. During the financial year, Extraordinary General Meetings were held on 4th September, 2008 and 8th December, 2008 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.
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 has maintained the Register under Section 301 of the Companies Act, 1956 and necessary entries, if any, are entered therein.

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 Company has not issued any duplicate share certificates during the financial year.
13. The Company :
 - (i) has delivered the certificates on lodgement thereof for transfer of shares in accordance with the provisions of the Act. There was no transmission of shares during the financial year. The Allotment of shares during the year, was done in dematerialized form and hence no share certificates were required to be delivered to the allottee/s.
 - (ii) has declared dividend for the year 2007-08 at the 25th Annual General Meeting held on 9th July, 2008 and paid interim dividend for 2008-09 on 26th August, 2008. The dividend amounts have been deposited within the prescribed period in a separate bank account with Canara Bank.
 - (iii) has paid dividends to all the members within a period of 30 days from the date of declaration.
 - (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. During the year under scrutiny, the following appointments were made on the Board of Directors on 4th September, 2008:
 - (a) Mr. Prashant G. Kandoi, Managing Director & Chief Executive Officer
 - (b) Mr. Gopal M. Kandoi, Executive Director
 - (c) Mr. P. N. Dhume, Additional Director and as the Chairman of the Board
 - (d) Mr. A. K. Joshi, Additional Director
 - (e) Mr. Prasanna Pahade, Additional Director
15. The appointment of Mr. Prashant G. Kandoi as Managing Director & Chief Executive Officer and Mr. Gopal M. Kandoi as Executive Director of the Company has been made in compliance with the provisions of Section 269 read with Schedule XIII to the Act.
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. During the financial year, the Company has issued and allotted 75,782 equity shares to Voltas Limited on 4th September, 2008 and complied with the provisions of the Act.
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 to 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 borrowings made by the Company during the financial year ended 31st March, 2009 are within the borrowing limits of the Company. The Company had passed the resolution under Section 293(1)(d) of the Act, at a duly convened Extraordinary General Meeting held on 4th September, 2008, authorising the Board to borrow upto Rs.100 crores.
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, except deletion of the word 'Private', upon conversion into a public limited company.
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. During the financial year, the Company has adopted new set of Articles of Association as applicable to public limited company, on 4th September, 2008.
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 employees during the financial year.
33. As explained to us, the Company has regularly deposited the contribution towards Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

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

Mumbai, 27th April, 2009

ANNEXURE 'A'

REGISTERS AS MAINTAINED BY THE COMPANY

SECTION OF THE COMPANIES ACT, 1956

REGISTERS AS MAINTAINED BY THE COMPANY

SECTION OF THE COMPANIES ACT, 1956

| | | | |
|----------------------------------------------|---------|----------------------------------------|------------|
| 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, 2009.

| Sr. No. | Forms/Returns | Section | Purpose | Date of filing | Whether filed within prescribed time | If delay in filing, whether requisite additional fee paid |
|---------|--------------------------|---------------------|-------------------------------------------------------------------------------------------------|----------------|--------------------------------------|-----------------------------------------------------------|
| 1. | Form No. 23 | 314 | Appointment of Ms. Shikha Kandoi, relative of Directors as Administration Manager on 30-10-2004 | 17-6-2008 | No | Yes |
| 2. | Form No. 23 | 31 | Amendment in Articles of Association on 30-10-2004 | 11-7-2008 | No | Yes |
| 3. | Form No. DIN-3 | Rule 6 | Intimation of DIN of Mr. P. K. Mishra | 6-8-2008 | No | Yes |
| 4. | Form Nos. 23AC and 23ACA | 220 | Balance Sheet and Profit and Loss Account for the year ended 31-3-2008 | 8-8-2008 | Yes | — |
| 5. | Form No. 20B | 159 | Annual Return for the year ended 31-3-2008 | 26-8-2008 | Yes | — |
| 6. | Form No. 66 | 383A | Compliance certificate for the year ended 31-3-2008 | 26-8-2008 | No | Yes |
| 7. | Form No. 2 | 75 | Return of Allotment | 10-9-2008 | Yes | — |
| 8. | Form No. 25C | 269 | Appointment and Remuneration of Mr. Gopal M. Kandoi | 1-10-2008 | Yes | — |
| 9. | Form No. 25C | 269 | Appointment and Remuneration of Mr. Prashant G. Kandoi | 2-10-2008 | Yes | — |
| 10. | Form No. 23 | 192 | Agreements of Mr. Gopal M. Kandoi and Mr. Prashant G. Kandoi | 2-10-2008 | Yes | — |
| 11. | Form No. 23 | 293(1)(d)/293(1)(a) | Authority to the Board to borrow and create security | 2-10-2008 | Yes | — |
| 12. | Form No. 23 | 192 | Appointment of Mr. Gopal M. Kandoi as ED and Mr. Prashant G. Kandoi as MD & CEO | 2-10-2008 | Yes | — |
| 13. | Form No. 32 | 303(2) | Change in designation of Mr. Gopal M. Kandoi and Mr. Prashant G. Kandoi | 2-10-2008 | Yes | — |
| 14. | Form No. 32 | 303(2) | Resignation of Mr. P. K. Mishra | 2-10-2008 | No | Yes |
| 15. | Form No. 32 | 303(2) | Appointment of M/s. P. N. Dhume, A. K. Joshi and Prasanna Pahade as Additional Directors | 2-10-2008 | Yes | — |
| 16. | Form No. 23 | 192, 31, 44 | Adoption of new set of Articles of Association | 3-10-2008 | Yes | — |
| 17. | Form No. 62 | 44 | Statement in lieu of Prospectus | 3-10-2008 | Yes | — |
| 18. | Form No. 17 | 138 | Satisfaction of Charge ID # 10016781 | 7-11-2008 | Yes | — |

Mumbai, 27th April, 2009

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

AUDITORS' REPORT**TO THE MEMBERS OF
ROHINI INDUSTRIAL ELECTRICALS LIMITED**

1. We have audited the attached Balance Sheet of **ROHINI INDUSTRIAL ELECTRICALS LIMITED** (formerly, Rohini Industrial Electricals Private Limited) as at 31st March 2009, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, we draw attention to Note 11 of Schedule 'P' regarding remuneration to the Managing and Executive Directors which is subject to the approval of the shareholders and the Central Government.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to Section 211(3C) of the Companies Act, 1956;
 - (v) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956

in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
 - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
6. On the basis of the written representations received from the Directors as on 31st March, 2009, taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**
Chartered Accountants

Nalin M. Shah
Partner

Mumbai, 4th May, 2009

Membership No.15860

ANNEXURE TO THE AUDITORS' REPORT

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

- (i) The nature of the Company's business/activities during the year is such that, clauses (x), (xii), (xiii), (xiv), (xv), (xix) and (xx) of CARO are not applicable.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
 - (b) According to the information and explanation given to us, the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. The discrepancies, noticed on physical verification were not material and they have been properly dealt with in the books of account.
 - (c) The fixed assets disposed off during the year, in our opinion, constitute a substantial part of the fixed assets of the Company; however, such disposal has, in our opinion, not affected the going concern status of the Company.
- (iii) In respect of its inventory:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured during the year.
- (v) In respect of the loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- (a) The Company has taken unsecured loans from 8 parties. At the year end, amounts outstanding were Rs. 756.28 lakhs and the maximum amount outstanding during the year amounted to Rs. 1377.53 lakhs.
- (b) In our opinion and according to the information and explanations given to us, the terms and conditions of such loans are, *prima facie*, not prejudicial to the interests of the Company.
- (c) The principal amounts and interest have been paid regularly as per stipulations.
- (vi) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- (vii) In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
- (b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time except in respect of certain purchases for which comparable data is not available and for which we are unable to comment.
- (viii) According to the information and explanations given to us, the Company has not accepted any deposit from the public to which the provisions of Section 58A of the Companies Act, 1956 apply.
- (ix) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.
- (x) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the business activities carried on by the Company.
- (xi) According to the information and explanations given to us in respect of statutory dues:
- (a) The Company has been generally regular in depositing undisputed dues, including provident fund, employees' state insurance, income-tax, value added tax, wealth tax, service tax, cess and other material statutory dues applicable to it.
- (b) There were no undisputed amounts payable in respect of income-tax, wealth tax, cess and other material statutory dues in arrears as at 31st March, 2009 for a period of more than six months from the date they became payable.
- (c) Details of dues of income-tax, value added tax and service tax which have not been deposited as on 31st March, 2009 on account of disputes are given below:

| Particulars | Forum where Dispute is pending | Period to which the amount relates | Amount involved (Rs. in lakhs) |
|-----------------------|---------------------------------|------------------------------------|--------------------------------|
| 1. Income Tax | ITAT , Mumbai | 2002-03 | 1.86 |
| | CIT(Appeals) | 2005-06 | 1.28 |
| | Rectification pending with DCIT | 2006-07 | 3.73 |
| 2. Fringe Benefit Tax | Rectification pending with DCIT | 2006-07 | 1.49 |

- (xii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- (xiii) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.
- (xiv) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- (xv) According to the information and explanations given to us, during the year, the Company has not made preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xvi) To the best of our knowledge and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

Nalin M. Shah
Partner

Membership No.15860

Mumbai, 4th May, 2009

BALANCE SHEET AS AT 31ST MARCH, 2009

| | Schedule | Rupees in '000s | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-----------------------------------------------------------|----------|--------------------|--------------------|------------------------------------------|
| SOURCES OF FUNDS | | | | |
| SHAREHOLDERS' FUNDS | | | | |
| 1. SHARE CAPITAL | A | 18258 | | 17500 |
| 2. RESERVES AND SURPLUS | B | 294477 | | 152864 |
| 3. TOTAL | | | 312735 | 170364 |
| LOAN FUNDS | | | | |
| 4. SECURED LOANS | C | 91758 | | 47181 |
| 5. UNSECURED LOANS | D | 75628 | 167386 | 73806 |
| | TOTAL | | 480121 | 291351 |
| APPLICATION OF FUNDS | | | | |
| 6. FIXED ASSETS | | | | |
| GROSS BLOCK | E | 28975 | | 53214 |
| LESS : DEPRECIATION AND AMORTISATION | | 14162 | | 18189 |
| NET BLOCK | | | 14813 | 35025 |
| 7. DEFERRED TAX ASSET (NET) (See Note 4, Schedule 'P') | | | 8130 | 1510 |
| 8. CURRENT ASSETS, LOANS & ADVANCES | | | | |
| 1. Inventories | F | 120719 | | 22855 |
| 2. Sundry Debtors | G | 660952 | | 435286 |
| 3. Cash and Bank Balances | H | 98152 | | 31265 |
| 4. Loans and Advances | I | 20313 | | 29466 |
| | | 900136 | | 518872 |
| 9. LESS : CURRENT LIABILITIES AND PROVISIONS | | | | |
| (A) Current Liabilities | J | 399900 | | 237775 |
| (B) Provisions | J | 43058 | | 26281 |
| | | 442958 | | 264056 |
| 10. NET CURRENT ASSETS | | | 457178 | 254816 |
| | TOTAL | | 480121 | 291351 |

(For notes forming part of the Accounts see Schedule 'P'.

The Schedules referred to above form an integral part of the Accounts)

In terms of our report of even date attached.

For **Deloitte Haskins & Sells**

Chartered Accountants

Nalin M. Shah

Partner

Mumbai, 4th May, 2009

For and on behalf of the Board

Directors

P. N. Dhume

Prashant G. Kandoi

Gopal M. Kandoi

A. K. Joshi

Prasanna Pahade

Mumbai, 4th May, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

| | Schedule | Rupees in '000s | Rupees in '000s | 2007-08 Rupees in '000s |
|--------------------------------------------------------------------------------------------------------------------------|----------|--------------------|--------------------|-------------------------------|
| 1. SALES AND SERVICES (See Note 10, Schedule 'P') | | | 1909961 | 1203995 |
| 2. OTHER INCOME | K | | 8100 | 7338 |
| 3. COST OF SALES - TRADED GOODS | L | | 662781 | 431521 |
| 4. COST OF SALES, SERVICES AND EXPENSES | M | | 1053359 | 665277 |
| 5. PROFIT BEFORE FINANCIAL ITEMS, DEPRECIATION AND EXCEPTIONAL ITEMS | | | 201921 | 114535 |
| 6. INTEREST | N | | 21145 | 12330 |
| 7. DEPRECIATION AND AMORTISATION ON FIXED ASSETS | | | 6399 | 4484 |
| 8. PROFIT BEFORE EXCEPTIONAL ITEMS | | | 174377 | 97721 |
| 9. EXCEPTIONAL ITEMS | O | | 7356 | — |
| 10. PROFIT BEFORE TAXATION | | | 181733 | 97721 |
| 11. PROVISION FOR TAXATION | | | | |
| – Provision for Current Tax | | 69500 | | 37500 |
| – Provision for Deferred Tax | | (6620) | | (1557) |
| – Provision for Wealth Tax | | 60 | | 48 |
| – Provision for Fringe Benefit Tax | | 1240 | | 1000 |
| | | | 64180 | 36991 |
| 12. PROFIT AFTER TAXATION | | | 117553 | 60730 |
| 13. BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR | | | 38 | 48 |
| 14. PROFIT AVAILABLE FOR APPROPRIATIONS | | | 117591 | 60778 |
| 15. APPROPRIATIONS : | | | | |
| (a) GENERAL RESERVE | | 52550 | | 52550 |
| (b) PROPOSED DIVIDEND | | — | | 7000 |
| (c) INTERIM DIVIDEND | | 21525 | | — |
| (d) TAX ON DIVIDEND | | 3658 | | 1190 |
| | | | 77733 | 60740 |
| 16. BALANCE CARRIED FORWARD | | | 39858 | 38 |
| Basic and diluted earnings per share of Rs. 10 each (Including Exceptional items) (in Rs.) (See Note 7, Schedule 'P') | | | 65.55 | 34.70 |

(For notes forming part of the Accounts see Schedule 'P'.

The Schedules referred to above form an integral part of the Accounts)

In terms of our report of even date attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

Nalin M. Shah
Partner
Mumbai, 4th May, 2009

For and on behalf of the Board

Directors **P. N. Dhume**
Prashant G. Kandoi
Gopal M. Kandoi
A. K. Joshi
Prasanna Pahade

Mumbai, 4th May, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

| | Rupees in '000s | Rupees in '000s | 2007-08 Rupees in '000s |
|----------------------------------------------------------|--------------------|--------------------|-------------------------------|
| A. Cash flow from Operating Activities | | | |
| Net Profit before taxation | | 181733 | 97721 |
| Add/(Less) Adjustments for : | | | |
| Depreciation and Amortisation | 6399 | | 4484 |
| Interest Expenses | 21145 | | 12330 |
| Interest Income | (3228) | | (1493) |
| Loss/(Profit) on Sale of Asset (Net) | 1321 | | (1750) |
| Profit on Sale of Buildings | (7356) | | — |
| Provision for Employee Benefits | 12723 | | 5949 |
| | | <u>31004</u> | <u>19520</u> |
| Operating Profit before Working Capital change | | 212737 | 117241 |
| Less : Adjustments for : | | | |
| (Increase)/Decrease in Inventories | (97864) | | 12495 |
| (Increase)/Decrease in Sundry Debtors | (225666) | | (76689) |
| (Increase)/Decrease in Loans and Advances | 9153 | | (3557) |
| Increase/(Decrease) in Current Liabilities | 162125 | | 65822 |
| | | <u>(152252)</u> | <u>(1929)</u> |
| Cash generated from Operations | | 60485 | 115312 |
| Less : Direct Taxes paid | | <u>(58556)</u> | <u>(29602)</u> |
| Net Cash from Operating Activities | | 1929 | 85710 |
| B. Cash flow from Investing Activities | | | |
| Purchase of Fixed Assets | (9113) | | (10981) |
| Sale of Fixed Assets | 28961 | | 2203 |
| Investments in Fixed Deposits | (16713) | | (3573) |
| Interest Income | 930 | | 928 |
| Net Cash from Investing Activities | | 4065 | (11423) |
| C. Cash flow from Financing Activities | | | |
| Proceeds from issue of Share Capital | 50001 | | — |
| Increase/(Decrease) in Short Term Borrowings | 44933 | | (76835) |
| Repayment of Long Term Borrowings | (356) | | (737) |
| Increase/(Decrease) in other borrowings (Net) | 1822 | | 19657 |
| Interest Expenses | (21145) | | (12330) |
| Dividend paid | (28525) | | — |
| Tax on Dividend | (4848) | | — |
| Net Cash from Financing Activities | | 41882 | (70245) |
| Net increase in cash and cash equivalents (A+B+C) | | 47876 | 4042 |
| Cash and cash equivalents (Opening Balance) | | 9429 | 5387 |
| Cash and cash equivalents (Closing Balance) | | 57305 | 9429 |

Notes:

| | | | |
|--------------------------------------------------------------------|--|--------------------|-------------------------------|
| 1. Cash and cash equivalents | | Rupees in '000s | 2007-08 Rupees in '000s |
| | | 98152 | 31265 |
| Cash and Bank Balances as per Schedule H | | 40847 | 21836 |
| Less: Fixed Deposits (including accrued interest) | | <u>57305</u> | <u>9429</u> |
| 2. Previous year's figures have been regrouped wherever necessary. | | | |

In terms of our report of even date attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

Nalin M. Shah
Partner
Mumbai, 4th May, 2009

For and on behalf of the Board
Directors **P. N. Dhume**
Prashant G. Kandoi
Gopal M. Kandoi
A. K. Joshi
Prasanna Pahade
Mumbai, 4th May, 2009

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009

| SCHEDULE 'A' : SHARE CAPITAL | | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------|
| 1. | AUTHORISED | | |
| | 50,00,000 Equity Shares of Rs. 10 each | <u>50000</u> | <u>50000</u> |
| 2. | ISSUED, SUBSCRIBED AND PAID-UP | | |
| | 18,25,782 (previous year: 17,50,000 Equity Shares of Re.10 each) | <u>18258</u> | <u>17500</u> |
| | Out of the above (previous year : Nil) 9,31,149 Equity Shares are held by Voltas Limited, the holding company. | | |
| | Note: 26,000 Equity Shares of Rs. 10 each were issued as fully paid up bonus shares by capitalisation of Rs. 2,60,000 from General Reserve. | | |

| SCHEDULE 'B' : RESERVES AND SURPLUS | | Rupees in '000s | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|--------------------------------------------|------------------------------------------------|----------------------------|----------------------------|------------------------------------------|
| 1. | SECURITIES PREMIUM | | | |
| | As per last Balance Sheet | — | | — |
| | Add : Addition during the year | <u>49243</u> | | <u>—</u> |
| | | | 49243 | — |
| 2. | GENERAL RESERVE | | | |
| | As per last Balance Sheet | 152826 | | 100276 |
| | Add : Transferred from Profit and Loss Account | <u>52550</u> | | <u>52550</u> |
| | | | 205376 | 152826 |
| 3. | SURPLUS IN PROFIT AND LOSS ACCOUNT | | 39858 | <u>38</u> |
| | TOTAL | | <u>294477</u> | <u>152864</u> |

| SCHEDULE 'C' : SECURED LOANS | | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------|
| LOANS FROM BANK | | | |
| (a) | Working Capital facility from a bank | 91758 | 46825 |
| | (Secured by first charge on Stock received under ILCs , advance payment gurantees and book debts and subordination of unsecured loans of promoters amounting to Rs.500 lakhs). | | |
| (b) | Term Loan from a bank | | |
| | (Secured by hypothecation of motor cars) | <u>—</u> | <u>356</u> |
| | TOTAL | <u>91758</u> | <u>47181</u> |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009 (contd.)

| SCHEDULE 'D': UNSECURED LOANS | | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|------------------------------------------------------|--|---------------------|------------------------------------------|
| (a) From Directors (See Note 6(C)(16), Schedule 'P') | | 71955 | 24380 |
| (b) From Shareholders | | 3673 | 42274 |
| (c) Book Overdraft | | — | 7152 |
| TOTAL | | <u>75628</u> | <u>73806</u> |

SCHEDULE 'E': FIXED ASSETS (At Cost or Book Value Less Depreciation and Amortisation)

| Rupees in '000s | | | | | | | | | | |
|------------------------------|-----------------------------------|-----------|------------|----------------------------|-----------------------------|-----------------|------------------|----------------------------|----------------------------|----------------------------|
| Particulars | GROSS BLOCK AT COST OR BOOK VALUE | | | | DEPRECIATION / AMORTISATION | | | | NET BLOCK | |
| | As at 31 March, 2008 | Additions | Deductions | As at 31 March, 2009 | Up to 31 March, 2008 | For the Year | On Deductions | Up to 31 March, 2009 | As at 31 March, 2009 | As at 31 March, 2008 |
| | | | | (1+2-3) | | | | (5+6-7) | (4-8) | (1-5) |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| A. Tangible Assets: | | | | | | | | | | |
| 1. Buildings | 24270 | — | 24270 | — | 2356 | 430 | 2786 | — | — | 21914 |
| 2. Plant & Machinery | 4506 | 4323 | 3421 | 5408 | 2748 | 1951 | 2566 | 2133 | 3275 | 1758 |
| 3. Furniture & Fittings | 3008 | 570 | 499 | 3079 | 1161 | 707 | 397 | 1471 | 1608 | 1847 |
| 4. Vehicles | 11503 | 2232 | 832 | 12903 | 5457 | 1831 | 667 | 6621 | 6282 | 6046 |
| 5. Computers & Accessories | 7093 | 1246 | 2823 | 5516 | 4933 | 1151 | 2779 | 3305 | 2211 | 2160 |
| 6. Office Equipments | 2834 | 325 | 1507 | 1652 | 1534 | 241 | 1231 | 544 | 1108 | 1300 |
| B. Intangible Assets: | | | | | | | | | | |
| Software | — | 417 | — | 417 | — | 88 | — | 88 | 329 | — |
| | 53214 | 9113 | 33352 | 28975 | 18189 | 6399 | 10426 | 14162 | 14813 | 35025 |
| Previous Year | (43055) | (10981) | (822) | (53214) | (14074) | (4484) | (369) | (18189) | (35025) | |

Buildings includes Rs.Nil (previous year : Rs. 0.02 lakh) being cost of shares and bonds in Co-operative Housing Societies.

| SCHEDULE 'F': INVENTORIES | | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|--------------------------------------------------|--|----------------------|------------------------------------------|
| STOCK-IN-TRADE : | | | |
| (a) Stores | | 6340 | 5317 |
| (b) Work-in-Progress, (See Note 8, Schedule 'P') | | 1087107 | 13549 |
| Less: Amounts Invoiced | | <u>989961</u> | <u>—</u> |
| | | 97146 | 13549 |
| (c) Finished Goods | | <u>17233</u> | <u>3989</u> |
| TOTAL | | <u>114379</u> | <u>17538</u> |
| | | <u>120719</u> | <u>22855</u> |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009 (contd.)

| SCHEDULE 'G' : SUNDRY DEBTORS | | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|--------------------------------------|---------------------|----------------------------|------------------------------------------|
| 1. | Over six months old | 165277 | 62116 |
| 2. | Others | 495675 | 373170 |
| | TOTAL | 660952* | 435286* |

* Of the above debts

| | | | |
|-----|--------------------------------|---------------|--------|
| (a) | Fully secured, considered good | 14186 | — |
| (b) | Unsecured, considered good | 646766 | 435286 |
| (c) | Considered doubtful | — | — |
| | TOTAL | 660952 | 435286 |

Due by firms or Private companies respectively in which any Director of this Company is a Partner, a Director or a Member.

| | |
|--------------|-------|
| 16456 | 14342 |
|--------------|-------|

SCHEDULE 'H' : CASH AND BANK BALANCES

| | | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-----|-----------------------------------------------------------------------------------------------|----------------------------|------------------------------------------|
| 1. | CASH IN HAND | 5464 | 3320 |
| 2. | CHEQUES ON HAND | 24030 | — |
| 3. | BANK BALANCES WITH SCHEDULED BANKS | | |
| (a) | In Current Account | 27811 | 6109 |
| (b) | In Deposit Account (Margin Money for Bank Guarantees) | 40847 | 21836 |
| | [including interest accrued on Fixed Deposit Rs.32.87 lakhs (previous year : Rs. 9.89 lakhs)] | | |
| | TOTAL | 98152 | 31265 |

SCHEDULE 'I' : LOANS AND ADVANCES

| | | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|----|---------------------------------------------------------------------|----------------------------|------------------------------------------|
| 1. | ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED | 6957 | 16683 |
| 2. | LOANS TO EMPLOYEES | 112 | 298 |
| 3. | DEPOSITS WITH CUSTOMERS/OTHERS | 13131 | 12372 |
| 4. | ADVANCE PAYMENT OF TAXES (NET) | 113 | 113 |
| | TOTAL | 20313* | 29466* |

* Of the above advances

| | | | |
|-----|--------------------------------|--------------|-------|
| (a) | Fully secured, considered good | — | — |
| (b) | Unsecured, considered good | 20313 | 29466 |
| (c) | Considered doubtful | — | — |
| | TOTAL | 20313 | 29466 |

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2009 (contd.)

| SCHEDULE 'J' : CURRENT LIABILITIES AND PROVISIONS | | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|----------------------------------------------------------|----------------------------------------------------------------------|--------------------|------------------------------------------|
| (A) CURRENT LIABILITIES | | | |
| 1. | SUNDRY CREDITORS | | |
| | (a) Due to Micro and Small Enterprises (See Note 9, Schedule 'P') | 18678 | 680 |
| | (b) Others | 315828 | 192552 |
| | | 334506 | 193232 |
| 2. | ADVANCE PAYMENTS AND DEPOSITS RECEIVED FROM CUSTOMERS / OTHERS | 43222 | 26229 |
| 3. | OTHER LIABILITIES | 22172 | 18314 |
| | TOTAL (A) | 399900 | 237775 |
| (B) PROVISIONS | | | |
| 4. | PROVISION FOR TAXATION (NET) | 22353 | 10121 |
| 5. | PROPOSED DIVIDEND | — | 7000 |
| 6. | PROVISION FOR CORPORATE DIVIDEND TAX | — | 1190 |
| 7. | PROVISION FOR EMPLOYEE BENEFITS | 20645 | 7922 |
| 8. | PROVISION FOR WEALTH TAX | 60 | 48 |
| | TOTAL (B) | 43058 | 26281 |
| | TOTAL (A) + (B) | 442958 | 264056 |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

| SCHEDULE 'K' : OTHER INCOME | | Rupees in '000s | 2007-08 Rupees in '000s |
|------------------------------------|------------------------------------------------|--------------------|-------------------------------|
| 1. | Miscellaneous Income | 4836 | 4025 |
| 2. | Profit on Sale/Retirement of Fixed Asset (Net) | — | 1750 |
| 3. | Rent Received | 16 | 70 |
| 4. | Gain on Foreign Exchange Translation | 20 | — |
| 5. | Interest earned on Fixed Deposits with banks | 3228 | 1493 |
| | TOTAL | 8100 | 7338 |

| SCHEDULE 'L' : COST OF SALES - TRADED GOODS | | Rupees in '000s | 2007-08 Rupees in '000s |
|----------------------------------------------------|----------------------------------------|--------------------|-------------------------------|
| 1. | Finished Goods per 1-4-2008 | 3989 | 9612 |
| 2. | Purchases | 676025 | 425898 |
| 3. | Finished Goods per 31-3-2009 | 17233 | 3989 |
| 4. | Cost of Sales and Services (1 + 2 - 3) | 662781 | 431521 |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

| SCHEDULE 'M' : COST OF SALES, SERVICES AND EXPENSES | Rupees in '000s | Rupees in '000s | 2007-08 Rupees in '000s |
|-----------------------------------------------------------------------------------|----------------------------|----------------------------|----------------------------------------|
| 1. Work-in-Progress per 1-4-2008 (Including Stores & excluding Construction WIP) | | 18866 | 25737 |
| 2. Purchases and cost of jobs | | 836975 | 510275 |
| | | 855841 | 536012 |
| 3. Work-in-Progress per 31-3-2009 (Including Stores & excluding Construction WIP) | | 6340 | 18866 |
| 4. Cost of Jobs (1 + 2 - 3) | | 849501 | 517146 |
| 5. Staff Expenses | | | |
| (a) Salaries, Wages and Bonus | 128471 | | 78680 |
| (b) Company's contribution to Provident Fund and other Funds | 5665 | | 3762 |
| (c) Provision for Gratuity | 9090 | | 1047 |
| (d) Welfare Expenses (See Note 13, Schedule 'P') | 1731 | | 1394 |
| | | 144957 | 84883 |
| 6. Forwarding Charges (Net) (See Note 13, Schedule 'P') | | — | — |
| 7. Advertising | | 472 | 751 |
| 8. Rent (See Note 13, Schedule 'P') | | 7725 | 1507 |
| 9. Insurance | | 2494 | 1394 |
| 10. Fuel and Power | | 1913 | 2255 |
| 11. Repairs to Buildings | | 1884 | 1820 |
| 12. Repairs to Plant and Machinery (See Note 13, Schedule 'P') | | — | — |
| 13. Travelling and Conveyance (See Note 13, Schedule 'P') | | 6396 | 6506 |
| 14. Stationery, Postage, Telex and Telephone (See Note 13, Schedule 'P') | | 4019 | 4657 |
| 15. Auditors' Remuneration | | | |
| (a) Audit fees | 800 | | 225 |
| (b) In Other capacity (See Note 12, Schedule 'P') | 515 | | 286 |
| | | 1315 | 511 |
| 16. Legal & Professional charges (See Note 13, Schedule 'P') | | 7305 | 2942 |
| 17. Bad and Doubtful Debts / Advances | | 3817 | 7281 |
| 18. Donation | | 100 | 31 |
| 19. Net Loss on Sale of Fixed Assets | | 1321 | — |
| 20. Prior Period Expense | | — | 598 |
| 21. Other expenses (See Note 13, Schedule 'P') | | 20140 | 32995 |
| | | 1053359 | 665277 |
| | TOTAL | | |

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

| SCHEDULE 'N' : INTEREST | Rupees in '000s | As at 2007-08 Rupees in '000s |
|--------------------------------------------------------------------------------------------------|----------------------------|----------------------------------------|
| Interest Paid | | |
| – On other accounts | <u>21145</u> | <u>12330</u> |
| [Includes interest paid to Managing Directors Rs. 17.38 lakhs (previous year : Rs. 26.53 lakhs)] | | |

| SCHEDULE 'O': EXCEPTIONAL ITEMS | Rupees in '000s | As at 2007-08 Rupees in '000s |
|----------------------------------------|----------------------------|----------------------------------------|
| Profit on Sale of Building (Net) | <u>7356</u> | <u>—</u> |

SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009**1. SIGNIFICANT ACCOUNTING POLICIES****(a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The accounts are prepared on historical cost convention on accrual basis of accounting and comply with the Accounting Standards as notified under the Companies (Accounting Standards) Rules, 2006.

The preparation of the accounts requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including the contingent liabilities) and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the accounts are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

(b) FIXED ASSETS

Fixed Assets are stated at the cost of acquisition, less accumulated depreciation and impairment losses, if any. Cost of fixed assets comprises purchase price, duties, levies and any directly attributable cost of bringing the asset to its working condition for the intended use. Borrowing costs related to the acquisition or construction of the qualifying fixed assets for the period upto the completion of their acquisition or construction are capitalised. Advances paid towards the acquisition of fixed assets outstanding at each Balance Sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

(c) INTANGIBLE ASSETS

Intangible assets are valued at cost of acquisition less accumulated amortisation.

(d) VALUATION OF INVENTORIES

Inventories are valued at cost or net realisable value, whichever is lower, cost being worked out on weighted average basis. With regard to construction contracts, work-in-progress includes profits / losses to the extent recognised. Material returned from site has been valued at estimated realisable value which in opinion of the Management is lower than the current purchase cost.

(e) PROVISIONS

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

(f) REVENUE RECOGNITION**(i) Sales**

Revenue from Sales of products is recognised when significant risks and rewards of ownership of products are passed on to the customers. Sales excludes sales tax, service tax, value added tax and trade discounts.

(ii) Job Contracts

Revenue from contracts, where the outcome can be estimated reliably, is recognised under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. When the current estimate of total costs and revenue is a loss, provision is made for the entire loss on the contract irrespective of the amount of work done.

SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

(g) EMPLOYEE BENEFITS

(i) Defined Contribution Plan

Contribution to Provident Fund, a defined contribution scheme, is made at pre-determined rates to the Regional Provident Fund Commissioner and is charged to the Profit and Loss Account. There are no other obligations other than the contribution payable to the Regional Provident Fund Commissioner.

(ii) Defined Benefit Plan

The Company's liabilities towards gratuity are determined using the projected unit cost method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognised on a straight-line basis over the average period until the amended benefits become vested. Actuarial gains and losses are recognised immediately in the Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

(iii) The Company has a scheme for compensated absences for employees, the liability for which is determined on the basis of an actuarial valuation carried out at the end of the year.

(h) METHOD OF DEPRECIATION

Depreciation on all fixed assets has been provided on the written-down value basis at the rates prescribed in Schedule XIV to the Companies Act, 1956, except depreciation on tools which has been provided on the straight-line method based on useful life (2-3 years). Intangible assets are amortised on the straight-line basis over 36 months or their useful lives whichever is lower.

Depreciation on assets purchased/acquired during the year is provided on pro-rata basis according to the period for which such asset was put to use during the year. Similarly, depreciation on assets sold or discarded is provided on a pro-rata basis.

Assets costing less than Rs.5,000 are charged to depreciation @100% in the year of purchase.

(i) FOREIGN CURRENCY TRANSACTIONS/TRANSLATIONS

Foreign currency transactions are recorded by applying the respective average rates. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Profit and Loss Account.

All foreign currency denominated monetary assets and liabilities are translated at the exchange rates prevailing on the Balance Sheet date. The resultant exchange differences are recognised in the Profit and Loss Account.

(j) TAXES ON INCOME

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised if there is virtual certainty that there will be sufficient future taxable income available to realise such losses. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income to realise such assets.

(k) OPERATING LEASES

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as Operating Leases. Operating Lease payments/receipts are recognised as an expense/income in the Profit and Loss Account on a straight-line basis over the lease term.

(l) IMPAIRMENT OF ASSETS

The carrying values of assets / cash generating units are reviewed at each Balance Sheet date when required to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed this estimated recoverable amount, assets are written-down to their recoverable amount. The recoverable amount is the greater of the assets' net selling price and value-in-use.

(m) CHANGE IN ACCOUNTING POLICIES

(i) DEPRECIATION

Upto last year, depreciation on all the assets was provided on written-down value method at the rate provided in Schedule XIV to the Companies Act, 1956. From the current year, the Company has changed the accounting policy for tools. Depreciation on these items is charged over its useful life. These changes has been applied retrospectively. However, the impact of the change in Profit and Loss Account is not material.

(ii) REVENUE RECOGNITION

During the year, the Company has changed the basis of recognising revenue for contract revenue. In earlier years, the contract revenue was recognised to the extent of certified work done and work done but not certified was not recognised in the financials. The Company has recognised revenue and margin on the basis of percentage completion method as prescribed in Accounting Standard (AS-7) on Contract revenue. This change has been applied on all jobs incomplete as of 1st April, 2008 and new jobs entered after 1st April, 2008. Accordingly, profit before tax is higher by Rs. 601 lakhs.

SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

(iii) TREATMENT OF VAT/WORKS CONTRACT AND SERVICE TAX

Upto last year, VAT, Works Contract Tax and Service Tax billed by the Company and charged separately to its customers, was shown as income in the Profit and Loss Account and VAT/Works Contract Tax and Service Tax paid by the Company either by way of input credit/ payment or by way of TDS by the customer was shown as an expense in the Profit and Loss Account. From the current year, the amount billed is credited in Other Liabilities and the amount paid is debited in Other Liabilities. However, there is no impact on the profits.

(iv) INVENTORY

During the year, the Company has changed the method of valuation of inventory from FIFO to weighted average basis. However, the impact of this change is not material.

(n) SEGMENT REPORTING

The Company's business activity is confined to India and the same primarily falls within a single business segment i.e. Electrical Installation Work and Electrical Engineering Services, including supply of materials. Hence, disclosure of segment wise information is not required under Accounting Standard 17- Segment Reporting.

2. CONTINGENT LIABILITIES NOT PROVIDED FOR

(a) Guarantees given by the Company

In respect of guarantees given by Company's bankers Rs. 3869.60 lakhs (previous year : Rs. 2716.50 lakhs), secured by first charge on stock received under ILCs, Advance Payment guarantees and book debts are further guaranteed by Managing Director and Executive Director. Out of the above amount, Rs. 125.35 lakhs (previous year : Rs. 254.90 lakhs) pertains to Bank Guarantees given against advances which are shown as liability in the books.

(b) Income Tax Demands

In respect of matters in which Company is in further appeal Rs. 9.36 lakhs (previous year : Rs. 87.86 lakhs).

Note: For the disputed Income Tax liability for Assessment Year 2007-08, rectification pending for credit not given by DCIT for TDS certificates submitted - Rs. 85.24 lakhs.

(c) Sales Tax Demands

Goa Value Added Tax demand for the Accounting Year 2005-06 Rs. 1.10 lakhs (previous year : Nil).

(d) Claims against the Company not acknowledged as debts:

(i) In respect of motor accident claim in case No.395 of 1989 and case No.198 of 2007 pending before Motor Accident Claims Tribunal Raigad at Alibaug, Maharashtra- Rs.1.32 lakhs (previous year : Rs. 1.32 lakhs).

(ii) In respect of suit filed by Labour Commissioner for Non-Compliance of Minimum Wages Act in the Court of Hon.Magistrate, Nasirabad, Ajmer, Rajasthan- Liability not ascertained.

3. C.I.F. VALUE OF IMPORTS/EXPENDITURE AND EARNING IN FOREIGN CURRENCY

| | Rupees in '000s | 2007-08 Rupees in '000s |
|----------------------------------------------|--------------------|-------------------------------|
| (a) C.I.F. Value of Import of Finished Goods | 1404 | — |
| (b) Earning in Foreign Currency | 19296 | — |

Note: The earning in foreign currency is from a customer situated in a Special Economic Zone and has agreed to pay in foreign currency as per contract term.

4. DEFERRED TAX ASSET

Major components of Deferred Tax Assets and Liabilities arising are:

| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|----------------------------------|--------------------|------------------------------------------|
| Deferred Tax Assets | | |
| (i) Depreciation | 1113 | — |
| (ii) Employee Benefits | 7017 | 1706 |
| (iii) Provision for Service Tax | — | 1020 |
| Total | 8130 | 2726 |
| Deferred Tax Liability | — | 1216 |
| Deferred Tax Assets (Net) | 8130 | 1510 |

SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

5. EMPLOYEE BENEFITS

(a) The Company has recognised the amounts in the Profit and Loss Account under the head Company's Contribution to Provident Fund: Rs. 48.67 lakhs (previous year : Rs. 30.51 lakhs)

(b) Defined Benefit Plan for gratuity as per actuarial valuation on 31st March, 2009. The details of the Company's Post- retirement benefit plans for the Gratuity for its employees are given above which is certified by the actuary and relied upon by the auditors.

| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-------------------------------------------------------------------------------------------------|--------------------|------------------------------------------|
| I. Expense recognised in the Profit and Loss Account for the year ended 31st March, 2009 | | |
| 1. Current Service Cost | 1128 | 917 |
| 2. Interest Cost | 603 | 471 |
| 3. Expected return on plan assets | (196) | (184) |
| 4. Actuarial Losses | 6117 | 1308 |
| 5. Total expense | 7652 | 2512 |
| | | |
| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
| II. Net Asset / (Liability) recognised in the Balance Sheet as at 31st March, 2009 | | |
| 1. Present value of Defined Benefit Obligation as at 31st March, 2008 | 15260 | 7591 |
| 2. Fair value of plan assets as at 31st March, 2008 | (3151) | (2451) |
| 3. Funded status [Surplus / (Deficit)] | (12109) | 5140 |
| 4. Net (assets) / liability as at 31st March, 2009 | 12109 | 5140 |
| | | |
| III. Change in Obligation during the Year ended 31st March, 2009 | | |
| 1. Present value of Defined Benefit Obligation at the beginning of the year | 7591 | 5148 |
| 2. Current Service Cost | 1128 | 917 |
| 3. Interest Cost | 603 | 472 |
| 4. Actuarial (Gains) / Losses | 6190 | 1321 |
| 5. Benefit Payments | (252) | (267) |
| 6. Present value of Defined Benefit Obligation at the end of the year | 15260 | 7591 |
| | | |
| IV. Change in Assets during the Year ended 31st March, 2009 | | |
| 1. Plan assets at the beginning of the year | 2451 | 1636 |
| 2. Expected return on plan assets | 196 | 184 |
| 3. Contributions by employers | 683 | 884 |
| 4. Actual benefits paid | (252) | (267) |
| 5. Actuarial Gains / (Losses) | 73 | 14 |
| 6. Plan assets at the end of the year | 3151 | 2451 |
| 7. Actual return on plan assets (2+5) | 269 | 198 |
| | | |
| V. Amount Recognised in the Balance Sheet | | |
| 1. Opening Liability | 5140 | 3512 |
| 2. Expenses as above (I) | 7652 | 2512 |
| 3. Employers Contribution | 683 | 884 |
| 4. Closing Net Liability | 12109 | 5140 |

SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-----------|
| VI. Actuarial Assumptions | | 31-3-2008 |
| 1. Mortality Table (LIC) | 1994-96 | 1994-96 |
| 2. Discount Rate | 7.60% | 8% |
| 3. Increase in Salary | 7% | 7% |
| 4. Rate of Return on Plan Assets | 7.50% | 7.50% |
| <p>(a) The Actuarial calculations used to estimate defined benefits commitments and expenses are based on the above assumptions which if changed would affect the defined benefit commitment's size, the funding requirement and expenses.</p> <p>(b) The estimates of future salary increases, considered in the actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.</p> <p>(c) Experience Adjustments: On Plan Liabilities- Rs. 56.60 lakhs (previous year : Rs. 13.60 lakhs).</p> <p>(d) On Plan Assets- Rs. 0.73 lakh (previous year : Rs. 0.14 lakh).</p> <p>(e) Expected Contribution in next financial year for defined benefits : Rs. 38 lakhs (previous year : Rs. 27 lakhs). Percentage of Total Plan Assets : 100% Insurer managed fund.</p> | | |

(6) RELATED PARTY DISCLOSURES**(A) List of Related Parties and Relationships****(I) Holding company**

Voltas Limited

(II) Other related parties where control/significant influence exists

Industrial Filtration Services

Kandoi Exports

(III) Key Managerial Personnel

Mr. Gopal M. Kandoi

Mr. Prashant G. Kandoi

Mr. Pramod Kumar Mishra (till 31st August, 2008)

(IV) Relatives of individuals having controlling interest/significant influence and enterprises over which Key Managerial Personnel are able to exercise significant influence

Mrs. Usha G. Kandoi

Mrs. Neeta Khemka

Gopal M. Kandoi (HUF)

Prashant G. Kandoi (HUF)

Mrs. Shikha P. Kandoi

Master Anant P. Kandoi

(V) Fellow subsidiary of the holding company (where transactions have taken place) - Nil**(B) Details of transactions with Related Parties referred to in (A) above in ordinary course of business :**

| Nature of Transaction | Rupees in '000s | | | |
|--------------------------------------|---------------------------------------------|--------------|--------|-------|
| | Related parties as referred to in (A) above | | | |
| | A(I) | A(II) | A(III) | A(IV) |
| (i) Purchases and Cost of Job | — | 651 | — | — |
| | (—) | (323) | (—) | (—) |
| (ii) Sales and Services | — | 29315 | — | — |
| | (—) | (24373) | (—) | (—) |

SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

(B) Details of transactions with Related Parties referred to in (A) above in ordinary course of business (contd.) :

| Nature of Transaction | Rupees in '000s | | | |
|-------------------------------------------------------------|---------------------------------------------|--------------|--------------|--------------|
| | Related parties as referred to in (A) above | | | |
| | A(I) | A(II) | A(III) | A(IV) |
| (iii) Expenditure | | | | |
| Interest Paid | — | — | 5303 | 2801 |
| | (—) | (—) | (2653) | (3826) |
| Salary, Wages | — | — | 7315 | 248 |
| | (—) | (—) | (3586) | (494) |
| Contribution to Provident Fund | — | — | 609 | 17 |
| | (—) | (—) | (311) | (37) |
| Commission | — | — | — | — |
| | (—) | (—) | (8779) | (—) |
| Incentive Remuneration | — | — | 12000 | — |
| | (—) | (—) | (—) | (—) |
| Travelling and Conveyance | — | — | — | — |
| | (—) | (—) | (—) | (258) |
| Rent Paid | — | — | 4785 | 1320 |
| | (—) | (—) | (240) | (480) |
| Legal and Professional Charges | 175 | — | — | — |
| | (—) | (—) | (—) | (—) |
| (iv) Finance and Investments | | | | |
| Loan Receipt | — | — | 84824 | 18240 |
| | (—) | (—) | (12141) | (14362) |
| Loan Payment | — | — | 37250 | 49841 |
| | (—) | (—) | (7860) | (13138) |
| (v) Sale of Fixed Assets | — | — | 17589 | 7611 |
| | (—) | (—) | (—) | (—) |
| (vi) Issue of Share Capital and Securities Premium | 50001 | — | — | — |
| | (—) | (—) | (—) | (—) |
| (vii) Surrender of Key man Insurance policy | — | — | — | — |
| | (—) | (—) | (—) | (—) |
| (viii) Outstanding balances at the close of the year | | | | |
| As Debtors | — | 16456 | — | — |
| | (—) | (14342) | (—) | (—) |
| As Creditors | — | — | 12000 | — |
| | (—) | (—) | (9296) | (62) |
| Unsecured Loans | — | — | 71955 | 3673 |
| | (—) | (—) | (24380) | (35274) |

Note : Figures in bracket are of previous year.

(C) Related Party Transaction Details

| Name of Party | Transaction Value | Rupees in '000s |
|-------------------------------------|-------------------|---------------------------|
| | | Transaction Value 2007-08 |
| 1. Purchases and Cost of Job | | |
| Industrial Filtration Services | 651 | 323 |
| 2. Sales and Services | | |
| Industrial Filtration Services | 29315 | 24373 |

SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

| (C) Related Party Transaction Details (contd.) | Transaction Value | Rupees in '000s Transaction Value 2007-08 |
|------------------------------------------------|-------------------|-------------------------------------------------|
| 3. Interest Paid | | |
| Mr. Gopal M. Kandoi | 4394 | 1379 |
| Mr. Prashant G. Kandoi | 909 | 1274 |
| Mrs. Usha G. Kandoi | 1115 | 1703 |
| Mrs. Shikha P. Kandoi | 845 | 844 |
| Mrs. Neeta Khemka | 332 | 422 |
| Gopal M. Kandoi (HUF) | 336 | 571 |
| Prashant G. Kandoi (HUF) | 78 | 129 |
| Master Anant P. Kandoi | 95 | 157 |
| | <u>8104</u> | <u>6479</u> |
| 4. Salary, Wages | | |
| Mr. Gopal M. Kandoi | 3540 | 1722 |
| Mr. Prashant G. Kandoi | 3507 | 1621 |
| Mr. Pramod Kumar Mishra | 268 | 243 |
| Mrs. Shikha P. Kandoi | 248 | 494 |
| | <u>7563</u> | <u>4080</u> |
| 5. Commission | | |
| Mr. Gopal M. Kandoi | — | 4390 |
| Mr. Prashant G. Kandoi | — | 4389 |
| | <u>—</u> | <u>8779</u> |
| 6. Incentive Remuneration Payable | | |
| Mr. Gopal M. Kandoi | 6000 | — |
| Mr. Prashant G. Kandoi | 6000 | — |
| | <u>12000</u> | <u>—</u> |
| 7. Travelling and Conveyance | | |
| Mrs. Usha G. Kandoi | — | 108 |
| Mrs. Neeta B. Khemka | — | 150 |
| | <u>—</u> | <u>258</u> |
| 8. Contribution to Provident Fund | | |
| Mr. Gopal M. Kandoi | 299 | 151 |
| Mr. Prashant G. Kandoi | 295 | 143 |
| Mr. Pramod Kumar Mishra | 15 | 17 |
| Mrs. Shikha P. Kandoi | 17 | 37 |
| | <u>626</u> | <u>348</u> |
| 9. Rent Paid | | |
| Mr. Prashant G. Kandoi | 4785 | 240 |
| Mrs. Usha G. Kandoi | 635 | 180 |
| Mrs. Shikha P. Kandoi | 635 | 180 |
| Gopal M. Kandoi (HUF) | 50 | 120 |
| | <u>6105</u> | <u>720</u> |
| 10. Legal and Professional Charges | | |
| Voltas Limited | 175 | — |
| 11. Loan Receipt | | |
| Mr. Gopal M. Kandoi | 52604 | 6146 |
| Mr. Prashant G. Kandoi | 32220 | 5995 |
| Mrs. Usha G. Kandoi | 2645 | 5648 |
| Mrs. Shikha P. Kandoi | 7395 | 2789 |
| Mrs. Neeta Khemka | 1925 | 3188 |
| Gopal M. Kandoi (HUF) | 1205 | 2385 |
| Prashant G. Kandoi (HUF) | 5020 | 112 |
| Master Anant P. Kandoi | 50 | 240 |
| | <u>103064</u> | <u>26503</u> |

SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

| (C) Related Party Transaction Details (contd.) | Transaction Value | Rupees in '000s Transaction Value 2007-08 |
|----------------------------------------------------------|--------------------------|----------------------------------------------------|
| 12. Loan Payment | | |
| Mr. Gopal M. Kandoi | 11237 | 4970 |
| Mr. Prashant G. Kandoi | 26013 | 2890 |
| Mrs. Usha G. Kandoi | 18619 | 3207 |
| Mrs. Shikha P. Kandoi | 13091 | 2200 |
| Mrs. Neeta Khemka | 6330 | 1808 |
| Gopal M. Kandoi (HUF) | 5364 | 3195 |
| Prashant G. Kandoi (HUF) | 4772 | 2228 |
| Master Anant P. Kandoi | 1665 | 500 |
| | 87091 | 20998 |
| 13. Sale of Fixed Assets | | |
| Mr. Prashant G. Kandoi | 17589 | — |
| Mrs. Usha G. Kandoi | 5700 | — |
| Mrs. Shikha P. Kandoi | 1911 | — |
| | 25200 | — |
| 14. Debtors | | |
| Industrial Filtration Services | 16456 | 14342 |
| 15. Amount Payable | | |
| Mr. Gopal M. Kandoi | 6000 | 4641 |
| Mr. Prashant G. Kandoi | 6000 | 4627 |
| Mr. Pramod Kumar Mishra | — | 28 |
| Mrs. Shikha P. Kandoi | — | 62 |
| | 12000 | 9358 |
| 16. Unsecured Loans | | |
| Mr. Gopal M. Kandoi | 53442 | 12075 |
| Mr. Prashant G. Kandoi | 18513 | 12305 |
| Mrs. Usha G. Kandoi | 212 | 16186 |
| Mrs. Shikha P. Kandoi | 2400 | 8096 |
| Gopal M. Kandoi (HUF) | 591 | 4750 |
| Prashant G. Kandoi (HUF) | 470 | 222 |
| Master Anant P. Kandoi | — | 1615 |
| Mrs. Neeta Khemka | — | 4405 |
| | 75628 | 59654 |
| 17. Issue of Share Capital and Securities Premium | | |
| Voltas Limited | 50001 | — |
| 7. EARNINGS PER SHARE (EPS) | | |
| | | 2007-08 |
| Profit after Tax (Rs. in '000s) | 117553 | 60730 |
| Weighted average number of Equity Shares Outstanding | 1793393 | 1750000 |
| Earnings Per Share (Rs.) – Basic | 65.55 | 34.70 |
| (Face value of Rs.10 per share) | | |

SCHEDULE 'P' : NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)**8. INVENTORIES - WORK-IN-PROGRESS**

In respect of long term Construction Contracts which are in progress as at the year end :

| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-----------------------------------------------------------------------------------|----------------------------|------------------------------------------|
| Aggregate amount of costs incurred and recognised profits | | |
| (Less recognised losses) up to 31st March, 2009 for all the contracts in progress | 1087107 | — |
| Advances received for such contracts in progress | 28751 | — |
| The amount of retentions due for such contracts | 66638 | — |
| The gross amount due from customers for such contracts | 97146 | — |
| The gross amount due to customers for such contracts | 27674 | — |

9. CURRENT LIABILITIES AND PROVISIONS

According to the information available with the Management, on the basis of intimation received from suppliers, regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006, the Company has amounts due to Micro and Small Enterprises under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31st March, 2009 as follows :

| | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------|
| 1. (a) Principal amount remaining unpaid to any supplier as on 31-3-2009 | 18678 | 680 |
| (b) Interest on 1(a) above | 206 | — |
| 2. (a) The amount of principal paid beyond the appointed date during 2008-09 | 49840 | 8662 |
| (b) The amount of Interest paid beyond the appointed date during 2008-09 | — | — |
| 3. Amount of interest due and payable on delayed payments | 569 | — |
| 4. Amount of interest accrued and due as at 31-3-2009 (1(b)+3) | 775 | — |
| 5. Amount of further interest remaining due and payable even in succeeding years (in case of entities registered prior to 31-3-2008) | — | — |
| 6. Total outstanding dues of Micro and Small Enterprises | | |
| – Principal | 18678 | 680 |
| – Interest | 775 | — |

10. SALES AND SERVICES

With regard to long-term construction contracts undertaken, the amount of net revenue recognised is Rs.10565.78 lakhs.

11. MANAGERIAL REMUNERATION

| | Rupees in '000s | 2007-08 Rupees in '000s |
|----------------------------|----------------------------|-------------------------------|
| As Salary, Wages and Bonus | 10336 | 3586 |
| As Provident Fund | 609 | 311 |
| As Commission | — | 8779 |
| As Incentive Remuneration | 12000 | — |
| | 22945 | 12676 |

Notes :

- Managerial remuneration does not include provision for compensated absences and gratuity as separate actuarial valuation for Directors is not available.
- Managerial remuneration of Rs. 30.08 lakhs in excess of the limit prescribed under the Companies Act, 1956 is subject to the approvals of the members in General Meeting and the Central Government.

12. AUDITORS' REMUNERATION IN OTHER CAPACITY

| | 2007-08 Rupees in '000s | 2007-08 Rupees in '000s |
|------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| Tax Audit Fees | 240 | 250 |
| Other Services | 275 | 36 |
| [Excluding Service Tax set off of Rs. 1.35 lakhs (2007-08 : Rs. 0.59 lakhs)] | | |
| | <u>515</u> | <u>286</u> |

13. DETAILS OF COSTS ALLOCATED TO COST OF SALES, SERVICES AND EXPENSES

| | 2007-08 Rupees in '000s | 2007-08 Rupees in '000s |
|--------------------------------------------------------|-------------------------------|-------------------------------|
| Rent | 6387 | 4979 |
| Repairs to Plant and Machinery | 1287 | 397 |
| Welfare Expenses | 1031 | 857 |
| Stationery, Postage, Telex and Telephone | 4220 | 2441 |
| Forwarding Charges | 18149 | 11209 |
| Legal and Professional Charges | 3164 | 2829 |
| Travelling and Conveyance | 11049 | 8028 |
| Sub-Contractor ESIC/PF/PT (Included in Other Expenses) | 3339 | 2043 |
| | <u>48626</u> | <u>32783</u> |

14. Information in regard to Purchases, Sales, Opening Stocks and Closing Stocks:

(A) Purchases (Other than Raw Materials and Components) and Sales:

| Class of Goods | Unit of Measurement | Purchases | | | | Sales | | | |
|----------------|---------------------|------------|------------------|-----------------|-------------------------|------------|------------------|-----------------|-------------------------|
| | | Quantity | Quantity 2007-08 | Rupees in '000s | Rupees in '000s 2007-08 | Quantity | Quantity 2007-08 | Rupees in '000s | Rupees in '000s 2007-08 |
| Panel | Number | 579 | 141 | 120547 | 47282 | 579 | 141 | 158720 | 89495 |
| Transformer | Number | 84 | 19 | 41876 | 63873 | 84 | 19 | 72458 | 102559 |
| Cable | | — | — | 192792 | 70646 | — | — | 217104 | 97633 |
| Cable Tray | | — | — | 69820 | 23185 | — | — | 83264 | 30257 |
| Others | | — | — | 238288 | 210613 | — | — | 354048 | 382942 |
| | | <u>663</u> | <u>160</u> | <u>663323</u> | <u>415599</u> | <u>663</u> | <u>160</u> | <u>885594</u> | <u>702886</u> |

(B) Opening and Closing Stocks:

| Class of Goods | Unit of Measurement | Opening Stock | | | | Closing Stock | | | |
|----------------|---------------------|---------------|------------------|-----------------|-------------------------|---------------|------------------|-----------------|-------------------------|
| | | Quantity | Quantity 2007-08 | Rupees in '000s | Rupees in '000s 2007-08 | Quantity | Quantity 2007-08 | Rupees in '000s | Rupees in '000s 2007-08 |
| Cable | | — | — | 837 | 7283 | — | — | 5152 | 837 |
| Cable tray | | — | — | 347 | 248 | — | — | 430 | 347 |
| Others | | — | — | 2805 | 2081 | — | — | 11651 | 2805 |
| | | <u>—</u> | <u>—</u> | <u>3989</u> | <u>9612</u> | <u>—</u> | <u>—</u> | <u>17233</u> | <u>3989</u> |

15. The Company became Public Limited Company from Private Limited Company with effect from 4th September, 2008.

16. Previous year figures have been re-grouped/re-arranged wherever necessary.

For and on behalf of the Board
 Directors **P. N. Dhume**
Prashant G. Kandoi
Gopal M. Kandoi
A. K. Joshi
Prasanna Pahade
 Mumbai, 4th May, 2009

METROVOL FZE

Directors :

A. Soni (Chairman)

P. N. Dhume

N. Visvanathan

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors present their Fifteenth Annual Report and the Accounts for the year ended 31st March, 2009.

2. The Company recorded turnover of Dirhams (AED) 27.945 million for the year ended 31st March, 2009, as compared to AED 28.024 million in the previous year. The profit for the year under review was lower at AED 0.382 million as compared to AED 0.708 million in the previous year, mainly due to increase in operating costs. The Directors recommend dividend of 25% aggregating AED 0.500 million for the year ended 31st March, 2009, same as last year.
3. M/s. PKF, (formerly known as 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, 28th April, 2009

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, 2009, 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, 2009, 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.

PKF

Dubai,
United Arab Emirates
20th April, 2009

BALANCE SHEET AS AT 31ST MARCH, 2009

| | Notes | AED | As at 31-3-2008 AED | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-----------------------------------|-------|------------------------|---------------------------|----------------------|------------------------------------------|
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 3 | <u>20100</u> | <u>76213</u> | <u>279</u> | <u>827</u> |
| CURRENT ASSETS | | | | | |
| Inventories | 4 | 870599 | 702408 | 12093 | 7621 |
| Trade and other receivables | 5 | 8119171 | 9484504 | 112775 | 102907 |
| Cash and cash equivalents | 7 | 3089345 | 2085612 | 42911 | 22629 |
| Other current financial assets | 8 | 161750 | 161750 | 2247 | 1755 |
| | | <u>12240865</u> | <u>12434274</u> | <u>170026</u> | <u>134912</u> |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 9 | 5384471 | 5581402 | 74790 | 60558 |
| Amount due to related parties | 6 | 493414 | 503012 | 6854 | 5458 |
| | | <u>5877885</u> | <u>6084414</u> | <u>81644</u> | <u>66016</u> |
| NET CURRENT ASSETS | | 6362980 | 6349860 | 88382 | 68896 |
| NON-CURRENT LIABILITY | | | | | |
| Staff end-of-service gratuity | 11 | (298141) | (222729) | (4141) | (2417) |
| | | <u>6084939</u> | <u>6203344</u> | <u>84520</u> | <u>67306</u> |
| SHAREHOLDERS' EQUITY FUNDS | | | | | |
| Share Capital | 12 | 2000000 | 2000000 | 27780 | 21700 |
| General Reserve | | 2057931 | 2057931 | 28585 | 22328 |
| Retained Earnings | | 2027008 | 2145413 | 28155 | 23278 |
| | | <u>6084939</u> | <u>6203344</u> | <u>84520</u> | <u>67306</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.13.89, being the exchange rate prevailing on 31st March, 2009. Previous year figures have been converted @ 1 AED = Rs.10.85, being the exchange rate prevailing on 31st March, 2008.

Dubai, 28th April, 2009

Directors

A. Soni
P. N. Dhume
N. Visvanathan

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

| | Notes | AED | 2007-08 AED | Rupees in '000s | 2007-08 Rupees in '000s |
|-----------------------------------------|-------|--------------------------|-------------------|------------------------|-------------------------------|
| Revenue | | 27945160 | 28024120 | 345682 | 318074 |
| Cost of sales | 14 | <u>(25707055)</u> | <u>(25907331)</u> | <u>(317996)</u> | <u>(294048)</u> |
| Gross Profit | | 2238105 | 2116789 | 27686 | 24026 |
| Other Operating Income | 15 | <u>766272</u> | <u>765580</u> | <u>9479</u> | <u>8689</u> |
| Gross Income | | 3004377 | 2882369 | 37165 | 32715 |
| Staff Costs | 16 | (1236774) | (1083049) | (15299) | (12292) |
| Depreciation | | (57693) | (71152) | (714) | (808) |
| Other Operating Expenses | 17 | <u>(1358252)</u> | <u>(1117183)</u> | <u>(16802)</u> | <u>(12680)</u> |
| Profit from Operating Activities | | 351658 | 610985 | 4350 | 6935 |
| Interest Income on bank deposits | | 29937 | 96767 | 370 | 1098 |
| Profit for the year | | <u>381595</u> | <u>707752</u> | <u>4720</u> | <u>8033</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. 12.37, being the average of the exchange rates prevailing on 31st March, 2008 (1 AED = Rs. 10.85) and as on 31st March, 2009 (1 AED = Rs. 13.89). Previous year figures have been converted @ 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).

Dubai, 28th April, 2009

Directors

A. Soni
P. N. Dhume
N. Visvanathan

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2009

| | 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 31-3-2007 | 2000000 | 23700 | 2057931 | 24386 | 1937661 | 22961 | 5995592 | 71047 |
| Profit for the year | — | — | — | — | 707752 | 8033 | 707752 | 8033 |
| Dividends of 2007 paid | — | — | — | — | (500000) | (5925) | (500000) | (5925) |
| As at 31-3-2008 | 2000000 | 21700 | 2057931 | 22328 | 2145413 | 23278 | 6203344 | 67306 |
| Profit for the year | — | — | — | — | 381595 | 4720 | 381595 | 4720 |
| Dividends paid and declared during the year | — | — | — | — | (500000) | (5425) | (500000) | (5425) |
| As at 31-3-2009 | 2000000 | 27780 | 2057931 | 28585 | 2027008 | 28155 | 6084939 | 84520 |

*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, 2009

| | Notes | AED | 2007-08 AED | Rupees in '000s | 2007-08 Rupees in '000s |
|---------------------------------------------------------------------|-------|-----------------|------------------|--------------------|-------------------------------|
| Cash flows from operating activities | | | | | |
| Cash generated from/(used in) operations | 18 | 1475376 | (851566) | 18250 | (9665) |
| Net cash from/(used in) operating activities (A) | | 1475376 | (851566) | 18250 | (9665) |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | | (1580) | (13396) | (22) | (145) |
| Increase in current financial asset | | — | (24000) | — | (123) |
| Interest received | | 29937 | 96767 | 370 | 1098 |
| Net cash from/(used in) investing activities (B) | | 28357 | 59371 | 348 | 830 |
| Cash flows from financing activities | | | | | |
| Dividends paid | | (500000) | (500000) | (5425) | (5925) |
| Net cash used in financing activities (C) | | (500000) | (500000) | (5425) | (5925) |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | | 1003733 | (1292195) | 20282 | (17398) |
| Cash and cash equivalents at beginning of year | | 2085612 | 3377807 | 22629 | 40027 |
| Cash and cash equivalents at end of year | 7 | 3089345 | 2085612 | 42911 | 22629 |

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009

1. LEGAL STATUS AND BUSINESS ACTIVITY

- (a) 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.
- (b) The establishment trades in mechanical and industrial machinery, engineering goods and allied products. It also acts as sales agent for manufacturers of various products.
- (c) 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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

Current financial liabilities, which comprise 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.

(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 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:

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 1033295 (Rs. 14352468) [previous year : AED 798039 (Rs. 8658723)] 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 665340 (Rs. 9241573) [previous year : AED 467844 (Rs. 5076107)] and amounts impaired AED 350625 (Rs. 4870181) [previous year : AED 59934 (Rs. 650284)]. 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 298141 (Rs. 4141178) [previous year : AED 222729 (Rs. 2416610)] 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, 2009 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)

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

Amendment to IAS 16 : Property, Plant and equipment (1st January, 2009)

Amendment to IAS 32 : Financial Instrument: Presentation (1st January, 2009)

Amendment to IAS 36 : Impairment of assets (1st January, 2009)

Amendment to IAS 39 : Financial Instruments: Recognition and Measurement (1st January, 2009)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

3. PROPERTY, PLANT AND EQUIPMENT

| | Lease office improvements | | Plant, Machinery and 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 31-3-2008 | | | | | | | | | | |
| 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 |
| As at 31-3-2009 | | | | | | | | | | |
| Cost | 85965 | 1194 | 14500 | 201 | 209736 | 2914 | 305400 | 4242 | 615601 | 8551 |
| Accumulated depreciation | (85965) | (1194) | (12740) | (177) | (194133) | (2697) | (302663) | (4204) | (595501) | (8272) |
| Net book value | — | — | 1760 | 24 | 15603 | 217 | 2737 | 38 | 20100 | 279 |
| Reconciliation of net book value | | | | | | | | | | |
| As at 31-3-2007 | | | | | | | | | | |
| 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 |
| Additions | — | — | 1580 | 22 | — | — | — | — | 1580 | 22 |
| Depreciation for the year | — | — | (1327) | (17) | (15275) | (189) | (41091) | (508) | (57693) | (714) |
| As at 31-3-2009 | — | — | 1760 | 24 | 15603 | 217 | 2737 | 38 | 20100 | 279 |

Note : The office lease is renewable annually.

4. INVENTORIES

| | AED | As at 31-3-2008 AED | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-------------------------------------------|-----------------|------------------------|-----------------|------------------------------------|
| Goods held for sale | 1033295 | 798039 | 14353 | 8659 |
| Less: Provision for slow moving inventory | (162696) | (95631) | (2260) | (1038) |
| | 870599 | 702408 | 12093 | 7621 |

5. TRADE AND OTHER RECEIVABLES

| | AED | As at 31-3-2008 AED | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|---------------------------------------|-----------------|------------------------|-----------------|------------------------------------|
| Trade receivables* | 8214772 | 8766187 | 114103 | 95113 |
| Less: Provision for doubtful accounts | (350625) | (59934) | (4870) | (650) |
| | 7864147 | 8706253 | 109233 | 94463 |
| Prepayments | 163050 | 156434 | 2265 | 1697 |
| Advances and other receivables | 46605 | 576445 | 647 | 6255 |
| Deposits | 45369 | 45372 | 630 | 492 |
| | 8119171 | 9484504 | 112775 | 102907 |

*Includes commission receivable of AED 389745 (Rs. 5413558) [previous year : AED 602236 (Rs. 6534261)].

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

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

| | | | | |
|--------------------------------------|----------------|--------|--------------|------|
| Opening balance | 59934 | 19928 | 650 | 236 |
| Provisions made during the year | 350625 | 45006 | 4870 | 488 |
| Less: Amounts recovered/written back | (14928) | (5000) | (185) | (54) |
| Less: Amounts written off | (45006) | — | (557) | — |
| Closing balance | 350625 | 59934 | 4870 | 650 |

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 as follows :

| | AED | As at 31-3-2008 AED | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|------------------------------------------------|---------------|---------------------------|--------------------|------------------------------------------|
| Included in trade and other receivables | | | | |
| Parent Company | — | — | — | — |
| Other Related parties | 645496 | 1337370 | 8966 | 14510 |
| | 645496 | 1337370 | 8966 | 14510 |
| Included in trade and other payables | | | | |
| Parent Company | 11131 | 432440 | 155 | 4692 |
| Other Related parties | — | — | — | — |
| | 11131 | 432440 | 155 | 4692 |
| Disclosed as due to related parties | | | | |
| Parent Company | — | — | — | — |
| Other Related parties | 493414 | 503012 | 6854 | 5458 |
| | 493414 | 503012 | 6854 | 5458 |

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

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

| | AED | As at 31-3-2008 AED | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|---------------------------------------------------------|---------------|---------------------------|--------------------|------------------------------------------|
| Sales | 177423 | 1714167 | 2195 | 19456 |
| Director's remuneration and benefits | 285930 | 222653 | 3537 | 2527 |
| Transfer of provision for staff end-of-service gratuity | 7956 | 6569 | 111 | 71 |

7. CASH AND CASH EQUIVALENTS

| | AED | As at 31-3-2008 AED | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|--------------------|----------------|---------------------------|--------------------|------------------------------------------|
| Cash on hand | 1707 | 7833 | 24 | 85 |
| Bank balances: | | | | |
| – Current accounts | 1538466 | 164799 | 21369 | 1788 |
| – Call deposits | 493593 | 292868 | 6856 | 3178 |
| – Fixed deposits | 1055579 | 1620112 | 14662 | 17578 |
| | 3089345 | 2085612 | 42911 | 22629 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

| | AED | As at 31-3-2008 AED | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------------|--------------------|------------------------------------------|
| 8. OTHER CURRENT FINANCIAL ASSETS | | | | |
| Margin deposits | 161750 | 161750 | 2247 | 1755 |
| | | | | |
| | AED | As at 31-3-2008 AED | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
| 9. TRADE AND OTHER PAYABLES | | | | |
| Trade payables | 4210013 | 3944736 | 58477 | 42800 |
| Accruals | 781916 | 627189 | 10861 | 6805 |
| Advances received from customers | 381411 | 759975 | 5298 | 8246 |
| Other payables | 11131 | 249502 | 154 | 2707 |
| | 5384471 | 5581402 | 74790 | 60558 |
| 10. DIVIDEND | | | | |
| Dividends paid during the year of AED 500000 (Rs. 5425000) [previous year : AED 500000 (Rs. 5925000)] represent dividend per share of AED 500000 (Rs. 5425000) [previous year : AED 500000 (Rs. 5925000)]. | | | | |
| | | | | |
| | AED | As at 31-3-2008 AED | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
| 11. PROVISION FOR STAFF END-OF-SERVICE GRATUITY | | | | |
| Opening balance | 222729 | 188518 | 2417 | 2234 |
| Add: Provision during the year | 71551 | 65549 | 885 | 744 |
| Transfer from a related party | 7956 | 6569 | 111 | 71 |
| Less: Paid during the year | (4095) | (37907) | (51) | (632) |
| | 298141 | 222729 | 4141 | 2417 |
| | | | | |
| | AED | As at 31-3-2008 AED | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
| 12. SHARE CAPITAL | | | | |
| Issued and paid-up: | | | | |
| 1 share of AED 2000000 | 2000000 | 2000000 | 27780 | 21700 |
| 13. MANAGEMENT OF CAPITAL | | | | |
| The establishment's 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 0.39 to 1 (previous year: 0.55 to 1). | | | | |
| | | | | |
| | AED | 2007-08 AED | Rupees in '000s | 2007-08 Rupees in '000s |
| 14. COST OF SALES | | | | |
| Inventory, beginning of the year | 798039 | 721144 | 8659 | 8546 |
| Add: Purchases (including direct expenses) | 25942311 | 25984226 | 323690 | 294161 |
| | 26740350 | 26705370 | 332349 | 302707 |
| Less: Inventory, end of the year | (1033295) | (798039) | (14353) | (8659) |
| | 25707055 | 25907331 | 317996 | 294048 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

| | AED | 2007-08 AED | Rupees in '000s | 2007-08 Rupees in '000s |
|------------------------------------|---------------|----------------|--------------------|-------------------------------|
| 15. OTHER OPERATING INCOME | | | | |
| Commission income | 711228 | 748800 | 8798 | 8499 |
| Recovery of bad debts/written back | 14928 | 5000 | 185 | 56 |
| Miscellaneous income | 40116 | 11780 | 496 | 134 |
| | <u>766272</u> | <u>765580</u> | <u>9479</u> | <u>8689</u> |

The commission income represents commission earned on indenting orders amounting to AED 23337023 (Rs. 288678975) [previous year : AED 18613074 (Rs. 211258390)] executed during the year.

| | AED | 2007-08 AED | Rupees in '000s | 2007-08 Rupees in '000s |
|--------------------------------------|----------------|----------------|--------------------|-------------------------------|
| 16. STAFF COSTS | | | | |
| Director's remuneration and benefits | 285930 | 222653 | 3537 | 2527 |
| Staff salaries and benefits | 879293 | 794847 | 10877 | 9021 |
| Staff end-of-service gratuity | 71551 | 65549 | 885 | 744 |
| | <u>1236774</u> | <u>1083049</u> | <u>15299</u> | <u>12292</u> |

| | AED | 2007-08 AED | Rupees in '000s | 2007-08 Rupees in '000s |
|-------------------------------------|----------------|----------------|--------------------|-------------------------------|
| 17. OTHER OPERATING EXPENSES | | | | |
| Rent | 542081 | 541858 | 6706 | 6150 |
| Provision for doubtful accounts | 350625 | 45006 | 4337 | 511 |
| Provision for inventory | 67065 | — | 830 | — |
| Other expenses | 398481 | 530319 | 4929 | 6019 |
| | <u>1358252</u> | <u>1117183</u> | <u>16802</u> | <u>12680</u> |

| | AED | 2007-08 AED | Rupees in '000s | 2007-08 Rupees in '000s |
|----------------------------------------------------------------------------|----------------|-----------------|--------------------|-------------------------------|
| 18. CASH/GENERATED FROM (USED IN) OPERATIONS | | | | |
| Profit for the year | 381595 | 707752 | 4720 | 8033 |
| Adjustments for : | | | | |
| Depreciation of property, plant and equipment | 57693 | 71152 | 714 | 808 |
| Net book value of assets scrapped and written off | — | 8996 | — | 98 |
| Interest income | (29937) | (96767) | (370) | (1098) |
| Operating profit before changes in operating assets and liabilities | <u>409351</u> | <u>691133</u> | <u>5064</u> | <u>7841</u> |
| Increase in inventories | (168191) | (76895) | (4472) | (209) |
| Decrease/(Increase) in trade and other receivables | 1365333 | (2138267) | 9868 | (15854) |
| (Decrease)/Increase in trade and other payables | (196931) | 649787 | (14232) | 2118 |
| Decrease in amounts due to related parties | (9598) | (11535) | (1396) | (639) |
| Increase in staff gratuity provision | 75412 | 34211 | 1724 | 183 |
| | <u>1475376</u> | <u>(851566)</u> | <u>18250</u> | <u>(9665)</u> |

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 Dollars 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2009 (contd.)

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 31-3-2008 AED | As at 31-3-2008 AED | As at 31-3-2008 Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|--------------------|---------------------------|---------------------------|------------------------------------------|------------------------------------------|
| AGCC countries | 3373150 | 2839297 | 46853 | 30806 |
| Asian countries | 158453 | 343302 | 2201 | 3725 |
| African countries | 688451 | 107494 | 9563 | 1166 |
| European countries | 257656 | 277223 | 3579 | 3008 |
| | 4477710 | 3567316 | 62196 | 38705 |

At the balance sheet date 37% of trade receivables were due from two customers (previous year : 14% due from one customer).

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

| | As at 31-3-2008 AED | As at 31-3-2008 AED | As at 31-3-2008 Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|--------------------------|---------------------------|---------------------------|------------------------------------------|------------------------------------------|
| Chemicals | 2025830 | 3374825 | 28139 | 36617 |
| Engineering | 3151023 | 3315740 | 43768 | 35976 |
| FMCG | 2916875 | 1266621 | 40515 | 13743 |
| 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 31-3-2008 AED | As at 31-3-2008 AED | As at 31-3-2008 Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|------------------------------------|---------------------------|---------------------------|------------------------------------------|------------------------------------------|
| Current account and fixed deposits | 289053 | 136054 | 4015 | 1476 |
| Trade payables | 5548 | 667424 | 77 | 7242 |

Reasonably possible changes to exchange rates at the balance sheet date are unlikely to have 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 financial assets and financial liabilities which are required to be stated at cost or at amortised cost, approximate to their carrying values.

| | As at 31-3-2008 AED | As at 31-3-2008 AED | As at 31-3-2008 Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-----------------------------------------------------|---------------------------|---------------------------|------------------------------------------|------------------------------------------|
| 20. CONTINGENT LIABILITIES | | | | |
| Bankers' letters of guarantee | 307762 | 307762 | 4275 | 3339 |
| Unutilised balances of commercial letters of credit | 2600612 | 3590147 | 36123 | 38953 |

Directors

A. Soni
P. N. Dhume
N. Visvanathan

Dubai, 28th April, 2009

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 Tenth Annual Report and the Accounts for the year ended 31st March, 2009.

2. The Company has for the year ended 31st March, 2009 earned higher profit of Euro 0.769 million as compared to Euro 0.515 million in the previous year. The Directors recommend dividend of 25% aggregating Euro 0.155 million for the year ended 31st March, 2009, same as last year.
3. M/s. PKF Wallast, Accountants & Business Advisors, the retiring Auditors, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

Dubai, 28th April, 2009

A. Soni
Chairman

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, 2009, 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, 2009 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 for consolidation purposes 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

Schiphol- Rijk, 21st April, 2009

BALANCE SHEET AS AT 31ST MARCH, 2009

| | Euro | As at 31-3-2008 Euro | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|------------------------------------------------------------------------|-----------------|----------------------------|--------------------|------------------------------------------|
| SOURCES OF FUNDS | | | | |
| Share Capital | 618729 | 618729 | 41888 | 38961 |
| Reserves and Surplus | 1173958 | 559952 | 79477 | 35260 |
| Shareholders' Funds | 1792687 | 1178681 | 121365 | 74221 |
| APPLICATION OF FUNDS | | | | |
| Participations (at cost) | | | | |
| Voice Antilles N.V. | 414661 | 414661 | 28073 | 26111 |
| Saudi Ensas Company for Engineering Services W.L.L. | 160788 | 160788 | 10885 | 10125 |
| Lalbuksh Voltas Engineering Services & Trading L.L.C. | 25934 | 25934 | 1756 | 1633 |
| | 601383 | 601383 | 40714 | 37869 |
| Less: Depreciation-Saudi Ensas Company for Engineering Services W.L.L. | (160788) | (160788) | (10885) | (10125) |
| | 440595 | 440595 | 29829 | 27744 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | | |
| Receivables from group companies | 775734 | 283891 | 52517 | 17877 |
| Current Assets | — | 2766 | — | 174 |
| Bank Balances | 602895 | 485932 | 40816 | 30599 |
| Less: Current Liabilities and Provisions | (26537) | (34503) | (1797) | (2173) |
| Net Current Assets | 1352092 | 738086 | 91536 | 46477 |
| | 1792687 | 1178681 | 121365 | 74221 |

Note : The Balance Sheet has been converted into Indian Rupees @ 1 Euro = Rs. 67.70 being the exchange rate prevailing as on 31st March, 2009. Previous year figures have been converted into Indian Rupees @ 1 Euro = Rs. 62.97 being the exchange rate prevailing as on 31st March, 2008.

Dubai, 28th April, 2009

Directors
A. Soni
P. N. Dhume

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

| | Euro | 2007-08 Euro | Rupees in '000s | 2007-08 Rupees in '000s |
|------------------------------------------------|----------------|-----------------|--------------------|-------------------------------|
| OTHER INCOME | | | | |
| Dividends from participations | 690799 | 582586 | 45137 | 35264 |
| EXPENSES | | | | |
| Operating and Administrative Expenses | (54163) | (36281) | (3539) | (2196) |
| Financial results | 132052 | (30853) | 8628 | (1868) |
| | 77889 | (67134) | 5089 | (4064) |
| Profit before extraordinary items and taxation | 768688 | 515452 | 50226 | 31200 |

Note : The Profit and Loss Account have been converted into Indian Rupees @ 1 Euro = Rs. 65.34 being the average of the exchange rates prevailing as on 31st March, 2008 (1 Euro = Rs. 62.97) and as on 31st March, 2009 (1 Euro = Rs. 67.70). Previous year figures 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).

Dubai, 28th April, 2009

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, 2008 upto and including 31st March, 2009.

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 | 28073 |
| Saudi Ensas Company for Engineering Services W.L.L. | 39 | 160788 | 10885 |
| Lalbuksh Voltas Engineering Services & Trading L.L.C. | 29 | 25934 | 1756 |
| Total acquisition costs | | 601383 | 40714 |
| Less: Depreciation-Saudi Ensas Company for Engineering Services W.L.L. | | (160788) | (10885) |
| | | <u>440595</u> | <u>29829</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

| | Euro | Rupees in '000s |
|--------------------------------------------|----------------|--------------------|
| Balance as per 31st March, 2008 | 559952 | 35260 |
| Profit for the year ended 31st March, 2009 | 768688 | 50226 |
| Dividend bookyear 2007/2008 | (154682) | (6009) |
| Balance as per 31st March, 2009 | <u>1173958</u> | <u>79477</u> |

Receivables from group companies

| | Euro | Rupees in '000s |
|-------------------------------------------------------------------------------------------------|---------------|--------------------|
| Loan to Saudi Ensas Company for Engineering Services W.L.L. | 176134 | 11924 |
| Dividend to be received from Voice Antilles N.V. | 599600 | 40593 |
| Dividend to be received from Saudi Ensas Company for Engineering Services W.L.L. | 43068 | 2916 |
| Less: Provision on Dividend receivable from Saudi Ensas Company for Engineering Services W.L.L. | (43068) | (2916) |
| Balance as per 31st March, 2009 | <u>775734</u> | <u>52517</u> |

Dubai, 28th April, 2009

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 Tenth Annual Report and the Accounts for the year ended 31st March, 2009.

2. The Company earned an income of USD 0.641 million and after meeting its operating and administrative expenses, reported a net profit of USD 0.626 million for the year under review as compared to a profit of USD 0.628 million in the previous year. The Directors recommend dividend of 200% aggregating USD 0.800 million for the year ended 31st March, 2009, same as last year.
3. M/s. Deloitte & Touche, the retiring Auditors, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

Dubai, 28th April, 2009

A. Soni
Chairman

AUDITORS' REPORT

TO THE SHAREHOLDERS OF VOICE ANTILLES N.V.

Introduction

We have audited the accompanying financial statements of **Voice Antilles N.V.**, established in the Netherlands Antilles and a wholly owned subsidiary of VIL Overseas Enterprises B. V. in the Netherlands, which comprise the balance sheet as at 31st March, 2009, profit and loss account and statement of cash flow for the year then ended and the notes. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Dutch Law. This law requires that we plan and perform the audit to obtain reasonable assurance 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 31st March, 2009 financial statements of **Voice Antilles N.V.** have been prepared, in all material respects, in accordance with the accounting policies selected and disclosed by the Company, as set out in the notes to the financial statements.

Other matter - restriction of use and distribution

The financial statements of **Voice Antilles N.V.** and our auditors' report thereon are intended solely for the Shareholder, Board of Directors of Voice Antilles N.V. and are not suitable for other purposes.

Deloitte & Touche Netherlands Antilles & Aruba

Marcelino M. Quant, CPA

*Curacao, Netherlands Antilles,
12th May, 2009*

BALANCE SHEET AS AT 31ST MARCH, 2009

| | Notes | USD | As at 31-3-2008 USD | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|--------------------------------------------|-------|-----------------|---------------------------|--------------------|------------------------------------------|
| ASSETS | | | | | |
| Financial Fixed Assets | | | | | |
| Investment in associate | 3 | 390000 | 390000 | 19905 | 15543 |
| CURRENT ASSETS | | | | | |
| Time Deposits | 5 | 39177 | 250695 | 2000 | 9991 |
| Interest Receivable | | — | 325 | — | 13 |
| Dividend Receivable | | 640650 | 640244 | 32699 | 25517 |
| Cash at Bank | 6 | 657205 | 1496 | 33544 | 60 |
| Total Current Assets | | 1337032 | 892760 | 68243 | 35581 |
| Total Assets | | 1727032 | 1282760 | 88148 | 51124 |
| SHAREHOLDERS' EQUITY | | | | | |
| Share Capital | 7 | 400000 | 400000 | 20416 | 15942 |
| Retained Earnings | | (114135) | 57941 | (5825) | 2309 |
| Profit/(Loss) for the year | | 625529 | 627924 | 31927 | 25026 |
| Total Shareholders' equity | | 911394 | 1085865 | 46518 | 43277 |
| CURRENT LIABILITIES | | | | | |
| Accounts Payable | | 6569 | 4541 | 335 | 181 |
| Provision for profit taxes | | 9069 | 11267 | 463 | 449 |
| Final / Interim Dividend | | 800000 | 181087 | 40832 | 7217 |
| Total current liabilities | | 815638 | 196895 | 41630 | 7847 |
| Total Shareholders' equity and liabilities | | 1727032 | 1282760 | 88148 | 51124 |

Note : The Balance Sheet has been converted into Indian Rupees @ 1 USD = Rs. 51.040 being the exchange rate prevailing as on 31st March, 2009. Previous year figures have been converted @ 1 USD = Rs. 39.855 being the exchange rate prevailing as on 31st March, 2008.

Dubai, 28th April, 2009

Directors

A. Soni
P. N. Dhume

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

| | USD | 2007-08 USD | Rupees in '000s | 2007-08 Rupees in '000s |
|--------------------------------------------|---------------|----------------|--------------------|-------------------------------|
| FINANCIAL INCOME / (EXPENSES) | | | | |
| Dividend Income | 640650 | 640244 | 29116 | 26688 |
| Interest Income | 18 | 4648 | 1 | 194 |
| Total financial income | 640668 | 644892 | 29117 | 26882 |
| GENERAL AND ADMINISTRATIVE EXPENSES | | | | |
| Management Fee | 1485 | 1485 | 67 | 62 |
| Audit Fee | 2500 | 2500 | 114 | 104 |
| Time spent | 3073 | 2281 | 140 | 95 |
| Administration services | 1000 | 538 | 45 | 22 |
| Tax services | 700 | 350 | 32 | 15 |
| Bank charges | 344 | 414 | 16 | 17 |
| Exchange currency differences | 1146 | 3330 | 52 | 139 |
| Miscellaneous expenses | 423 | 1468 | 19 | 61 |
| | 10671 | 12366 | 485 | 515 |
| Gross Profit | 629997 | 632526 | 28632 | 26367 |
| Profit tax | (4468) | (4602) | (203) | (192) |
| Net Profit | 625529 | 627924 | 28429 | 26175 |

Note : The Profit and Loss Account have been converted into Indian Rupees @1 USD = Rs. 45.448 being the average of the exchange rates prevailing as on 31st March, 2008 (1 USD = Rs. 39.855) and as on 31st March, 2009 (1 USD = Rs. 51.040). Previous year figures 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).

Dubai, 28th April, 2009

Directors

A. Soni
P. N. Dhume

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

| | USD | 2007-08 USD | Rupees in '000s | 2007-08 Rupees in '000s |
|--------------------------------------------|------------------------|-----------------|----------------------|-------------------------------|
| Result for the year | 625529 | 627924 | 28429 | 26175 |
| Final/Interim Dividend | (800000) | (800000) | (40832) | (31884) |
| | <u>(174471)</u> | <u>(172076)</u> | <u>(3241)</u> | <u>(11462)</u> |
| (Increase)/Decrease in current liabilities | (618743) | (7630) | (33783) | (389) |
| Increase/(Decrease) in pecuniary sources | 444272 | (164446) | 30542 | (11073) |
| | <u>(174471)</u> | <u>(172076)</u> | <u>(3241)</u> | <u>(11462)</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.

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

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 31-3-2008 USD | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|------------------------------|--------------|---------------|------------------------|-----------------|------------------------------------|
| Universal Voltas LLC, U.A.E. | 49 | <u>390000</u> | <u>390000</u> | <u>19905</u> | <u>15543</u> |

4. **Dividend Income**

Dividend Income is recognized when declared.

5. **Time Deposit**

Time deposit comprise one short-term bank deposit with maturity date of 20th April, 2009 with an interest rate on time deposit of 0.21% p.a.

6. **Cash at bank**

| | USD | As at 31-3-2008 USD | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|------------------------------------|---------------|------------------------|-----------------|------------------------------------|
| First Caribbean International Bank | <u>657205</u> | <u>1496</u> | <u>33544</u> | <u>60</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 31-3-2008 USD | Rupees in '000s | As at 31-3-2008 Rupees in '000s |
|-------------------------------------------------|----------------------|------------------------|---------------------|------------------------------------|
| Balance as per 1st April | 685865 | 857941 | 27335 | 37333 |
| Dividend declared | (800000) | (800000) | (40832) | (31884) |
| Result according to the profit and loss account | 625529 | 627924 | 28429 | 26175 |
| Balance as at 31st March | <u>511394</u> | <u>685865</u> | <u>26102</u> | <u>27335</u> |

Dubai, 28th April, 2009

Directors

A. Soni
P. N. Dhume

WEATHERMAKER LIMITED

Directors :

P. N. Dhume
Shaukat Ali Mir

DIRECTORS' REPORT TO THE MEMBERS

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

2. Despite a slow down in construction sector and real estate market in United Arab Emirates, the Company recorded higher turnover of AED 40.105 million for the year ended 31st December, 2008, as compared to AED 33.197 million in the previous year. However, the drop in steel prices, a major input cost for the Company, affected the overall profitability of the Company in view of the end of year valuation of inventory at net realizable value. The profit for the year under review was AED 4.332 million as compared to AED 4.131 million in the previous year.
3. An interim dividend of 133% (AED 2 million) for the year ended 31st December, 2008, was declared on 15th December, 2008, by the Board of Directors of the Company. Your Directors do not recommend any final dividend (previous year : Nil).
4. M/s. PKF, (formerly known as Pannell Kerr Forster), Chartered Accountants, the retiring Auditors, being eligible, offer themselves for reappointment.

Dubai, 12th March, 2009

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, 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 3 to 18.

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, 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 the Isle of Man Companies Acts, 1931 to 2005.

PKF

Dubai, United Arab Emirates
18th March, 2009

BALANCE SHEET AS AT 31ST DECEMBER, 2008

| | Notes | AED | As at 31-12-2007 AED | Rupees In '000s | As at 31-12-2007 Rupees In '000s |
|---------------------------------------------|-------|-----------------|----------------------------|--------------------|-------------------------------------------|
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 3 | <u>2136516</u> | <u>2661417</u> | <u>28245</u> | <u>28584</u> |
| CURRENT ASSETS | | | | | |
| Inventories | 4 | <u>9099000</u> | <u>7249459</u> | <u>120289</u> | <u>77859</u> |
| Trade and other receivables | 5 | <u>17065729</u> | <u>11341611</u> | <u>225609</u> | <u>121809</u> |
| Amount due from related parties | 6 | <u>5384883</u> | <u>—</u> | <u>71188</u> | <u>—</u> |
| Cash and cash equivalents | 7 | <u>2736464</u> | <u>613672</u> | <u>36176</u> | <u>6591</u> |
| Other current financial assets | 8 | <u>407853</u> | <u>322853</u> | <u>5392</u> | <u>3467</u> |
| | | <u>34693929</u> | <u>19527595</u> | <u>458654</u> | <u>209726</u> |
| CURRENT LIABILITIES | | | | | |
| Bills payable | | <u>8677771</u> | <u>3882531</u> | <u>114720</u> | <u>41698</u> |
| Trade and other payables | 9 | <u>10247923</u> | <u>4914308</u> | <u>135478</u> | <u>52780</u> |
| Dividends payable | 10 | <u>2000000</u> | <u>—</u> | <u>26440</u> | <u>—</u> |
| | | <u>20925694</u> | <u>8796839</u> | <u>276638</u> | <u>94478</u> |
| NET CURRENT ASSETS | | <u>13768235</u> | <u>10730756</u> | <u>182016</u> | <u>115248</u> |
| NON-CURRENT LIABILITIES | | | | | |
| Provision for staff end-of-service gratuity | 11 | <u>(734129)</u> | <u>(553688)</u> | <u>(9705)</u> | <u>(5947)</u> |
| | | <u>15170622</u> | <u>12838485</u> | <u>200556</u> | <u>137885</u> |
| SHAREHOLDERS' EQUITY FUNDS | | | | | |
| Share Capital | 12 | <u>1500000</u> | <u>1500000</u> | <u>19830</u> | <u>16110</u> |
| Retained Earnings | | <u>13670622</u> | <u>11338485</u> | <u>180726</u> | <u>121775</u> |
| | | <u>15170622</u> | <u>12838485</u> | <u>200556</u> | <u>137885</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. 13.22 being the exchange rate prevailing on 31st December, 2008. Previous year figures have been converted @ 1 AED = Rs.10.74 being the exchange rate prevailing on 31st December, 2007.

Dubai, 12th March, 2009

Directors

P. N. Dhume
Shaukat Ali Mir

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

| | Notes | AED | 2007 AED | Rupees In '000s | 2007 Rupees In '000s |
|-----------------------------------------|-------|-------------------|-------------------|--------------------|----------------------------|
| Revenue | | <u>40104819</u> | <u>33197541</u> | <u>480456</u> | <u>378120</u> |
| Cost of sales | 14 | <u>(32952491)</u> | <u>(27795061)</u> | <u>(394771)</u> | <u>(316586)</u> |
| Gross Profit | | <u>7152328</u> | <u>5402480</u> | <u>85685</u> | <u>61534</u> |
| Other operating income | 15 | <u>181850</u> | <u>943475</u> | <u>2179</u> | <u>10746</u> |
| Distribution costs | 16 | <u>(896892)</u> | <u>(700455)</u> | <u>(10745)</u> | <u>(7978)</u> |
| Administrative expenses | 17 | <u>(2083662)</u> | <u>(1502049)</u> | <u>(24962)</u> | <u>(17108)</u> |
| Profit from Operating Activities | | <u>4353624</u> | <u>4143451</u> | <u>52157</u> | <u>47194</u> |
| Interest on overdraft | | <u>(34405)</u> | <u>(30840)</u> | <u>(412)</u> | <u>(351)</u> |
| Interest on bank deposits | | <u>12918</u> | <u>18212</u> | <u>155</u> | <u>207</u> |
| Profit for the year | | <u>4332137</u> | <u>4130823</u> | <u>51900</u> | <u>47050</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. 11.98, being the average of the exchange rates prevailing on 31st December, 2007 (1 AED = Rs 10.74) and as on 31st December, 2008 (1 AED = Rs.13.22). Previous year figures have been converted @ 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).

Dubai, 12th March, 2009

Directors

P. N. Dhume
Shaukat Ali Mir

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

| | Share Capital | | Retained Earnings | | Total | |
|-------------------------------|----------------|--------------------|-------------------|--------------------|-----------------|--------------------|
| | AED | Rupees In '000s | AED | Rupees In '000s | AED | Rupees In '000s |
| 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 |
| Profit for the year | — | — | 4332137 | 51900 | 4332137 | 51900 |
| Interim dividend for the year | — | — | (2000000) | (26440) | (2000000) | (26440) |
| As at 31-12-2008 | 1500000 | 19830 | 13670622 | 180726 | 15170622 | 200556 |

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

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

| | Notes | AED | 2007 AED | Rupees In '000s | 2007 Rupees In '000s |
|---------------------------------------------------------------------|-------|-----------------|-------------|--------------------|----------------------------|
| Cash flow from operating activities | | | | | |
| Cash generated from operations | 19 | 2182299 | 2525878 | 26144 | 28770 |
| Interest paid | | (34405) | (30840) | (412) | (351) |
| Net cash from operating activities (A) | | 2147894 | 2495038 | 25732 | 28419 |
| Cash flow from investing activities | | | | | |
| Proceeds on disposal of property, plant and equipment | | 169367 | 79670 | 2029 | 907 |
| Purchase of property, plant and equipment | | (207387) | (1272827) | (2742) | (13670) |
| Interest received | | 12918 | 18212 | 155 | 207 |
| Net cash used in investing activities (B) | | (25102) | (1174945) | (558) | (12556) |
| Cash flow from financing activities | | | | | |
| Dividends paid | | — | (1500000) | — | (18045) |
| Net cash used in financing activities (C) | | — | (1500000) | — | (18045) |
| Net increase/(decrease) in cash and cash equivalents (A+B+C) | | 2122792 | (179907) | 29585 | (2956) |
| Cash and cash equivalents at beginning of year | | 613672 | 793579 | 6591 | 9547 |
| Cash and cash equivalents at end of year | 7 | 2736464 | 613672 | 36176 | 6591 |

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

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

1. LEGAL STATUS AND BUSINESS ACTIVITY

- (a) 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.
- (b) 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 administrative office is located at LOB-19, JAFZA 19.
- (c) The parent company and the ultimate parent company is Voltas Limited, India.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2008 (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.

(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.

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.

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

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 7132239 (Rs.94288200) [previous year : AED 6088133 (Rs. 65386548)] 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 amount expected to be recovered from trade receivables which are overdue for more than one year amounted to AED 2152369 (Rs. 28454318) [previous year : AED 3333124 (Rs. 35797752)] and amounts impaired as at the year end to AED 18853 (Rs. 249237) [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 734129 (Rs. 9705185) [previous year : AED 553688 (Rs. 5946609)] 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, 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 disclosures within the financial statements:

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

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

Amendment to IAS 16: Property, plant and equipment (1st January, 2009)

Amendment to IAS 32: Financial Instrument: Presentation (1st January, 2009)

Amendment to IAS 36: Impairment of assets (1st January, 2009)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2008 (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 31-12-2007 | | | | | | | | | | | | |
| 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 |
| As at 31-12-2008 | | | | | | | | | | | | |
| Cost | — | — | 901083 | 11912 | 4191939 | 55418 | 455509 | 6022 | 483462 | 6391 | 6031993 | 79743 |
| Accumulated depreciation | — | — | (834263) | (11029) | (2351613) | (31088) | (238239) | (3150) | (471362) | (6231) | (3895477) | (51498) |
| Net book value | — | — | 66820 | 883 | 1840326 | 24329 | 217270 | 2873 | 12100 | 160 | 2136516 | 28245 |
| Reconciliation of net book values | | | | | | | | | | | | |
| 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 |
| Additions | — | — | — | — | 59050 | 781 | 148337 | 1961 | — | — | 207387 | 2742 |
| Depreciation for the year | — | — | (22273) | (267) | (415659) | (4979) | (72678) | (871) | (65799) | (788) | (576409) | (6905) |
| Adjustment on write-off | — | — | — | — | (400) | (4) | (1388) | (17) | — | — | (1788) | (21) |
| Adjustment on disposal (refer note 6) | — | — | — | — | (154091) | (2037) | — | — | — | — | (154091) | (2037) |
| As at 31-12-2008 | — | — | 66820 | 883 | 1840326 | 24329 | 217270 | 2873 | 12100 | 160 | 2136516 | 28245 |

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

4. INVENTORIES

| | As at 31-12-2007 | | As at 31-12-2007 | |
|-------------------------------------------|------------------|---------|------------------|-----------------|
| | AED | AED | Rupees in '000s | Rupees in '000s |
| Raw materials | 5870982 | 5217875 | 77614 | 56040 |
| Less: Provision for slow moving inventory | (48454) | (24207) | (640) | (260) |
| | 5822528 | 5193668 | 76974 | 55780 |
| Consumables | 1261257 | 870258 | 16674 | 9346 |
| Goods in transit | 2015215 | 1185533 | 26641 | 12733 |
| | 9099000 | 7249459 | 120289 | 77859 |

Raw Materials and goods in transit includes AED 2302700 (Rs. 30441694) and AED 453034 (Rs. 5989109) carried at net realisable value respectively.

5. TRADE AND OTHER RECEIVABLES

| | As at 31-12-2007 | | As at 31-12-2007 | |
|---------------------------------------|------------------|----------|------------------|-----------------|
| | AED | AED | Rupees in '000s | Rupees in '000s |
| Trade receivables | 16735909 | 10990966 | 221249 | 118043 |
| Less: Provision for doubtful accounts | (18853) | — | (249) | — |
| | 16717056 | 10990966 | 221000 | 118043 |
| Advances | — | 137309 | — | 1475 |
| Prepayments | 243291 | 174716 | 3216 | 1876 |
| Deposits | 105382 | 38620 | 1393 | 415 |
| | 17065729 | 11341611 | 225609 | 121809 |

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

| | | | | |
|------------------------------------------|-------|----------|-----|--------|
| Opening balance | — | 328330 | — | 3949 |
| Provision made during the year | 18853 | — | 249 | — |
| Provision no longer required/written off | — | (328330) | — | (3949) |
| Closing balance | 18853 | — | 249 | — |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2008 (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 31-12-2007 AED | Rupees in '000s | As at 31-12-2007 Rupees in '000s |
|-----------------------------------------------|---------|----------------------------|--------------------|-------------------------------------------|
| Included in trade and other receivables | 5670040 | 4503051 | 74958 | 48363 |
| Included in trade and other payables | 1530585 | 16213 | 20234 | 174 |
| Disclosed as amounts due from related parties | 5384833 | — | 71188 | — |

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

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

| | AED | As at 31-12-2007 AED | Rupees in '000s | As at 31-12-2007 Rupees in '000s |
|--------------------------------------------------|----------|----------------------------|--------------------|-------------------------------------------|
| Sales | 11434428 | 6037035 | 136984 | 68762 |
| Purchases | 5669 | 18387 | 68 | 209 |
| Transfer of inventory at cost to related parties | 5384833 | — | 71188 | — |
| Sale of property, plant and equipment | 169367 | — | 2239 | — |

7. CASH AND CASH EQUIVALENTS

| | AED | As at 31-12-2007 AED | Rupees in '000s | As at 31-12-2007 Rupees in '000s |
|-----------------------------------|----------------|----------------------------|--------------------|-------------------------------------------|
| Cash on hand | 12000 | 12000 | 159 | 129 |
| Bank balances in current accounts | 1717523 | 601672 | 22705 | 6462 |
| Bank balances in fixed deposits | 1006941 | — | 13312 | — |
| | <u>2736464</u> | <u>613672</u> | <u>36176</u> | <u>6591</u> |

8. OTHER CURRENT FINANCIAL ASSETS

| | AED | As at 31-12-2007 AED | Rupees in '000s | As at 31-12-2007 Rupees in '000s |
|----------------|---------------|----------------------------|--------------------|-------------------------------------------|
| Fixed deposits | <u>407853</u> | <u>322853</u> | <u>5392</u> | <u>3467</u> |

9. TRADE AND OTHER PAYABLES

| | AED | As at 31-12-2007 AED | Rupees in '000s | As at 31-12-2007 Rupees in '000s |
|------------------------|-----------------|----------------------------|--------------------|-------------------------------------------|
| Trade payables | 7486656 | 4158453 | 98974 | 44662 |
| Advance from customers | 1569873 | 35477 | 20754 | 381 |
| Accruals | 1191394 | 720378 | 15750 | 7737 |
| | <u>10247923</u> | <u>4914308</u> | <u>135478</u> | <u>52780</u> |

10. DIVIDENDS

Dividends declared during the year of AED 2000000 (Rs. 26440000) [previous year : Nil] represent a dividend per share of AED 4.89 (Rs. 64.65) [previous year : Nil].

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

| | AED | As at 31-12-2007 AED | Rupees in '000s | As at 31-12-2007 Rupees In '000s |
|--------------------------------------------------------|---------------|----------------------------|--------------------|-------------------------------------------|
| 11. PROVISION FOR STAFF END-OF-SERVICE GRATUITY | | | | |
| Opening balance | 553688 | 429210 | 5947 | 5163 |
| Provision for the year | 209708 | 136503 | 2772 | 1466 |
| Paid during the year | (29267) | (12025) | (387) | (129) |
| Closing balance | <u>734129</u> | <u>553688</u> | <u>9705</u> | <u>5947</u> |

| | AED | As at 31-12-2007 AED | Rupees in '000s | As at 31-12-2007 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>24275</u> | <u>19721</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>19830</u> | <u>16110</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 and amounts due from related party. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

Funds are retained/drawn by the shareholders so as to maintain capital at desired levels. As at the year end, the total debt to capital was 1.61 to 1 (previous year: 0.68 to 1).

| | AED | 2007 AED | Rupees in '000s | 2007 Rupees in '000s |
|---------------------------------------------|-----------------|-----------------|--------------------|----------------------------|
| 14. COST OF SALES | | | | |
| Materials consumed and sub-contract costs * | 27974726 | 23725387 | 335137 | 270232 |
| Wages and benefits | 3159706 | 2640389 | 37853 | 30074 |
| Staff end-of-service gratuity | 144729 | 74625 | 1734 | 850 |
| Depreciation (Note 18) | 437932 | 374663 | 5247 | 4268 |
| Rent | 61998 | 29771 | 743 | 339 |
| Other direct costs | 1173400 | 950226 | 14057 | 10823 |
| | <u>32952491</u> | <u>27795061</u> | <u>394771</u> | <u>316586</u> |

* Includes Inventories written down to net realisable value by an amount of AED 1700205 (Rs. 20368456) [previous year : Nil].

| | AED | 2007 AED | Rupees in '000s | 2007 Rupees in '000s |
|-------------------------------------------------|---------------|---------------|--------------------|----------------------------|
| 15. OTHER OPERATING INCOME | | | | |
| Profit on sale of property, plant and equipment | 15276 | 79670 | 183 | 907 |
| Scrap sales | 140588 | 86575 | 1684 | 986 |
| Bad debts recovered | — | 21670 | — | 247 |
| Miscellaneous income | 77 | 67 | 1 | 1 |
| Write back of inventory provisions | — | 427163 | — | 4865 |
| Write back of doubtful debt | — | 328330 | — | 3740 |
| Exgratia provision written back | 14000 | — | 168 | — |
| Exchange gain | 11909 | — | 143 | — |
| | <u>181850</u> | <u>943475</u> | <u>2179</u> | <u>10746</u> |

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

| | AED | 2007 AED | Rupees in '000s | 2007 Rupees in '000s |
|----------------------------------------------------------------------------|----------------|----------------|--------------------|----------------------------|
| 16. DISTRIBUTION COSTS | | | | |
| Staff salaries and benefits | 168848 | 131269 | 2023 | 1495 |
| Staff end-of-service gratuity | 10242 | 5770 | 123 | 66 |
| Depreciation (Note 18) | 25333 | 25333 | 303 | 288 |
| Other distribution costs | 692469 | 538083 | 8296 | 6129 |
| | <u>896892</u> | <u>700455</u> | <u>10745</u> | <u>7978</u> |
| | | | | |
| | AED | 2007 AED | Rupees in '000s | 2007 Rupees in '000s |
| 17. ADMINISTRATIVE EXPENSES | | | | |
| Loss on sale of property, plant and equipment | 1788 | — | 21 | — |
| Staff salaries, benefits and rent | 1148461 | 853550 | 13759 | 9722 |
| Staff end-of-service gratuity | 54737 | 56108 | 656 | 639 |
| Rent | 119935 | — | 1437 | — |
| Depreciation (Note 18) | 113144 | 121028 | 1355 | 1378 |
| Provision for inventories | 24248 | 24206 | 290 | 276 |
| Provision for doubtful debts | 18853 | — | 226 | — |
| Other administrative expenses | 602496 | 447157 | 7218 | 5093 |
| | <u>2083662</u> | <u>1502049</u> | <u>24962</u> | <u>17108</u> |
| | | | | |
| | AED | 2007 AED | Rupees in '000s | 2007 Rupees in '000s |
| 18. DEPRECIATION | | | | |
| Disclosed under cost of sales (Note 14) | 437932 | 374663 | 5247 | 4268 |
| Disclosed under distribution cost (Note 16) | 25333 | 25333 | 303 | 288 |
| Disclosed under administrative cost (Note 17) | 113144 | 121028 | 1355 | 1378 |
| | <u>576409</u> | <u>521024</u> | <u>6905</u> | <u>5934</u> |
| | | | | |
| | AED | 2007 AED | Rupees in '000s | 2007 Rupees in '000s |
| 19. CASH GENERATED FROM OPERATIONS | | | | |
| Profit for the year | 4332137 | 4130823 | 51900 | 47050 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 576409 | 521024 | 6905 | 5934 |
| Interest Paid | 34405 | 30840 | 412 | 351 |
| Interest income | (12918) | (18212) | (155) | (207) |
| Profit on sale of property, plant and equipment | (15276) | (79670) | (183) | (907) |
| Loss on sale of property, plant and equipment | 1788 | — | 21 | — |
| Operating profit before changes in operating assets and liabilities | 4916545 | 4584805 | 58900 | 52221 |
| Increase in inventories | (1849541) | (2183245) | (42430) | (16913) |
| (Increase)/decrease in trade and other receivables | (5724118) | 556288 | (103800) | 21323 |
| Increase in amounts due from related parties | (5384883) | — | (71188) | — |
| Increase/(decrease) in trade and other payables | 5333615 | (2421215) | 82698 | (35467) |
| Increase in staff gratuity provision | 180441 | 124478 | 3758 | 784 |
| Increase in bills payable | 4795240 | 1868545 | 73022 | 17470 |
| Increase in other financial assets | (85000) | (3778) | (1925) | (371) |
| | <u>2182299</u> | <u>2525878</u> | <u>26144</u> | <u>28770</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2008 (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 4494986 (Rs. 59423715) [Previous year due from three customers : AED 6456123 (Rs. 69338761)].

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 Dollar 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 | 2007 AED | Rupees in '000s | 2007 Rupees in '000s |
|----------------------------|---------------|-------------|--------------------|----------------------------|
| Not later than one year | 61900 | — | 742 | — |
| Between one and five years | 247600 | — | 2966 | — |
| Later than five years | 551942 | — | 6612 | — |

22. CONTINGENT LIABILITIES

| | AED | 2007 AED | Rupees in '000s | 2007 Rupees in '000s |
|-----------------------------------------------------|----------------|-------------|--------------------|----------------------------|
| Bankers' letters of guarantee | 400000 | 315000 | 5288 | 3383 |
| Unutilised balances of commercial letters of credit | 9825919 | 3588273 | 129899 | 38538 |

23. TAXATION

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

SAUDI ENSAS COMPANY FOR ENGINEERING SERVICES W.L.L.

Directors :

Sh. Hani S. Al-Emam (*Chairman*)

Saad Dajani

P. N. Dhume

M. M. Miyajiwala

DIRECTORS' REPORT

TO THE MEMBERS

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

2. During the year, the Company recorded turnover of SR 11.516 million as compared to SR 11.634 million in the previous year. However, due to higher administration costs/overheads, the Company reported a loss of SR 11.290 million as compared to loss of SR 12.193 million in the previous year. The cumulative losses have exceeded more than 50% of the share capital and the Net Worth is eroded.
3. In order to rehabilitate and restructure the Company, Voltas Limited, which alongwith its subsidiary held 49% shareholding, acquired the balance 51% shareholding and the Company became a wholly owned subsidiary of Voltas, upon completion of the legal process involved and receipt of fresh Certificate of Commercial Registration dated 28th January, 2009. Voltas has also provided financial assistance, which has enabled the Company continue its business operations.
4. M/s. Deloitte & Touche Bakr Abulkhair & Co., Public Accountants, the retiring Auditors, being eligible, offer themselves for reappointment.

Jeddah, 30th March, 2009

Sh. Hani S. Al-Emam

Chairman

AUDITORS' REPORT

TO THE SHAREHOLDERS OF

SAUDI ENSAS COMPANY FOR ENGINEERING SERVICES W.L.L.

Scope of Audit

We have audited the balance sheet of **SAUDI ENSAS COMPANY FOR ENGINEERING SERVICES W.L.L.** (a Saudi limited liability company) as of 31st December, 2008, and the related statements of operations, shareholders' equity and cash flows for the year then ended, and notes 1 to 19 which form an integral part of these financial statements as prepared by the Company in accordance with Article 175 of the Regulation for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Basis of Qualification

The losses of the Company exceeded one-half of the share capital. As explained in Note 1, the Regulations for Companies detail certain legal requirements to be fulfilled in such case. The shareholders in their meeting held on 13th January, 2009, resolved to continue the operations and provide the Company with suitable funding with which to continue. However, the resolution of the shareholders has not yet been published in a manner prescribed in Article 164 of the Regulations for Companies.

Qualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31st December, 2008 and the result of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards appropriate to the nature of the Company, and except as mentioned above, comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relates to the preparation and presentation of these financial statements.

Other Matters

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the financial statements, the Company has negative working capital and has incurred recurring losses. Without qualifying our report, we draw attention to the fact that the Company's ability to continue as a going concern is dependent on the continued support of its shareholders.

Deloitte & Touche Bakr Abulkhair & Co.

Yaser H. Balkhi

Licence No. 389

Jeddah, 30th March, 2009

BALANCE SHEET AS AT 31ST DECEMBER, 2008

| | Notes | SR | As at 31-12-2007 SR | Rupees in '000s | As at 31-12-2007 Rupees in '000s |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------------------|---------------------------|--------------------|-------------------------------------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 3 | 490821 | 158038 | 6346 | 1663 |
| Accounts receivable [(Net of allowance for doubtful debts of SR 6.5 million (Rs. 840.45 lakhs) in 2008 and SR 5.2 million (Rs. 547.04 lakhs) in 2007)] | | 1849865 | 2626811 | 23919 | 27634 |
| Contract retentions [(Net of allowance for doubtful debts of SR 4.4 million (Rs. 568.92 lakhs) in 2008 and SR 3.3 million (Rs. 347.16 lakhs) in 2007)] | | 1616647 | 2992647 | 20903 | 31483 |
| Advances, prepayments and deposits [(Net of allowance for doubtful debts of SR 6 million (Rs. 775.80 lakhs) in 2008 and Nil in 2007)] | | 297313 | 6019462 | 3845 | 63325 |
| Unbilled revenue [(Net of allowance for doubtful debts of SR 5.3 million (Rs. 685.29 lakhs) in 2008 and SR 4.6 million (Rs. 483.92 lakhs) in 2007)] | | 306059 | 1040024 | 3957 | 10941 |
| Total current assets | | 4560705 | 12836982 | 58970 | 135046 |
| NON-CURRENT ASSETS | | | | | |
| Property and equipment | 4 | 101801 | 149123 | 1316 | 1568 |
| TOTAL ASSETS | | 4662506 | 12986105 | 60286 | 136614 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Due to bank | 5 | — | 600049 | — | 6313 |
| Short-term debts | 7 | 1748607 | — | 22609 | — |
| Current portion of long-term debts | 5 | 3758334 | 3400163 | 48595 | 35770 |
| Accounts payable, accrued and other liabilities | 6 | 8985269 | 11668593 | 116180 | 122754 |
| Contract advances | | 497982 | 923507 | 6439 | 9715 |
| Retentions payable | | 248193 | 383994 | 3209 | 4039 |
| Total current liabilities | | 15238385 | 16976306 | 197032 | 178591 |
| NON-CURRENT LIABILITIES | | | | | |
| Long-term debt | 5 | — | 3758334 | — | 39538 |
| End-of-service indemnities | 8 | 1678462 | 1753133 | 21703 | 18443 |
| Total non-current liabilities | | 1678462 | 5511467 | 21703 | 57981 |
| SHAREHOLDERS' EQUITY | | | | | |
| Share Capital | 1 | 2600000 | 2600000 | 33618 | 27352 |
| Statutory Reserve | 9 | 959649 | 959649 | 12408 | 10095 |
| Accumulated Losses | | (28313990) | (16561317) | (366100) | (174225) |
| Subordinated loan for losses | 15 | 12500000 | 3500000 | 161625 | 36820 |
| Total shareholders' equity | | (12254341) | (9501668) | (158449) | (99958) |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 4662506 | 12986105 | 60286 | 136614 |

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

Note: The Balance Sheet has been converted into Indian Rupees @ 1 Saudi Riyal (SR) = Rs. 12.93 being the exchange rate prevailing as on 31st December, 2008. Previous year figures have been converted @ 1 SR = Rs. 10.52 being the exchange rate prevailing as on 31st December, 2007.

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

| | Notes | SR | 2007-08 SR | Rupees in '000s | 2007-08 Rupees in '000s |
|-------------------------------------|-------|-------------------|---------------|--------------------|-------------------------------|
| Contract Revenues | 14 | 11516119 | 11633549 | 135084 | 129830 |
| Direct contract costs | | (7942711) | (8592592) | (93168) | (95893) |
| Gross Profit | | 3573408 | 3040957 | 41916 | 33937 |
| Indirect contract costs | 12 | (3007196) | (2077019) | (35275) | (23180) |
| General and administrative expenses | 13 | (11411024) | (12996897) | (133851) | (145045) |
| Operating Loss | | (10844812) | (12032959) | (127210) | (134288) |
| Finance charges | | (455480) | (665761) | (5343) | (7430) |
| Other income | | 10171 | 505600 | 120 | 5643 |
| Net Loss | | (11290121) | (12193120) | (132433) | (136075) |

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

Note: The Profit and Loss Account have been converted into Indian Rupees @ 1 Saudi Riyal (SR)=Rs. 11.73 being the average of the exchange rates prevailing as on 31st December, 2007 (1 SR = Rs. 10.52) and as on 31st December, 2008 (1 SR = Rs. 12.93). Previous year figures have been converted into Indian Rupees @ 1 SR = Rs. 11.16 being the average of the exchange rates prevailing as on 31st December, 2006 (1 SR = Rs. 11.79) and as on 31st December, 2007 (1 SR = Rs. 10.52).

Directors

Sh. Hani S. Al-Emam

Jeddah, 30th March, 2009

Saad Dajani

STATEMENT OF SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2008

| | Note | Share Capital | | Statutory Reserve | | Accumulated losses | | Subordinated loan for losses | | Total | |
|------------------------------|------|-----------------------|---------------------|----------------------|---------------------|--------------------------|------------------------|------------------------------|----------------------|--------------------------|------------------------|
| | | SR | Rupees in '000s | SR | Rupees in '000s | SR | Rupees in '000s | SR | Rupees in '000s | SR | Rupees in '000s |
| 1st January, 2007 | | 2600000 | 30654 | 959649 | 11314 | (4368197) | (51501) | 3250000 | 38318 | 2441452 | 28785 |
| Subordinated loan for losses | | — | — | — | — | — | — | 250000 | 2630 | 250000 | 2630 |
| Net loss for 2007 | | — | — | — | — | (12193120) | (136075) | — | — | (12193120) | (136075) |
| Zakat and income tax | 10 | — | — | — | — | — | — | — | — | — | — |
| 31st December, 2007 | | <u>2600000</u> | <u>27352</u> | <u>959649</u> | <u>10095</u> | <u>(16561317)</u> | <u>(174225)</u> | <u>3500000</u> | <u>36820</u> | <u>(9501668)</u> | <u>(99958)</u> |
| Subordinated loan for losses | 15 | — | — | — | — | — | — | 9000000 | 116370 | 9000000 | 116370 |
| Net loss for 2008 | | — | — | — | — | (11290121) | (132433) | — | — | (11290121) | (132433) |
| Zakat and income tax | 10 | — | — | — | — | (462552) | (5981) | — | — | (462552) | (5981) |
| 31st December, 2008 | | <u>2600000</u> | <u>33618</u> | <u>959649</u> | <u>12408</u> | <u>(28313990)</u> | <u>(366100)</u> | <u>12500000</u> | <u>161625</u> | <u>(12254341)</u> | <u>(158449)</u> |

Note: Accumulated losses cannot be split amongst the shareholders in proportion to their shareholding because of the inclusion of zakat and income tax.

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

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

| | SR | 2007 SR | Rupees in '000s | 2007 Rupees in '000s |
|----------------------------------------------------------|------------------|-----------------|--------------------|----------------------------|
| OPERATING ACTIVITIES | | | | |
| Net Loss | (11290121) | (12193120) | (132433) | (136075) |
| Adjustments for: | | | | |
| Depreciation | 106111 | 153275 | 1245 | 1711 |
| Gain on sale of property and equipment | — | (15600) | — | (174) |
| Allowance for doubtful debts and write-off | 9013650 | 11000000 | 105730 | 122760 |
| End-of-service indemnities | 146443 | 245010 | 1718 | 2734 |
| Finance charges | 455480 | 665761 | 5343 | 7430 |
| Changes in operating Assets and Liabilities: | | | | |
| Accounts receivable | (485614) | 146524 | (6279) | 1541 |
| Contract retentions | 292977 | 1378885 | 3788 | 14506 |
| Advances, prepayments and deposits | (212014) | (567277) | (2741) | (5968) |
| Unbilled revenue | 61 | 203470 | 1 | 2141 |
| Accounts payable, accrued and other liabilities | (1345711) | 582970 | (17400) | 6133 |
| Contract advances | (425525) | (582438) | (5502) | (6127) |
| Retentions payable | (135801) | (151086) | (1756) | (1589) |
| Cash (used in)/from operations | (3880064) | 866374 | (50169) | 9114 |
| Finance charges paid | (455480) | (665761) | (5343) | (7430) |
| End-of-service indemnities paid | (221114) | (38820) | (2594) | (433) |
| Net cash (used in)/from operating activities | (4556658) | 161793 | (58918) | 1702 |
| INVESTING ACTIVITIES | | | | |
| Purchase of property and equipment | (58789) | (1750) | (760) | (18) |
| Proceeds from sale of property and equipment | — | 15600 | — | 174 |
| Net cash (used in)/from investing activities | (58789) | 13850 | (760) | 156 |
| FINANCING ACTIVITIES | | | | |
| Due to bank | (600049) | 600049 | (7759) | 6313 |
| Short-term debts | 1000000 | (490000) | 12930 | (5155) |
| Long-term loan | (3400163) | (695399) | (43964) | (7316) |
| Subordinated loan for losses | 9000000 | 250000 | 116370 | 2630 |
| Zakat and income tax paid | (1051558) | — | (13597) | — |
| Net cash from/(used in) financing activities | 4948230 | (335350) | 63980 | (3528) |
| Net change in cash and cash equivalents | 332783 | (159707) | 4683 | (2083) |
| Cash and cash equivalents, 1st January | 158038 | 317745 | 1663 | 3746 |
| Cash and cash equivalents, 31st December | 490821 | 158038 | 6346 | 1663 |
| Non-cash operating and financing activities : | | | | |
| Payable to related party transferred to short-term debts | 748607 | — | 9679 | — |

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

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

1. ORGANIZATION AND ACTIVITIES

Saudi Ensas Company for Engineering Services W.L.L. ("the Company") was incorporated as a Saudi limited liability company in accordance with the provisions of the Saudi Foreign Capital Investment Code and was registered on 16 Muharram, 1398 (16th October, 1978) under Commercial Registration No. 4030016635. The Share Capital of the Company, amounting to SR 2 million, is divided into 20000 shares of SR 100 each.

During 1995, the shareholders declared dividends of SR 600000. However, the amount was not paid to the shareholders and was set aside to be applied against the proposed increase in capital. The Company obtained the approval from the Saudi Arabian General Investment Authority and the relevant increase was published in the Official Gazette on 1 Muharram, 1424 (4th March, 2003).

The Company was owned 51% by Saudi International Investment Co., a Saudi limited liability company, 39% by Metrovol FZE, a company registered in United Arab Emirates and 10% by Voltas Limited, a company registered in India. During the year, Saudi International Investment Co. sold its shares to Voltas Limited. The Company obtained the necessary approvals from the concerned ministries and amended its Articles of Association and Commercial Registration to reflect the changes. After the change, the Company is owned 39% by Metrovol FZE, and 61% by Voltas Limited.

The principal activities of the Company are the design, installation, operation and maintenance of air conditioning and refrigeration systems and other electro-mechanical activities and building a workshop for its activities in accordance with the license issued by the ministerial decision No. 250 dated 4/12/1405.

The Company's head office is in Jeddah, together with a branch in Riyadh, which is registered under Commercial Registration No. 074776 dated 14/5/1410 (13th December, 1989).

The result, assets and liabilities of the Riyadh branch are included in these financial statements.

The losses of the Company exceeded one-half of the share capital. In accordance with Article 180 of the Regulations for the Companies, it is required that in such situations, the Manager should call for a meeting at which the shareholders decide whether to continue the operations of the Company or dissolve it before the expiry of its term. Subsequent to the year-end, the shareholders held a meeting and resolved to continue the operations and provide the Company with suitable funding with which to continue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

(a) Revenue recognition

Service revenues are recognized upon delivery of services to customers. Revenue on long-term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. When the current estimate of total contract costs and revenues indicate a loss, provision is made for the entire loss on the contract irrespective of the amount of work done. Progress payments and advances received from customers in respect of contracts are deducted from the amount of contract work in progress and excess payments on contracts are shown as a liability.

(b) Expenses

General and administrative expenses include direct and indirect costs not specifically part of direct and indirect contract costs as required under generally accepted accounting standards. Allocations between general and administrative expenses and direct contract costs, when required, are made on a consistent basis.

(c) Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated rates of depreciation of the principal classes of assets are as follows:

| | |
|------------------------|-----|
| Machinery | 15% |
| Furniture and fixtures | 20% |
| Office equipment | 15% |
| Vehicles | 20% |
| Portacabins | 10% |

(d) Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

(e) Warranty

The Company establishes a provision for expected maintenance costs and warranty expenses to be incurred on its revenues. The provision is reflected in direct costs in the statement of operations.

(f) End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labour Law, are provided in the financial statements based on the employees' length of service.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2008 (contd.)**(g) Zakat and income tax**

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. The income tax provision is computed on adjusted net income on accrual basis. Any difference in the estimate is recorded when the final assessment is approved at which time the provision is cleared. Till last year, the zakat charge was computed on the zakat base. As mentioned in note 1, the Company has become 100% foreign shareholding Company subsequent to change in the shareholding, accordingly the Company is no longer subject to zakat.

(h) Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the statement of operations on a straight line basis over the term of the operating lease.

(i) Financial assets and financial liabilities

Financial assets comprise of cash and cash equivalents, accounts receivable, unbilled revenue and contract retentions. These financial assets are stated at their nominal values as reduced by appropriate allowance for estimated irrecoverable amounts.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include accounts payable, due to related parties, short-term and long term debts and retentions payable, and are stated at their nominal values.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

| | 2007 | 2007 | 2007 | 2007 |
|------------------------|---------------|--------|-------------|----------|
| | SR | SR | Rupees | Rupees |
| | | | in '000s | in '000s |
| Cash and bank balances | 490821 | 158038 | 6346 | 1663 |

4. PROPERTY AND EQUIPMENT

| | 1st January | | Additions | | 31st December | |
|----------------------------------------|----------------|--------------------|---------------|--------------------|----------------|--------------------|
| | SR | Rupees in '000s | SR | Rupees in '000s | SR | Rupees in '000s |
| Cost: | | | | | | |
| Machinery | 502880 | 5290 | — | — | 502880 | 6502 |
| Furniture and fixtures | 372614 | 3920 | — | — | 372614 | 4818 |
| Office equipment | 725716 | 7635 | 58789 | 760 | 784505 | 10144 |
| Vehicles | 1150493 | 12103 | — | — | 1150493 | 14876 |
| Portacabins | 55630 | 585 | — | — | 55630 | 719 |
| Total Cost | 2807333 | 29533 | 58789 | 760 | 2866122 | 37059 |
| Depreciation: | | | | | | |
| Machinery | 500095 | 5262 | 1230 | 14 | 501325 | 6483 |
| Furniture and fixtures | 372614 | 3920 | — | — | 372614 | 4818 |
| Office equipment | 705162 | 7418 | 17719 | 209 | 722881 | 9347 |
| Vehicles | 1033015 | 10867 | 85962 | 1008 | 1118977 | 14468 |
| Portacabins | 47324 | 498 | 1200 | 14 | 48524 | 627 |
| Total Depreciation | 2658210 | 27965 | 106111 | 1245 | 2764321 | 35743 |
| Net Book Value at 1st January | 149123 | 1568 | | | | |
| Net Book Value at 31st December | | | | | 101801 | 1316 |

5. BANK FACILITIES

The Company has credit facilities from Saudi Hollandi Bank for letters of credit and letters of guarantee up to a maximum amount of SR 1.5 million. These facilities are secured by a demand promissory note for SR 1.5 million from Voltas Limited and Sheikh Hani S. Al-Emam and corporate and personal guarantees from the aforementioned parties, respectively. The facilities include certain covenants which provide, amongst other items, maintenance of a minimum tangible networth, maximum gearing, maximum leverage ratio and dividend payment restriction. As of 31st December, 2008, the Company was in breach of covenants relating to minimum tangible networth, maximum gearing and maximum leverage and the management believes that on their application the waiver will be obtained. As of December 31, the Company had the following outstanding in relation to these facilities:

| | As at | As at | As at | As at |
|----------------------|---------------|--------|-------------|----------|
| | SR | SR | Rupees | Rupees |
| | | | in '000s | in '000s |
| Due to bank | — | 600049 | — | 6313 |
| Letters of guarantee | 249769 | 249769 | 3230 | 2628 |
| | 249769 | 849818 | 3230 | 8941 |

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

The Company also has a credit facility from Saudi Hollandi Bank for long-term debt up to a maximum amount of SR 8.2 million, which has been fully utilized. The debt is repayable in 48 equal monthly installments commenced from November 2006 and carries interest at SIBOR plus 3%. This facility is secured by a demand promissory note for SR 8.5 million from Voltas Limited and Sheikh Hani S. Al-Emam and corporate and personal guarantees from the aforementioned parties respectively. This facility includes certain covenants which provide, amongst other items, maintenance of a minimum tangible networth, maximum gearing, maximum leverage ratio and dividend payment restriction. As of 31st December, 2008, the Company was in breach of covenants relating to minimum tangible networth, maximum gearing and maximum leverage and the management believes that on their application the waiver will be obtained. However, management is planning to repay the entire balance in 2009, accordingly the long term portion of loan has been reclassified as short-term. As of 31st December, the Company had the following outstanding in relation to this facility:

| | SR | As at 31-12-2007 SR | Rupees in '000s | As at 31-12-2007 Rupees in '000s |
|-----------------------|------------------|---------------------------|--------------------|-------------------------------------------|
| Long-term debt | 3758334 | 7158497 | 48595 | 75308 |
| Less: current portion | (3758334) | (3400163) | (48595) | (35770) |
| | <u>—</u> | <u>3758334</u> | <u>—</u> | <u>39538</u> |

The current portion of long-term debt includes over due instalments amounting to SR 170833 (Rs. 22.09 lakhs) [2007: SR 1350163 (Rs. 142.04 lakhs)].

6. ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES

| | SR | As at 31-12-2007 SR | Rupees in '000s | As at 31-12-2007 Rupees in '000s |
|-------------------------------------|----------------|---------------------------|--------------------|-------------------------------------------|
| Accounts payable | 7061597 | 7567110 | 91307 | 79607 |
| Due to related parties (Note 11) | 421495 | 1119474 | 5450 | 11777 |
| Zakat and tax liabilities (Note 10) | — | 589006 | — | 6196 |
| Accrued liabilities | 1502177 | 2393003 | 19423 | 25174 |
| | 8985269 | <u>11668593</u> | 116180 | <u>122754</u> |

7. SHORT-TERM DEBTS

| | SR | As at 31-12-2007 SR | Rupees in '000s | As at 31-12-2007 Rupees in '000s |
|------------------------------------------|----------------|---------------------------|--------------------|-------------------------------------------|
| VIL Overseas Enterprises B.V. (Note 7.1) | 1000000 | — | 12930 | — |
| Voltas Limited (Note 7.2) | 748607 | — | 9679 | — |
| | 1748607 | <u>—</u> | 22609 | <u>—</u> |

Notes :

- 7.1 This represents loan obtained by the Company from VIL Overseas Enterprises B.V., a related party, which is repayable within one year and carries interest at 4% per annum.
- 7.2 This represents balance payable to Voltas Limited, the majority shareholder, converted into term loan repayable in one or more tranches on or before 31st March, 2010 and carries interest at 4% per annum. However, management intends to repay this loan in next year.

8. END-OF-SERVICE INDEMNITIES

The movement in provision is as follows:

| | SR | As at 31-12-2007 SR | Rupees in '000s | As at 31-12-2007 Rupees in '000s |
|--------------------------|-----------------|---------------------------|--------------------|-------------------------------------------|
| 1st January | 1753133 | 1546943 | 18443 | 18238 |
| Provision for the year | 146443 | 245010 | 1893 | 2823 |
| Payments during the year | (221114) | (38820) | (1367) | (2618) |
| 31st December | 1678462 | <u>1753133</u> | 21703 | <u>18443</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2008 (contd.)**9. STATUTORY RESERVE**

In accordance with the Regulations for Companies in Saudi Arabia, and after recovering the accumulated losses, the Company will establish a statutory reserve by the appropriation of 10% of the net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

10. ZAKAT AND INCOME TAX

The principal elements of the zakat base are as follows:

| | As at 31-12-2007 | | As at 31-12-2007 | |
|------------------------------|---------------------|----------|---------------------|--------------------|
| | SR | SR | Rupees in '000s | Rupees in '000s |
| Non-current assets | — | 257175 | — | 2705 |
| Non-current liabilities | — | 788941 | — | 8300 |
| Opening Shareholders' equity | — | (412359) | — | (4338) |
| Adjusted loss | — | (471260) | — | (5259) |

Some of these amounts had been adjusted in arriving at the zakat charge for the year.

The movement in zakat and income tax provision is as follows:

| | As at 31-12-2007 | | As at 31-12-2007 | |
|------------------------------------|---------------------|--------|---------------------|--------------------|
| | SR | SR | Rupees in '000s | Rupees in '000s |
| Zakat: | | | | |
| 1st January | 381484 | 381484 | 4013 | 4013 |
| Charge for the year | — | — | — | — |
| Under provision for previous years | 205315 | — | 2408 | — |
| Payments made during the year | (586799) | — | (6883) | — |
| 31st December | — | 381484 | — | 4013 |
| Income tax: | | | | |
| 1st January | 207522 | 207522 | 2183 | 2183 |
| Under provision for previous years | 257237 | — | 3017 | — |
| Payments made during the year | (464759) | — | (5452) | — |
| 31st December | — | 207522 | — | 2183 |

At 31st December, 2007, the Company had an adjusted net loss for the year and negative zakat base. Accordingly, no provision for zakat and income tax was made. As mentioned in Note 1, during the year there is a change in shareholding of the Company. After the change, the Company is owned 100% by foreign shareholders and not subject to zakat. Accordingly, no provision for zakat has been made in these financial statements. At 31st December, 2008, the Company had an adjusted net loss for the year and accordingly no provision for tax has been made.

Outstanding assessments:

The tax returns for the years 2003 to 2007 are under review by the DZIT.

11. RELATED PARTY TRANSACTIONS

Due to related parties as of 31st December are comprised of the following:

| | As at 31-12-2007 | | As at 31-12-2007 | |
|-------------------------------|---------------------|---------|---------------------|--------------------|
| | SR | SR | Rupees in '000s | Rupees in '000s |
| Voltas Limited | 386865 | 1119474 | 5002 | 11777 |
| VIL Overseas Enterprises B.V. | 34630 | — | 448 | — |
| | 421495 | 1119474 | 5450 | 11777 |

12. INDIRECT CONTRACT COSTS

| | 2007 | | 2007 | |
|-----------------------|----------------|---------|--------------------|--------------------|
| | SR | SR | Rupees in '000s | Rupees in '000s |
| Salaries and benefits | 2655537 | 1858494 | 31149 | 20741 |
| Rent | 328954 | 192631 | 3859 | 2150 |
| Vehicle expenses | 10982 | 9293 | 129 | 104 |
| Other expenses | 11723 | 16601 | 138 | 185 |
| | 3007196 | 2077019 | 35275 | 23180 |

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

13. GENERAL AND ADMINISTRATIVE EXPENSES

| | SR | 2007 SR | Rupees in '000s | 2007 Rupees in '000s |
|---------------------------------------------|-----------------|-----------------|--------------------|----------------------------|
| Salaries and benefits | 864365 | 1118376 | 10139 | 12481 |
| Rent | 385057 | 232127 | 4517 | 2591 |
| Allowance for doubtful debts and write-offs | 9013650 | 11000000 | 105730 | 122760 |
| Vehicle expenses | 127454 | 107210 | 1495 | 1196 |
| Communication, travel and insurance | 218088 | 207713 | 2558 | 2318 |
| Office expenses | 106284 | 100035 | 1246 | 1116 |
| Depreciation | 106111 | 153275 | 1245 | 1711 |
| Other expenses | 590015 | 78161 | 6921 | 872 |
| | <u>11411024</u> | <u>12996897</u> | <u>133851</u> | <u>145045</u> |

14. TRANSACTIONS WITH MAJOR CUSTOMER

Contract revenue from six customers amounted to approximately SR 9.52 million (Rs. 1116.70 lakhs) [2007: SR 7.85 million (Rs. 876.06 lakhs)], which represents approximately 83% (2007: 68%) of the total contract revenue.

15. SUBORDINATED LOAN FOR LOSSES

During the year 2006, the shareholders resolved to give an interest free loan to the Company amounting to SR 3.25 million (Rs. 420.23 lakhs) as a subordinated loan for losses because of the accumulated losses exceeded one-half of the Company's capital. During the year 2007, shareholders also provided an additional amount of SR 0.25 million (Rs. 32.33 lakhs). During the year, the shareholders further provided an additional amount of SR 9 million (Rs. 1163.70 lakhs). The subordinated loan is not repayable until the accumulated losses are recovered from future profits.

16. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company is exposed to interest rate cash flow risk mainly on due to bank. The Company pays a base rate in accordance with the terms of agreement with the bank which fluctuates with market conditions.

17. CREDIT RISK

The Company's credit risk is primarily attributable to its accounts receivable and contract retentions. The amounts presented in the balance sheet are net of allowance for doubtful debts, estimated by the Company's management based on prior experience and their assessment of the current environment. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers/projects.

As of 31st December, 2008, 49% (2007: 48%) of the Company's accounts receivable, advances, unbilled revenues and retentions are concentrated in one project, whose timing of cash flows cannot be ascertained.

18. OPERATING LEASE ARRANGEMENTS

| | SR | 2007 SR | Rupees in '000s | 2007 Rupees in '000s |
|--------------------------------------------------------------------------|--------|------------|--------------------|----------------------------|
| Payments under operating leases recognized as an expense during the year | 714011 | 424758 | 8375 | 4740 |

Operating lease payments represent rentals payable by the Company for certain office properties and accommodation, the commitments for which expire within one year.

19. FAIR VALUES

The fair values of the Company's financial assets and liabilities, except for a portion of accounts receivables, advances, contract retentions and unbilled revenues approximate their carrying amounts. Fair values of these financial assets depend on the timing of cash inflows as mentioned in Note 17.

Directors

Sh. Hani S. Al-Emam
Saad Dajani

Jeddah, 30th March, 2009.

VOLTAS LIMITED

Registered Office: Voltas House 'A', Dr. Babasaheb Ambedkar Road, Chinchpokli, Mumbai 400 033.

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A **TATA** Enterprise