VOLTAS

A TATA Enterprise

Reports and Accounts of Subsidiary Companies

2011-2012

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UNIVERSAL COMFORT PRODUCTS LIMITED

Directors:

M. M. Miyajiwala *(Chairman)*
Nani Javeri
Pradeep Kumar Bakshi

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting their Eleventh Annual Report and Audited Accounts for the year ended 31st March, 2012.

2. The slow down in the economy, higher inflation and interest rates, coupled with unfavourable weather conditions, resulted in low market sentiments/demand for consumer products. The AC industry witnessed drop of 28% in volumes in 2011-12 as compared to previous year. The Company's production/sales volume of airconditioners were also impacted resulting into lower Revenue of ₹ 485.65 crores for the year ended 31st March, 2012 as compared to ₹ 492.21 crores in the previous year. However, due to better sales realization/product mix and efficient management of inventory/finance and other costs, Profit after tax was higher at ₹ 34.14 crores for the year under review as compared to ₹ 27.36 crores in the previous year.

3. The Company has no employee of the category indicated under Section 217(2A) of the Companies Act, 1956, as amended to date.

4. 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, 2012.

5. 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, 2012 and of the profit of the Company for the year ended 31st March, 2012.

   (c) proper and sufficient care has 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.

6. The Company has obtained the approval of Central Government for reappointment of M/s. N. I. Mehta & Co., Cost Accountants as Cost Auditor in respect of Room Airconditioners manufactured by the Company for the year ended 31st March, 2012. The Cost Audit Report of M/s. N. I. Mehta & Co. for the year ended 31st March, 2011 was filed with the Central Government on 24th August, 2011. The due date for filing was 27th September, 2011.

7 Pursuant to the Order dated 24th January, 2012 passed by the Ministry of Corporate Affairs (MCA), Cost Audit Branch, directing companies to which the Companies (Cost Accounting Records) Rules, 2011 apply, to get their cost accounting records for products covered under specified chapters of the Central Excise Tariff Act, 1985 audited by a Cost Auditor, the Company has made an application to the Central Government (MCA) for reappointment of M/s. N. I. Mehta & Co. as the Cost Auditor of the Company for the year ending 31st March, 2013. The approval of the Central Government is awaited.

8. In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. Pradeep Bakshi retires by rotation and being eligible, offers himself for reappointment.

9. Mr. Nani Javeri was appointed as an Additional Director by the Board on 1st November, 2011. In accordance with the provisions of the Companies Act, 1956, Mr. Nani Javeri holds office upto the date of the forthcoming Annual General Meeting and Notice under Section 257 of the Act has been received from a member proposing his appointment as a Director of the Company. The Resolution seeking approval of the members for appointment of Mr. Nani Javeri as a Director of the Company has been incorporated in the Notice of the forthcoming Annual General Meeting.

10. Mr. Behram Sabawala ceased to be a Director of the Company with effect from 1st November, 2011. The Directors place on record their sincere appreciation of the valuable services and advice given by Mr. Behram Sabawala during his tenure on the Board since August 2008.

11. 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
Mumbai, 10th May, 2012 *Chairman*

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 high energy efficient star rated air conditioners with Rotary, Recip and Scroll compressors as per new BEE requirement.
   - Development of air conditioners with multi channel parallel flow heat exchangers.
   - Controlling of residential ACs by GSM communication (Mobile operated ACs).

- Development of Air conditioners with BLDC motors to reduce noise and improve energy efficiency.
- Development of air conditioners with anti viral and anti bacterial filter to improve health of occupants.
- Development of all weather ACs.
- Development of DC Inverter ACs locally in India.

2. **Product and processes developed through in-house technology**

- 2 TR Split air conditioner – 5 star rated with energy efficient scroll compressor as well as rotary compressors.
- 5 star Window air conditioners.
- New range of 5 star rated air conditioners.
- Development of Split ACs as per BEE requirements.

3. **Imported Technology**

No technology has been imported during the last five years.

4. **Expenditure on R&D**

The expenditure on R&D activities for the year 2011-12 was ₹ 66.41 Lakhs. The R&D expenditure was 0.14% of the gross turnover.

5. **Energy Conservation**

Productivity improvement of Assembly line by installing automatic pallet unloader and vacuum conveyor, resulting in saving in power consumption.

AUDITORS' REPORT

TO THE MEMBERS OF
UNIVERSAL COMFORT PRODUCTS LIMITED

1. We have audited the attached Balance Sheet of **UNIVERSAL COMFORT PRODUCTS LIMITED** ("the Company") as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

   (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;

      (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and

      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

5. On the basis of the written representations received from the Directors as on 31st March, 2012 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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

B. P. Shroff
Partner
Mumbai, 10th May, 2012 Membership No. 34382

ANNEXURE TO THE AUDITORS' REPORT

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

(i) Having regard to the nature of the Company's business/activities/result/transactions etc., clauses (vi), (x), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of CARO are not applicable.

(ii) In respect of its fixed assets:

   (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) 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 explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) 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) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

(v) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is a generally adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods. During the course of our audit, we have not observed any major weakness in such internal control system.

(vi) 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 were required to be entered in the Register maintained under the said Section have been so entered.

(b) Where each of such transactions in excess of ₹ 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 quotations are not available and in respect of which we are unable to comment.

(vii) In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company 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 in respect of manufacture of air conditioners and 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 or complete.

(ix) According to the information and explanations given to us in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2012 for a period of more than six months from the date they became payable except for Income-Tax and Sales Tax of ₹ 0.23 Lakh and ₹ 0.70 Lakh, respectively which have been paid subsequent to the year end.

(c) Details of dues of Sales Tax and Service Tax which have not been deposited as on 31st March, 2012 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (₹ in Lakhs)
Sales tax laws	Sales Tax	High Court	2002-05	642.58
Finance Act, 1994	Service Tax	Commissioner (Appeal) of Central Excise and Customs	2002-03	11.94

(x) 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.

(xi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.

(xii) In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, funds raised on short term basis have not been used during the year for long term investment.

(xiii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

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

B. P. Shroff
Partner
Membership No. 34382

Mumbai, 10th May, 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

	Note	₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
A. EQUITY AND LIABILITIES			
1. SHAREHOLDERS' FUNDS			
(a) Share capital	2	**2764.20**	2764.20
(b) Reserves and surplus	3	**6084.18**	2670.67
		8848.38	5434.87
2. NON-CURRENT LIABILITIES			
(a) Deferred tax liabilities (net)	31	**190.34**	175.30
(b) Long-term provisions	4	**4.63**	3.04
		194.97	178.34
3. CURRENT LIABILITIES			
(a) Short-term borrowings	5	**—**	3000.00
(b) Trade payables	6	**4972.90**	4324.82
(c) Other current liabilities	7	**85.49**	94.71
(d) Short-term provisions	8	**73.42**	39.51
		5131.81	7459.04
	TOTAL	**14175.16**	13072.25
B. ASSETS			
1. NON-CURRENT ASSETS			
(a) Fixed assets			
(i) Tangible assets	9	**2422.47**	2573.14
(ii) Intangible assets	9	**4.71**	4.36
		2427.18	2577.50
(b) Long-term loans and advances	10	**2379.80**	1715.34
		4806.98	4292.84
2. CURRENT ASSETS			
(a) Inventories	11	**7060.50**	5479.64
(b) Trade receivables	12	**1568.52**	2917.63
(c) Cash and cash equivalents	13	**269.50**	17.88
(d) Short-term loans and advances	14	**469.66**	364.26
		9368.18	8779.41
	TOTAL	**14175.16**	13072.25
Summary of Significant Accounting Policies	1		

The Notes referred to above form an integral part of financial statements.

In terms of our report attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

B. P. Shroff
Partner
Mumbai, 10th May, 2012

For and on behalf of the Board

Chairman **M. M. Miyajiwala**
Director **Pradeep Kumar Bakshi**
Manager **Mahendra K. Sharma**
Mumbai, 10th May, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

		Note		2010-11
			₹ in Lakhs	₹ in Lakhs
1.	**REVENUE FROM OPERATIONS (GROSS)**	15	**48566.14**	49230.51
	Less: Excise duty		**1.59**	9.77
	Revenue from Operations (net)		**48564.55**	49220.74
2.	**OTHER INCOME**	16	**120.15**	145.36
3.	**TOTAL REVENUE (1+2)**		**48684.70**	49366.10
4.	**EXPENSES**			
	(a) Cost of materials consumed	17(a)	**44028.77**	44659.02
	(b) Changes in inventories of finished goods, work-in-progress and stock-in-trade	17(b)	**64.62**	519.47
	(c) Employee benefits expense	18	**122.21**	107.06
	(d) Finance costs	19	**32.88**	303.60
	(e) Depreciation and amortisation expense	9	**147.36**	170.90
	(f) Other expenses	20	**807.63**	626.34
	TOTAL EXPENSES		**45203.47**	46386.39
5.	**PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX (3 - 4)**		**3481.23**	2979.71
6.	**EXCEPTIONAL ITEMS**	23	**—**	47.47
7.	**PROFIT BEFORE TAX (5 - 6)**		**3481.23**	2932.24
8.	**TAX EXPENSE**			
	(a) Current tax expense		**699.04**	586.32
	(b) Deferred tax		**15.04**	168.48
	(c) MAT Credit Entitlement		**(646.36)**	(559.00)
			67.72	195.80
9.	**PROFIT AFTER TAX (7 - 8)**		**3413.51**	2736.44
10.	**BASIC AND DILUTED EARNINGS PER SHARE OF ₹ 10/- EACH (in ₹)**	32	**12.35**	9.90
	Summary of Significant Accounting Policies	1		

The Notes referred to above form an integral part of financial statements.

In terms of our report attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

B. P. Shroff
Partner
Mumbai, 10th May, 2012

For and on behalf of the Board

Chairman **M. M. Miyajiwala**
Director **Pradeep Kumar Bakshi**
Manager **Mahendra K. Sharma**
Mumbai, 10th May, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

			2010-11
		₹ in Lakhs	₹ in Lakhs
A.	**Cash Flow from Operating activities**		
	Net Profit/(Loss) before extraordinary items and tax	**3481.23**	2932.24
	Adjustments for:		
	Depreciation and amortisation	**147.36**	170.90
	Provision for impairment of fixed assets and intangibles	**—**	47.47
	(Profit)/loss on sale/write off of assets	**(49.39)**	2.61
	Provision for Employee benefits	**1.71**	(12.22)
	Finance costs	**32.88**	303.60
	Operating profit/(loss) before working capital changes	**3613.79**	3444.60
	Changes in working capital:		
	Adjustments for (increase)/decrease in operating assets:		
	Inventories	**(1580.86)**	(1244.63)
	Trade receivables	**1349.11**	(2084.92)
	Short-term loans and advances	**(105.40)**	(102.09)
	Adjustments for increase/(decrease) in operating liabilities:		
	Trade payables	**648.08**	867.31
	Other current liabilities	**(9.22)**	(15.29)
	Cash generated from operations	**3915.50**	864.98
	Net income tax (paid)/refunds	**(665.26)**	(627.47)
	Net cash flow from/(used in) Operating activities (A)	**3250.24**	237.51
B.	**Cash Flow from Investing activities**		
	Capital expenditure on fixed assets, including capital advances	**(54.77)**	(31.78)
	Proceeds from sale of fixed assets	**89.03**	65.85
	Net cash flow from/(used in) Investing activities (B)	**34.26**	34.07
C.	**Cash Flow from Financing activities**		
	Repayment of other short-term borrowings	**(3000.00)**	—
	Finance cost	**(32.88)**	(303.60)
	Net cash flow from/(used in) Financing activities (C)	**(3032.88)**	(303.60)
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	**251.62**	(32.02)
	Cash and cash equivalents at the beginning of the year	**17.88**	49.90
	Cash and cash equivalents at the end of the year	**269.50**	17.88

In terms of our report attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

B. P. Shroff
Partner
Mumbai, 10th May, 2012

For and on behalf of the Board

Chairman **M. M. Miyajiwala**
Director **Pradeep Kumar Bakshi**
Manager **Mahendra K. Sharma**
Mumbai, 10th May, 2012

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

(i) The financial statements are prepared on the 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 financial statements 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 financial statements 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 include excise duty, but exclude sales tax or value added tax.

(b) Sales are recognised when substantial risks and rewards of ownership are transferred to the buyer.

(iv) DEPRECIATION

Depreciation on tangible 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 the 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 capital projects and interest on borrowed money allocated to and utilised for qualifying fixed assets, pertaining to the period up to the date of capitalisation is added to the cost of the assets.

(vi) 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.

(vii) 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.

(viii) INVENTORIES

Inventories are valued 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 their location and condition 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.

(ix) 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 transactions are recognised in the Statement of Profit and Loss. 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 Statement of Profit and Loss over the period of the contract.

(x) EMPLOYEE BENEFITS

(a) The Company's contributions during the year to Provident and Superannuation Funds are recognised in the Statement of Profit and Loss.

(b) The Company's liability 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 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. The liability is determined annually by an independent external actuarial valuation determined on the basis of the projected unit credit method. Actuarial gains and losses are immediately recognised in the Statement of Profit and Loss.

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

(xi) 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 the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future Income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

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.

(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 legal or constructive 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 (excluding retirement benefits) 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 reflect the current best estimation. Contingent liabilities are disclosed in Notes to Accounts.

(xiv) RESEARCH AND DEVELOPMENT EXPENSES

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technological feasibility has been established, in which case such expenditure is capitalised.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

2. SHARE CAPITAL

	Number of Shares	₹ in Lakhs	As at 31-3-2011 Number of Shares	As at 31-3-2011 ₹ in Lakhs
(a) Authorised				
5,00,00,000 Equity Shares of ₹ 10 each with voting rights	**5,00,00,000**	**5000.00**	5,00,00,000	5000.00
(b) Issued, Subscribed and fully paid up				
2,76,42,000 Equity Shares of ₹ 10 each with voting rights	**2,76,42,000**	**2764.20**	2,76,42,000	2764.20

(i) All of the above equity shares are held by the Holding company i.e. Voltas Limited which is also the ultimate Holding company.

(ii) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

	Number of Shares held	₹ in Lakhs	As at 31-3-2011 Number of Shares held	As at 31-3-2011 ₹ in Lakhs
Equity Shares of ₹ 10 each with voting rights	**2,76,42,000**	**2764.20**	2,76,42,000	2764.20

(iii) The Equity Shares of the Company have voting rights and are subject to restrictions as prescribed under the Companies Act, 1956.

(iv) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	Number of Shares held	% holding in that class	As at 31-3-2011 Number of Shares held	As at 31-3-2011 % holding in that class
Equity Shares with voting rights				
Voltas Limited	**2,76,42,000**	**100%**	2,76,42,000	100%

3. RESERVES AND SURPLUS

	₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	**2670.67**	(65.77)
Add: Profit / (Loss) for the year	**3413.51**	2736.44
Closing Balance	**6084.18**	2670.67

4. LONG TERM PROVISIONS

	₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
Provision for employee benefits		
(i) Provision for compensated absences	**1.10**	0.82
(ii) Provision for gratuity (net)	**3.53**	2.22
	4.63	3.04

5. SHORT TERM BORROWINGS

	₹ **in Lakhs**	As at 31-3-2011 ₹ in Lakhs
Loans and advances from related party		
Inter Corporate Deposit from holding company - Unsecured, considered good	**—**	3000.00

6. TRADE PAYABLES

	₹ **in Lakhs**	As at 31-3-2011 ₹ in Lakhs
Trade payables		
Acceptances	**—**	512.21
Other	**4972.90**	3812.61
(Refer Note 33 for Micro, Small and Medium Enterprises)		
	4972.90	4324.82

7. OTHER CURRENT LIABILITIES

	₹ **in Lakhs**	As at 31-3-2011 ₹ in Lakhs
Other payables		
(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	**69.23**	88.35
(ii) Advances from customers	**10.71**	0.81
(iii) Others	**5.55**	5.55
	85.49	94.71

8. SHORT TERM PROVISIONS

	₹ **in Lakhs**	As at 31-3-2011 ₹ in Lakhs
(a) Provision for employee benefits		
(i) Provision for compensated absences	**0.09**	—
(ii) Provision for gratuity (net)	**0.04**	—
	0.13	—
(b) Provision - Others		
(i) Provision for tax	**72.96**	39.18
(ii) Provision for wealth tax	**0.33**	0.33
	73.29	39.51
	73.42	39.51

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

9. FIXED ASSETS

₹ in Lakhs

Particulars	Gross block				Accumulated depreciation and impairment					Net block	
	Balance as at 1-4-2011	Additions	Disposals	**Balance as at 31-3-2012**	Balance as at 1-4-2011	Depreciation/ amortisation expense for the year	Eliminated on disposal of assets	Impairment losses recognised in statement of profit and loss	**Balance as at 31-3-2012**	**Balance as at 31-3-2012**	Balance as at 31-3- 2011
Tangible Assets											
(a) Land											
- Freehold	164.41	—	—	**164.41**	—	—	—	—	**—**	**164.41**	164.41
- Leasehold	256.26	—	—	**256.26**	11.34	2.81	—	—	**14.15**	**242.11**	244.92
(b) Buildings											
- Own use*	2004.67	—	47.62	**1957.05**	480.98	65.82	8.01	—	**538.79**	**1418.26**	1523.69
(c) Plant and Equipment											
- Owned	1412.95	31.27	—	**1444.22**	834.10	65.47	—	—	**899.57**	**544.65**	578.85
(d) Furniture and Fixtures											
- Owned	67.11	0.72	—	**67.83**	25.45	3.22	—	—	**28.67**	**39.16**	41.66
(e) Vehicles											
- Owned	20.08	—	—	**20.08**	19.08	—	—	—	**19.08**	**1.00**	1.00
(f) Office equipment											
- Owned	54.79	—	0.03	**54.76**	36.18	5.70	—	—	**41.88**	**12.88**	18.61
Total	3980.27	31.99	47.65	**3964.61**	1407.13	143.02	8.01	—	**1542.14**	**2422.47**	2573.14
Intangible Assets											
Computer software	59.03	4.69	—	**63.72**	54.67	4.34	—	—	**59.01**	**4.71**	4.36
Total	59.03	4.69	—	**63.72**	54.67	4.34	—	—	**59.01**	**4.71**	4.36
Grand Total	4039.30	36.68	47.65	**4028.33**	1461.80	147.36	8.01	—	**1601.15**	**2427.18**	2577.50
Previous year	5053.30	60.17	1074.17	4039.30	2249.14	170.90	1005.71	47.47	1461.80	2577.50	2804.16

* Includes ₹ 1000 (Previous year : ₹ 2250) being cost of 20 shares (Previous year : 45 shares) of ₹ 50 each in Co-operative Housing Societies.

Fixed Assets include assets held for sale aggregating ₹ 932.47 Lakhs (Previous year : ₹ 1010.65 Lakhs), valued at the lower of the estimated net realisable value and net book value.

10. LONG TERM LOANS AND ADVANCES

		₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
Unsecured, considered good			
(a)	Capital advances	**18.10**	—
(b)	Security deposits	**3.22**	3.22
(c)	Advance income tax	**56.61**	56.61
(d)	MAT credit entitlement	**1505.21**	858.85
(e)	Balances with government authorities		
	VAT credit receivable	**796.66**	796.66
		2379.80	1715.34

11. INVENTORIES

(At lower of cost and net realisable value)

		₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
(a)	Raw materials	**6973.04**	5327.56
(b)	Finished goods	**87.46**	152.08
		7060.50	5479.64

12. TRADE RECEIVABLES

	₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
Unsecured, considered good		
Trade receivables outstanding for a period exceeding six months from the date they were due for payment	**252.13**	569.75
Other Trade receivables	**1316.39**	2347.88
	1568.52	2917.63

13. CASH AND CASH EQUIVALENTS

	₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
(a) Cheques, drafts on hand	**—**	1.35
(b) Balances with banks in current accounts	**269.50**	16.53
	269.50	17.88

14. SHORT-TERM LOANS AND ADVANCES

	₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
Unsecured, considered good		
(a) Security deposits	**2.75**	—
(b) Loans and advances to employees	**—**	0.23
(c) Prepaid expenses	**7.24**	7.00
(d) Balances with government authorities		
(i) Customs	**0.02**	0.02
(ii) VAT credit receivable	**395.43**	309.05
(iii) Service Tax credit receivable	**22.78**	1.20
(e) Advances to Suppliers	**41.44**	46.76
	469.66	364.26

15. REVENUE FROM OPERATIONS

	₹ in Lakhs	2010-11 ₹ in Lakhs
(a) Sale of products (Refer Note 25)	**48543.77**	49163.57
(b) Other operating revenues		
- Sale of Scrap	**22.37**	66.94
	48566.14	49230.51
Less:		
(c) Excise duty	**(1.59)**	(9.77)
	48564.55	49220.74

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

16. OTHER INCOME

	₹ **in Lakhs**	2010-11 ₹ in Lakhs
(a) Interest income		
- Interest on income tax refund	**—**	1.06
(b) Net gain on foreign currency transactions and translation	**0.75**	0.02
(c) Other non-operating income (net of expenses directly attributable to such income)		
– Rental income from investment properties	**—**	0.59
– Profit on sale of fixed assets	**49.39**	—
– Cash discount from suppliers	**70.01**	143.69
	120.15	145.36

17. (a) COST OF MATERIALS CONSUMED

(Refer Note 22)

	₹ **in Lakhs**	2010-11 ₹ in Lakhs
Opening stock	**5327.56**	3562.19
Add: Purchases	**45674.25**	46424.39
	51001.81	49986.58
Less: Closing stock	**6973.04**	5327.56
Cost of materials consumed	**44028.77**	44659.02

17. (b) CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

	₹ **in Lakhs**	2010-11 ₹ in Lakhs
Inventories at the end of the year		
- Finished goods	**87.46**	152.08
- Work-in-progress	**—**	—
	87.46	152.08
Inventories at the beginning of the year		
- Finished goods	**152.08**	611.63
- Work-in-progress	**—**	59.92
	152.08	671.55
Net (increase) / decrease	**64.62**	519.47

18. EMPLOYEE BENEFITS EXPENSE

		₹ in Lakhs	2010-11 ₹ in Lakhs
(a)	Salaries and wages	**109.15**	94.18
(b)	Contributions to provident and other funds	**3.40**	3.01
(c)	Staff welfare expenses	**9.66**	9.87
		122.21	107.06

19. FINANCE COSTS

		₹ in Lakhs	2010-11 ₹ in Lakhs
Interest expense on			
(i)	Borrowings	**32.88**	300.00
(ii)	Others		
	– Interest on delayed payment of duty	**—**	3.60
		32.88	303.60

20. OTHER EXPENSES

	₹ in Lakhs	2010-11 ₹ in Lakhs
Consumption of stores and spare parts	**116.98**	91.66
Power and fuel	**45.25**	30.93
Rent including lease rentals	**15.33**	10.08
Repairs and maintenance - Buildings	**8.58**	3.49
Repairs and maintenance - Machinery	**12.43**	16.67
Insurance	**7.16**	6.68
Rates and taxes	**1.39**	0.49
Travelling and conveyance	**15.84**	10.30
Printing and stationery	**7.06**	2.73
Freight and forwarding	**21.50**	36.44
Sales commission	**202.21**	95.22
Advertising	**0.58**	—
Legal and professional	**9.27**	5.66
Payments to auditors	**28.00**	22.93
Loss on fixed assets sold/scrapped/written off	**—**	2.58
Miscellaneous expenses	**316.05**	290.48
	807.63	626.34

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

21. (a) Contingent Liabilities

		₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
(i)	Claims against the company not acknowledged as debt		
	- Sales Tax	**601.16**	601.16
	- Service Tax	**11.94**	11.94
		613.10	613.10

(ii) Bank Guarantee of ₹ 13.71 Lakhs for Electricity and others (Previous year: ₹ 16.71 Lakhs).

21. (b) Other Commitments

Estimated amount of contracts remaining to be executed on capital account is ₹ 25.61 Lakhs (Previous year : ₹ Nil) against which advances paid aggregate ₹ 18.10 Lakhs (Previous year : ₹ Nil).

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

Items	Unit of Measurement	**Quantity**	2010-11 Quantity	**₹ In Lakhs**	2010-11 ₹ In Lakhs
Compressors	Numbers	**238639**	335996	**11101.42**	11260.14
Fan Coil Unit	Numbers	**269879**	209325	**13804.77**	14002.74
Kits	Numbers	**256115**	338447	**17513.80**	17764.13
Others		**(*)**	(*)	**1608.78**	1632.01
				44028.77	44659.02

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

22. (b) Details of consumption of Imported and Indigenous items

	Raw Material ₹ In Lakhs	Component ₹ In Lakhs	Spares ₹ In Lakhs	Value ₹ In Lakhs	% to Total Consumption
Imported	**—**	**—**	**—**	**—**	**—**
	(—)	(—)	(—)	(—)	(—)
Indigenous	**48.40**	**43980.37**	**—**	**44028.77**	**100.00**
	(0.53)	(44658.49)	—	(44659.02)	(100.00)
Total	**48.40**	**43980.37**	**—**	**44028.77**	**100.00**
	(0.53)	(44658.49)	(—)	(44659.02)	(100.00)

(Figures in brackets relate to the previous year)

23. 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 Nil (Previous year: ₹ 47.47 Lakhs on Plant and Machinery/Building held for Sale as the estimated realisable value/value in use is lower than the net book value).

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

	Installed Capacity (Nos.)	2010-11 Installed Capacity (Nos.)	**Actual Production (Nos.)**	2010-11 Actual Production (Nos.)
Room air conditioners	**250000**	250000	**252393**	339617

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 capacity is as certified by the Management and relied upon by the Auditors as this is a technical matter.

25. Information in regard to Sales, Opening Stocks and Closing Stocks

		Sales		Opening Stocks		Closing Stocks	
Class of Goods	Unit of Measurement	Quantity	₹ in Lakhs	Quantity	₹ in Lakhs	Quantity	₹ in Lakhs
Air conditioners							
- Room air conditioners (Including Split Units)	Numbers	**252579**	**44839.25**	**937**	**152.08**	**751**	**87.46**
		(342986)	(46760.01)	(4306)	(611.63)	(937)	(152.08)
Others							
- Raw materials			**3704.52**		**—**		**—**
			(2403.56)		(—)		(—)
Total			**48543.77**		**152.08**		**87.46**
			(49163.57)		(611.63)		(152.08)

(Figures in brackets relate to previous year)

26. 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.

27. Auditors Remuneration

	₹ in Lakhs	2010-11 ₹ in Lakhs
Audit Fees	**13.00**	10.00
Tax Audit Fees	**3.90**	3.00
Tax Matters	**1.62**	1.50
Other Services	**7.80**	6.00
Reimbursement of Expenses	**0.54**	0.15
Service Tax on Above	**1.14**	2.28
	28.00	22.93

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

28. Related Party Disclosure

Entity: Voltas Limited

Relationship: Holding company

Nature of transactions	**₹ in Lakhs**	2010-11 ₹ in Lakhs
Purchase of goods	**29964.01**	25597.36
Sale of goods	**43886.64**	47068.59
Other Income	**—**	53.56
Reimbursement of Staff cost	**24.00**	22.08
Commission paid	**202.21**	95.21
Interest payment	**32.88**	300.00
Related Party Balances		
Net Receivable	**1197.64**	2223.25
Inter Corporate Deposit	**—**	3000.00

29. Details of research and development expenditure recognised as an expense

Materials	**17.14**	40.12
Employee benefits expense	**15.71**	15.71
Others	**33.56**	33.56
	66.41	89.39

30. Employee Benefits

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

	₹ in Lakhs	2010-11 ₹ in Lakhs
Provident Fund	**3.40**	3.00

(b) Defined benefit plan for un-funded gratuity as per actuarial valuation on 31st March, 2012. The details of the Company's Post-retirement benefit plans for gratuity for its employees are given below which is certified by the independent actuary and relied upon by the auditors.

A. Assumptions		2010-11
Discount Rate	**8.25%**	8.00%
Rate of Return on Plan Assets-Previous	**—**	—
Salary Escalation-Previous	**8.00%**	5.00%
Discount Rate	**8.50%**	8.25%
Rate of Return on Plan Assets-Current	**—**	—
Salary Escalation-Current	**8.00%**	8.00%
Mortality Table	**LIC (1994-96) Ultimate**	LIC (1994-96) Ultimate

B. Table showing change in Benefit Obligation

		2010-11
	₹ in Lakhs	₹ in Lakhs
Liability at the beginning of the year	**2.22**	12.02
Interest Cost	**0.27**	0.58
Current Service Cost	**1.06**	0.64
Past Service Cost (Non Vested Benefit)	**—**	—
Past Service Cost (Vested Benefit)	**—**	—
Benefit Paid	**—**	(10.81)
Actuarial (Gain)/Loss on obligations	**(0.01)**	(0.21)
Liability at the end of the year	**3.56**	2.22

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	**—**	10.81
Benefit Paid	**—**	(10.81)
Actuarial Gain/(Loss) on Plan Assets	**—**	—
Fair Value of Plan Assets	**—**	—
Total Accrual Gain/(Loss) to be Recognised	**(0.01)**	(0.21)

D. Amount Recognised in Balance sheet

Liability at the end of the year	**3.56**	2.22
Fair Value of Plan Assets at the end of the year	**—**	—
Difference	**(3.56)**	2.22
Unrecognised Past Service Cost	**—**	—
Amount Recognised in Balance Sheet	**(3.56)**	2.22

E. Amount Recognised in Income Statement

Current Service Cost	**1.06**	0.64
Interest Cost	**0.27**	0.58
Expected Return on Plan Asset	**—**	—
Net Actuarial (Gain)/Loss to be Recognised	**0.01**	(0.21)
Past Service Cost (Non Vested Benefit) Recognised	**—**	—
Past Service Cost (Vested Benefit) Recognised	**—**	—
Expenses Recognised in Statement of Profit and Loss	**1.34**	(1.01)

F. Balance Sheet Reconciliation

Opening Net Liability	**2.22**	12.02
Expenses as above	**1.34**	(1.01)
Employers Contribution	**—**	(10.81)
Amount Recognised in Balance Sheet	**3.56**	2.22

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

G. Experience Adjustment

		2010-11	2009-10	2008-09	2007-08
	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs	₹ in Lakhs
Present value of defined benefit obligation	**3.56**	2.22	12.02	15.33	38.56
Plan Assets	**—**	—	—	—	—
Surplus/(Deficit)	**—**	—	—	—	—
On Plan Liability (Gain)/Loss	**0.17**	(0.95)	(3.04)	8.05	4.52
On Plan Asset (Gain)/Loss	**—**	—	—	—	—

H. Expected contribution to defined benefit plan in next year ₹3.56 Lakhs (Previous year : ₹ 2.25 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.

31. 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 Liability of ₹ 190.34 Lakhs (Previous year : ₹ 175.30 Lakhs) for the year as indicated below.

The break-up of deferred tax liability and deferred tax asset as at 31st March, 2012 are as under:

		As at 31-3-2011
	₹ In Lakhs	₹ In Lakhs
Deferred Tax Liability		
Depreciation (A)	**191.92**	189.72
Deferred Tax Assets		
Employee Benefits	**1.58**	0.99
Unabsorbed Depreciation	**—**	—
Others	**—**	13.43
Total (B)	**1.58**	14.42
Net Deferred Tax Liability/(Asset) (A-B)	**190.34**	175.30

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.

32. Earnings Per Share

Profit after Tax (₹ in Lakhs)	**3413.53**	2736.44
Number of Equity Shares	**27642000**	27642000
Basic and Diluted Earnings per Share of ₹ 10 each (₹)	**12.35**	9.90

33. On the basis of 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.

34. The Balance Sheet, the Statement of Profit and Loss and 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 Company Secretary under Section 383A of the Companies Act, 1956.

35. The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

For and on behalf of the Board

Chairman **M. M. Miyajiwala**
Director **Pradeep Kumar Bakshi**
Mumbai, 10th May, 2012 *Manager* **Mahendra K. Sharma**

ROHINI INDUSTRIAL ELECTRICALS LIMITED

Directors:

P. N. Dhume *(Chairman)*
A.K. Joshi
M. Gopi Krishna
M.M. Miyajiwala
Prashant G. Kandoi

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Twenty-Ninth Annual Report and Audited Accounts for the year ended 31st March, 2012. The Company has recorded lower Revenue of ₹ 117.91 crores and incurred net loss of ₹ 26.19 crores for the year ended 31st March, 2012. The lower turnover/loss is primarily on account of old legacy projects which have been completed/closed during the year. However, new orders booked had better margins. In view of the loss situation, the Directors do not recommend any dividend on equity or preference shares for the year 2011-12.

2. The Company had taken Inter-Corporate Deposits (ICDs) from Voltas Limited to meet its funds requirements from time to time. In order to reduce the interest burden and improve the Net Worth, the Company had on 29th March, 2012 issued and allotted 25,00,000 – 0.01% Cumulative Redeemable Preference Shares (CRPS) of ₹ 100 each to Voltas Limited by converting ICDs of ₹ 25 crores. The Authorised Capital of the Company was increased from ₹ 5 crores to ₹ 30 crores to provide for issue of 25,00,000 – 0.01% Cumulative Redeemable Preference Shares of ₹ 100 each. The Paid-up Capital of the Company is ₹ 26.83 crores comprising 18,25,782 Equity Shares of ₹ 10 each and 25,00,000 – 0.01% Cumulative Redeemable Preference Shares of ₹ 100 each.

3. The Company has no employee of the category indicated under Section 217(2A) of the Companies Act, 1956, as amended to date.

4. 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 and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss 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.

5. 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, 2012.

6. In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. M. Gopi Krishna retires by rotation and being eligible, offer himself for re-election.

7. Mr. Ashwin Sathe has been appointed as 'Manager' as defined under the provisions of the Companies Act, 1956, designated as 'Head – Operations', with effect from 7th May, 2012.

8. M/s. Deloitte Haskins & Sells (DHS), Chartered Accountants, the retiring Auditors being eligible, offer themselves for reappointment.

9. As regards item of the Notice of the Annual General Meeting relating to the Special Business, the Resolutions incorporated in the Notice and the Explanatory Statements thereto fully indicate the reasons for seeking the approval of the members to those proposals. The members attention is drawn to these.

On behalf of the Board of Directors

P. N. Dhume
Chairman

Mumbai, 7th May, 2012

AUDITORS' REPORT

TO THE MEMBERS OF
ROHINI INDUSTRIAL ELECTRICALS LIMITED

1. We have audited the attached Balance Sheet of **ROHINI INDUSTRIAL ELECTRICALS LIMITED** ("the Company") as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. Without qualifying our opinion, we draw attention to Significant Accounting Policy (f) (ii) of Note 1, revenue from long term contracts is recognised on the percentage of completion method based on the costs incurred to date and the estimated aggregate cost to completion arrived at by the Management on the basis of technical data.

4. Without qualifying our opinion, we draw attention to Note 31 to the financial statements. As the Parent company has assured the Company of continued support, including by way of infusion of funds from time to time, these financial statements have been prepared on a going concern basis for the reason set out in Note 31.

5. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

6. Further to/read with our comments in paragraphs 3 and 4 above, and the Annexure referred to in paragraph 5 above, we report as follows:

   (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

   (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;

      (ii) in the case of the Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and

      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

7. On the basis of the written representations received from the Directors as on 31st March, 2012 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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

B. P. Shroff
Partner
Membership No.34382

Mumbai, 7th May, 2012

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 5 of our report of even date)

(i) Having regard to the nature of the Company's business/activities/ result/transactions, etc., clauses (viii), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of CARO are not applicable.

(ii) In respect of its fixed assets:

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(iii) In respect of its inventory:

(a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals except for inventory lying at some sites.

(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were generally 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. No material discrepancies were noticed on physical verification.

(iv) The Company has not granted any loan, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

(v) In respect of 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 outstanding amount of loan taken from 2 parties and overdue interest at the year-end aggregated ₹ 627.57 Lakhs and ₹ 45.12 Lakhs respectively. The maximum amount involved including the overdue interest during the year was ₹ 672.69 Lakhs (2 parties).

(b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Company.

(c) The payments of principal amounts and interest in respect of such loans are regular/as per stipulations other than as disclosed above.

(vi) In our opinion and according to the information and explanations given to us, there is generally an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase 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, however, the process of determining estimated contract costs affords scope for further improvement.

(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 ₹ 5 Lakhs in respect of any such party, the transactions have been made at prices which are *prima facie* reasonable having regard to the prevailing market prices at the relevant time

(viii) According to the information and explanations given to us, the Company has not accepted any deposit from the public during the year.

(ix) In our opinion, the internal audit system needs to be strengthened to make it commensurate with the size of the Company and the nature of its business.

(x) According to the information and explanations given to us in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2012 for a period of more than six months from the date they became payable except ₹ 55.19 Lakhs relating to Sales Tax.

(c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2012 on account of disputes are given below:

No.	Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (₹ in Lakhs)
1.	Income Tax Act,1961	Income Tax	Commissioner of Income Tax (Appeals)	2007-08, 2008-09	21.89
			Income Tax Officer (TDS)	2007-08	0.45
2.	Income Tax Act,1961	Fringe Benefit Tax	Dy. Commissioner of Income Tax	2006-07	1.49
3.	Sales Tax Laws	Value Added Tax	Commercial Tax Officer (Appeals)	2004-05, 2006-07	19.20
			Dy. Commissioner (Appeals)	2007-08, 2008-09	117.26
			Asst. Commissioner of Commercial Tax	2007-08	0.78
			Commercial Tax Officer	2007-08	41.63
			Jt. Excise & Taxation Commissioner	2006-07	30.74
			Jt. Commissioner of Tax	2008-09	14. 63
4.	Sales Tax Laws	CST	Dy. Commissioner (Appeals)	2008-09, 2009-10	93.65
			Jt. Excise & Taxation Commissioner	2006-07	20.88
5.	Sales Tax Laws	Entry Tax	Dy. Commissioner (Appeals)	2006-07 to 2008-09	3.51

(xi) The accumulated losses of the Company at the end of the financial year are more than fifty per cent of its net worth. The Company has incurred cash losses during the current financial year and in the immediately preceding financial year.

(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 purposes 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 aggregating ₹ 1271.80 Lakhs raised on short-term basis have been used during the year for long term application.

(xv) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

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

B. P. Shroff
Partner
Membership No. 34382

Mumbai, 7th May, 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

		Note	₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
A.	**EQUITY AND LIABILITIES**			
1.	**SHAREHOLDERS' FUNDS**			
	(a) Share Capital	2	**2682.58**	182.58
	(b) Reserves and Surplus	3	**(2401.89)**	217.56
			280.69	400.14
2.	**NON-CURRENT LIABILITIES**			
	(a) Other Long-term Liabilities	4	**87.65**	269.98
	(b) Long-term Provisions	5	**35.78**	188.01
			123.43	457.99
3.	**CURRENT LIABILITIES**			
	(a) Short-term Borrowings	6	**5501.76**	4796.22
	(b) Trade Payables	7	**5307.50**	6442.56
	(c) Other Current Liabilities	8	**3828.09**	2645.69
	(d) Short-term Provisions	9	**30.36**	53.07
			14667.71	13937.54
		TOTAL	**15071.83**	14795.67
B.	**ASSETS**			
1.	**NON-CURRENT ASSETS**			
	(a) Fixed Assets			
	(i) Tangible Assets	10(A)	**78.03**	136.40
	(ii) Intangible Assets	10(B)	**3.71**	5.53
	(iii) Intangible Assets under Development		**53.70**	36.63
			135.44	178.56
	(b) Long-term Loans and Advances	11	**564.87**	384.56
	(c) Other Non-Current Assets	12	**975.61**	937.31
			1540.48	1321.87
2.	**CURRENT ASSETS**			
	(a) Inventories	13	**310.30**	812.70
	(b) Trade Receivables	14	**6396.31**	6812.15
	(c) Cash and Cash Equivalents	15	**87.92**	855.99
	(d) Short-term Loans and Advances	16	**571.99**	550.28
	(e) Other Current Assets	17	**6029.39**	4264.12
			13395.91	13295.24
		TOTAL	**15071.83**	14795.67
	Accounting Policies	1		

Notes referred to above form an integral part of the Financial Statements.

In terms of our report attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

B. P. Shroff
Partner
Mumbai, 7th May, 2012

For and on behalf of the Board

Chairman **P. N. Dhume**
Director **M. Gopi Krishna**

Mumbai, 7th May, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

		Note	₹ in Lakhs	2010-11 ₹ in Lakhs
1.	**REVENUE FROM OPERATIONS**	18	**11738.62**	16211.92
2.	**OTHER INCOME**	19	**52.22**	69.15
3.	**TOTAL REVENUE (1 + 2)**		**11790.84**	16281.07
4.	**EXPENSES**			
	(a) Cost of Sales - Traded Goods	20(A)	**1975.92**	3833.37
	(b) Cost of Sales, Services	20(B)	**8776.44**	12185.38
	(c) Employee benefits expense	21	**847.80**	1578.69
	(d) Finance costs	22	**726.11**	458.85
	(e) Depreciation and amortisation expense	10	**42.21**	69.45
	(f) Other expenses	23	**2066.48**	1684.06
	TOTAL EXPENSES		**14434.96**	19809.80
5.	**PROFIT / (LOSS) BEFORE TAX (3 - 4)**		**(2644.12)**	(3528.73)
6.	**TAX EXPENSE**			
	(a) Current tax expense for current year		**—**	0.48
	(b) Current tax expense relating to prior years		**(24.67)**	—
	(c) Net current tax expense (a + b)		**(24.67)**	0.48
	(d) Deferred tax		**—**	(127.09)
	TOTAL TAX EXPENSES (c - d)		**(24.67)**	127.57
7.	**PROFIT / (LOSS) AFTER TAX (5 - 6)**		**(2619.45)**	(3656.30)
8.	**EARNINGS PER EQUITY SHARE OF ₹ 10/- EACH**	30		
	Basic and Diluted (in ₹)		**(143.47)**	(200.26)
	Accounting Policies	1		

Notes referred to above form an integral part of the Financial Statements.

In terms of our report attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

B. P. Shroff
Partner
Mumbai, 7th May, 2012

For and on behalf of the Board

Chairman **P. N. Dhume**
Director **M. Gopi Krishna**

Mumbai, 7th May, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

				2010-11
		₹ in Lakhs	**₹ in Lakhs**	₹ in Lakhs
A.	**Cash flow from Operating Activities**			
	Net Profit / (Loss) before extraordinary items and tax		**(2644.12)**	(3528.73)
	Adjustments for:			
	Depreciation and amortisation	**42.21**		69.45
	(Profit) / loss on sale / write off of assets	**1.02**		6.90
	Finance costs	**726.11**		458.85
	Interest income	**(0.44)**		(54.29)
	Provision for Employee Benefit	**(163.92)**		(79.17)
			604.98	401.74
	Operating Profit / (Loss) before Working Capital changes		**(2039.14)**	(3126.99)
	Changes in working capital:			
	Adjustments for (increase) / decrease in operating assets:			
	Inventories	**502.40**		(552.76)
	Trade receivables	**415.84**		3587.91
	Short-term loans and advances	**(21.71)**		(213.91)
	Long-term loans and advances	**(4.45)**		(94.79)
	Other current assets	**(1765.27)**		(1390.05)
	Other non-current assets	**(38.30)**		(937.31)
	Adjustments for increase / (decrease) in operating liabilities:			
	Trade payables	**(1135.06)**		(357.97)
	Other current liabilities	**1182.40**		236.97
	Other long-term liabilities	**(182.33)**		128.48
	Short-term provisions	**—**		(0.10)
			(1046.48)	406.46
	Cash generated from Operations	**(3085.62)**		(2720.53)
	Net income tax (paid) / refunds	**(162.21)**		(288.83)
	Net Cash flow from / (used in) Operating Activities (A)		**(3247.83)**	(3009.36)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

		₹ in Lakhs	₹ in Lakhs	2010-11 ₹ in Lakhs
B.	**Cash flow from Investing Activities**			
	Capital expenditure on fixed assets, including capital advances	**(23.85)**		(77.23)
	Proceeds from sale of fixed assets	**23.74**		(0.01)
	Proceeds from sale of long-term investments			
	- Fixed Deposit in Bank with Interest Income	**652.44**		(23.83)
	Net cash flow from / (used in) Investing Activities (B)		**652.33**	(101.07)
C.	**Cash flow from Financing Activities**			
	Proceeds from issue of preference shares	**2500.00**		—
	Net increase / (decrease) in working capital borrowings	**505.54**		2234.11
	Proceeds from other short-term borrowings	**200.00**		985.71
	Finance cost	**(726.11)**		(458.85)
	Net cash flow from / (used in) Financing Activities (C)		**2479.43**	2760.97
	Net increase / (decrease) in Cash and cash equivalents (A+B+C)		**(116.07)**	(349.46)
	Cash and cash equivalents at the begining of the year		**200.09**	549.54
	Cash and cash equivalents at the end of the year		**84.02**	200.08
	Reconciliation of Cash and cash equivalents with the Balance Sheet:			
	Cash and cash equivalents as per balance Sheet (Refer Note 15)		**87.92**	855.99
	Less: Bank balances not considered as Cash and cash equivalents - Balances held as margin money		**3.90**	655.90
	Net Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) included in Note 15		**84.02**	200.09

Notes:

(i) The Cash Flow Statement reflects the combined cash flows pertaining to continuing and discontinuing operations.

(ii) These earmarked account balances with banks can be utilised only for the specific identified purposes.

Notes referred to above form an integral part of the Financial Statements.

In terms of our report attached.

For **Deloitte Haskins & Sells**
Chartered Accountants

B. P. Shroff
Partner
Mumbai, 7th May, 2012

For and on behalf of the Board

Chairman **P. N. Dhume**
Director **M. Gopi Krishna**

Mumbai, 7th May, 2012

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

1. ACCOUNTING POLICIES

(a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements 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 Financial Statements 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 financial statements 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, amortisation 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. Interest on borrowed money, allotted to and utilised for qualifying fixed assets, pertaining to the period up to the date of capitalisation is added to the cost of the assets. 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. Material returned from site has been valued at estimated realisable value which in the opinion of the Management is lower than the 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 (excluding retirement benefits) are not discounted to 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 exclude service tax, value added tax and trade discounts.

(ii) Job Contracts

Revenue from long term 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.

(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 liability towards gratuity is 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. Actuarial gains and losses based on actuarial valuation done by an independent actuary carried out annually 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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

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 tangible 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 and sold/ discarded during the year is provided on a pro-rata basis for the period such asset was in use.

Assets costing less than ₹ 5,000 are depreciated @100% in the year of purchase.

(i) FOREIGN CURRENCY TRANSACTIONS/TRANSLATIONS

Foreign currency transactions are recorded by applying the respective monthly 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. Deferred tax assets are reviewed at each balance sheet date for their realisabilty.

(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 at each Balance Sheet date are reviewed for impairment of assets. If any indication of such impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these 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 future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in prior accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised.

(m) SEGMENT REPORTING

The Company's business activity 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". There is no geographical segment to be reported since all the operations are undertaken in India.

2. SHARE CAPITAL

	Number	₹ in Lakhs	As at 31-3-2011 Number	₹ in Lakhs
Authorised				
Equity Shares of ₹ 10 each	**50,00,000**	**500.00**	50,00,000	500.00
0.01% Cumulative Redeemable Preference Shares of ₹ 100 each	**25,00,000**	**2500.00**	—	—
		3000.00		500.00
Issued, Subscribed and fully Paid up shares				
Equity Shares of ₹ 10 each fully paid #	**18,25,782**	**182.58**	18,25,782	182.58
0.01% Cumulative Redeemable Preference Shares of ₹ 100 each (for consideration other than cash) *	**25,00,000**	**2500.00**	—	—
		2682.58		182.58

2. (a) Reconcilation of Shares at the beginning and at the end of the reporting period.

	Number	₹ in Lakhs	As at 31-3-2011 Number	₹ in Lakhs
Equity Shares :				
Shares outstanding at the beginning of year	**18,25,782**	**182.58**	18,25,782	182.58
Shares Issued during the year	—	—	—	—
Shares bought back during the year	—	—	—	—
Shares outstanding at the end of the year	**18,25,782**	**182.58**	18,25,782	182.58
Preference Shares :				
Shares outstanding at the beginning of the year	—	—	—	—
Shares Issued during the year	**25,00,000**	**2500.00**	—	—
Shares bought back during the year	—	—	—	—
Shares outstanding at the end of the year	**25,00,000**	**2500.00**	—	—

15,27,571 Equity Shares (31st March, 2011: 15,27,571) are held by Voltas Limited, the holding company, which is also the ultimate holding company.

25,00,000 - 0.01% Cumulative Redeemable Preference Shares (31st March, 2011: Nil) are held by Voltas Limited, the holding company.

2. (b) Details of Shareholders holding more than 5% shares in the Company

Name of Shareholder	**Number of Shares held**	**% of holding**	As at 31-3-2011 Number of Shares held	% of holding
Equity Shares:				
Voltas Limited	**15,27,571**	**83.67%**	15,27,571	83.67%
Mr. Gopal M. Kandoi	—	—	1,05,500	5.78%
Preference Shares:				
Voltas Limited	**25,00,000**	**100.00%**	—	—

\# The Equity Shares of the Company have voting rights and are subject to preferential rights prescribed under law or those of the preference shareholders. The Equity Shares and Preference Shares are also subject to restrictions as prescribed under the Companies Act, 1956.

* The Cumulative Reedemable Preference Shares are reedemable on the expiry of 7 years from the date of allotment (29th March, 2012) and have a preference as to dividends and repayments of capital but do not have voting rights.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

3. RESERVES AND SURPLUS

			As at 31-3-2011
		₹ in Lakhs	₹ in Lakhs
(a)	Securities premium account #	**492.43**	492.43
(b)	General reserve #	**2053.76**	2053.76
(c)	Surplus/(Deficit) in Statement of Profit and Loss		
	Opening balance	**(2328.63)**	1327.67
	Add: Profit/(Loss) for the year	**(2619.45)**	(3656.30)
	Closing balance	**(4948.08)**	(2328.63)
		(2401.89)	217.56

There is no movement in Securities premium account and General reserve during the year.

4. OTHER LONG-TERM LIABILITIES

		As at 31-3-2011
	₹ in Lakhs	₹ in Lakhs
Trade Payables	**87.65**	269.98

5. LONG-TERM PROVISIONS

			As at 31-3-2011
		₹ in Lakhs	₹ in Lakhs
Provision for employee benefits:			
(i)	Provision for compensated absences	**31.63**	99.36
(ii)	Provision for gratuity (net)	**4.15**	88.65
		35.78	188.01

6. SHORT-TERM BORROWINGS

			As at 31-3-2011
		₹ in Lakhs	₹ in Lakhs
(a)	Loans repayable on demand		
	From banks:		
	Secured - Canara Bank	**3174.19**	2668.65
	(Secured by first charge on Stock received under inland LC, Advance payment gurantees and book debt)		
(b)	Loans and advances from related parties (Refer Note 29)		
	Unsecured :		
	Voltas Limited	**1700.00**	1500.00
	Mr. Prashant G. Kandoi (Non-Executive Director)	**250.00**	250.00
	Mr. Gopal M. Kandoi	**250.00**	250.00
	Mr. Prashant G. Kandoi (Interest Free)	**127.57**	127.57
		5501.76	4796.22

7. TRADE PAYABLES

		As at 31-3-2011
	₹ in Lakhs	₹ in Lakhs
Trade payables:		
Micro, Small and Medium Enterprises (Refer Note 25)	**37.79**	190.83
Others	**5269.71**	6251.73
	5307.50	6442.56

8. OTHER CURRENT LIABILITIES

		As at 31-3-2011
	₹ in Lakhs	₹ in Lakhs
(a) Interest accrued and due on borrowings	**303.83**	44.38
(b) Other payables		
(i) Statutory remittances (Contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)	**111.64**	337.81
(ii) Payables on purchase of fixed assets	**9.69**	7.66
(iii) Advances from customers	**2735.80**	1862.00
(iv) Others :		
- Billing in Excess of contract revenue	**667.13**	393.84
	3828.09	2645.69

9. SHORT-TERM PROVISIONS

		As at 31-3-2011
	₹ in Lakhs	₹ in Lakhs
(a) Provision for employee benefits:		
(i) Provision for compensated absences	**4.29**	25.74
(ii) Provision for gratuity (net)	**16.34**	6.58
(b) Provision - Others:		
- Provision for tax	**9.73**	20.75
	30.36	53.07

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

10. FIXED ASSETS (At Cost or Book Value Less Depreciation and Amortisation) ₹ in Lakhs

	Particulars	GROSS BLOCK AT COST OR BOOK VALUE				DEPRECIATION / AMORTISATION				NET BLOCK	
		As at 31 March, 2011	Additions	Deductions	**As at 31 March, 2012**	Up to 31 March, 2011	For the Year	On Deductions	**Up to 31 March, 2012**	**As at 31 March, 2012**	As at 31 March, 2011
					(1+2-3)				**(5+6-7)**	**(4-8)**	(1-5)
		(1)	(2)	(3)	**(4)**	(5)	(6)	(7)	**(8)**	**(9)**	(10)
A	**Tangible Assets:**										
1.	Plant & Machinery	81.92	4.32	4.12	**82.12**	53.00	14.54	2.08	**65.46**	**16.66**	28.92
2.	Furniture & Fittings	33.38	—	—	**33.38**	22.24	2.02	—	**24.26**	**9.12**	11.14
3.	Vehicles	148.66	—	68.14	**80.52**	93.82	11.03	46.71	**58.14**	**22.38**	54.84
4.	Computers & Accessories	80.55	0.83	9.29	**72.09**	56.14	10.20	8.52	**57.82**	**14.27**	24.41
5.	Office Equipments	27.99	1.55	0.84	**28.70**	10.90	2.57	0.37	**13.10**	**15.60**	17.09
		372.50	6.70	82.39	**296.81**	236.10	40.36	57.68	**218.78**	**78.03**	136.40
B	**Intangible Assets:**										
	Software	10.22	0.08	0.11	**10.19**	4.69	1.85	0.06	**6.48**	**3.71**	5.53
	Total (A+B)	382.72	6.78	82.50	**307.00**	240.79	42.21	57.74	**225.26**	**81.74**	141.93
	Previous Year	(379.47)	(40.60)	(37.35)	(382.72)	(201.80)	(69.45)	(30.46)	(240.79)	(141.93)	
	Intangible Assets under Development	36.63	17.07	—	**53.70**	—	—	—	—	**53.70**	36.63
										135.44	178.56

11. LONG-TERM LOANS AND ADVANCES

		₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
(a)	Advance income tax	**463.40**	287.54
(b)	Other loans and advances		
	- Appeal Deposit for Sales Tax	**101.47**	97.02
		564.87	384.56

12. OTHER NON-CURRENT ASSETS

	₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
Long-term trade receivables		
(Unsecured, considered good)	**975.61**	937.31

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

13. INVENTORIES

(At lower of cost and net realisable value)

		₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
(a)	Work-in-progress	**43.47**	85.11
(b)	Stock-in-trade (acquired for trading)	**266.83**	727.59
		310.30	812.70

14. TRADE RECEIVABLES

		₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
(a)	Trade receivables outstanding for a period exceeding six months		
	Secured, considered good #	**127.57**	127.57
	Unsecured, considered good	**3604.90**	3531.45
	Unsecured, considered Doubtful	**864.22**	153.77
		4596.69	3812.79
	Less: Provision for doubtful trade receivables	**864.22**	153.77
		3732.47	3659.02
(b)	Other Trade receivables		
	Unsecured, considered good	**2663.84**	3153.13
		6396.31	6812.15
	#Debts due from Director	**127.57**	127.57

15. CASH AND CASH EQUIVALENTS

		₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
(a)	Cash and Bank Balances		
	(i) Balances with bank	**54.45**	166.30
	(ii) Cheques, drafts on hand	**—**	6.39
	(iii) Cash on hand	**29.57**	27.40
(b)	Other Bank Balances		
	Margin money (Refer Note)	**3.90**	655.90
		87.92	855.99

Note:

Margin money amounting to ₹ 3.90 Lakhs (As at 31st March, 2011: ₹ 655.90 Lakhs) which have an original maturity of more than 12 months.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

16. SHORT-TERM LOANS AND ADVANCES

		As at 31-3-2011
	₹ in Lakhs	₹ in Lakhs
(a) Security deposits		
Unsecured, considered good	**26.81**	53.71
Unsecured, considered Doubtful	**8.27**	—
	35.08	53.71
Less: Provision for doubtful Security deposits	**8.27**	—
	26.81	53.71
(b) Loans and advances to employees		
Unsecured, considered good	**1.20**	1.09
(c) Prepaid expenses		
Unsecured, considered good	**27.60**	1.83
(d) Balances with government authorities		
Unsecured, considered good		
VAT credit receivable	**155.10**	181.64
(e) Others		
Unsecured, considered good		
(a) Other Deposits	**70.70**	142.38
Unsecured, considered Doubtful	**10.87**	—
	81.57	142.38
Less: Provision for doubtful other deposits	**10.87**	—
	70.70	142.38
(b) Advances to Suppliers	**290.58**	169.63
Unsecured, considered Doubtful	**13.00**	—
	303.58	169.63
Less: Provision for doubtful Advances	**13.00**	—
	290.58	169.63
	571.99	550.28

17. OTHER CURRENT ASSETS

		As at 31-3-2011
	₹ in Lakhs	₹ in Lakhs
Contract Revenue in excess of billing and unbilled revenue	**6029.39**	4264.12

18. REVENUE FROM OPERATIONS

		₹ in Lakhs	2010-11 ₹ in Lakhs
(a)	Sale of products [Refer Note 32 (a)]	**2308.81**	4239.61
(b)	Sale of services [Refer Note 32 (b)]	**9385.74**	11953.95
(c)	Other operating revenues (Refer Note below)	**44.07**	18.36
		11738.62	16211.92

Note: Other operating revenues comprise:

	₹ in Lakhs	2010-11 ₹ in Lakhs
Sundry Debtors/ Creditors Write back	**44.07**	18.36

19. OTHER INCOME

		₹ in Lakhs	2010-11 ₹ in Lakhs
(a)	Interest income	**0.44**	54.29
(b)	Other non-operating income		
	- Miscellaneous Income	**51.78**	14.86
		52.22	69.15

20. (A) COST OF SALES - TRADED GOODS

		₹ in Lakhs	2010-11 ₹ in Lakhs
(a)	Opening finished goods	**727.59**	174.30
(b)	Purchases [Refer Note 32 (a)]	**1515.16**	4386.66
(c)	Closing finished goods	**266.83**	727.59
		1975.92	3833.37

(B) COST OF SALES, SERVICES

		₹ in Lakhs	2010-11 ₹ in Lakhs
(a)	Opening Work-in-progress	**85.11**	85.64
(b)	Purchases and cost of jobs [Refer Note 32 (b)]	**8734.80**	12184.85
(c)	Closing Work-in-progress	**43.47**	85.11
		8776.44	12185.38

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

21. EMPLOYEE BENEFITS EXPENSE

			2010-11
		₹ in Lakhs	₹ in Lakhs
(a)	Salaries and wages	**811.69**	1482.12
(b)	Contributions to provident and other funds	**10.96**	54.38
(c)	Staff welfare expenses	**25.15**	42.19
		847.80	1578.69

22. FINANCE COSTS

			2010-11
		₹ in Lakhs	₹ in Lakhs
(a)	Borrowings	**660.57**	360.49
(b)	Trade payables	**51.29**	66.75
(c)	Others		
	- Interest on delayed / deferred payment of income tax	**12.87**	0.41
	- Others - Delayed / deferred payment of VAT / Service and other taxes	**1.38**	31.20
		726.11	458.85

23. OTHER EXPENSES

			2010-11
		₹ in Lakhs	₹ in Lakhs
(a)	Power and fuel	**27.26**	21.29
(b)	Rent	**183.08**	223.50
(c)	Repairs and maintenance - Buildings	**6.75**	6.02
(d)	Repairs and maintenance - Machinery	**2.09**	15.22
(e)	Insurance	**16.81**	49.78
(f)	Communication	**32.11**	57.58
(g)	Travelling and conveyance	**189.22**	302.35
(h)	Printing and stationery	**22.47**	50.42
(i)	Freight and forwarding	**75.37**	181.71
(j)	Sales commission	**5.74**	39.56
(k)	Legal and professional	**70.83**	89.19
(l)	Payments to auditors [Refer Note below]	**19.41**	17.17
(m)	Bad trade and other receivables, loans and advances written off	**744.33**	144.75
(n)	Loss on fixed assets sold / scrapped / written off	**1.02**	6.90
(o)	Miscellaneous expenses	**669.99**	478.62
		2066.48	1684.06

Note: Payments to auditors comprises

			2010-11
		₹ in Lakhs	₹ in Lakhs
(a)	As auditors - statutory audit	**10.00**	10.00
(b)	For taxation matters	**3.00**	3.00
(c)	For other services	**6.00**	4.00
(d)	Reimbursement of expenses	**0.41**	0.17
		19.41	17.17

24. Contingent liabilities and commitments (to the extent not provided for)

Contingent liabilities

(a) Guarantees given by Company's bankers

In respect of guarantees given by Company's bankers ₹ 7745 Lakhs (31st March, 2011: ₹ 7921.98 Lakhs), secured by first charge on stock received under ILCs, Advance Payment guarantees and book debts are further guaranteed by promoters. These amounts are net of advances which are already shown as liability in the books.

(b) Claims against the Company not acknowledged as debts

(i) Income Tax Demands:

In respect of matters in which Company is in further appeal ₹ 27.17 Lakhs (31st March, 2011: ₹ 20.49 Lakhs).

(ii) Sales Tax demands: Pending

In respect of matters in which Company is in further appeal ₹ 442.25 Lakhs (31st March, 2011: ₹ 294.70 Lakhs), net of tax ₹ 340.81 Lakhs (31st March, 2011: ₹ 196.80 Lakhs).

25. Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

		₹ in Lakhs	As at 31-3-2011 ₹ in Lakhs
(i)	Principal amount remaining unpaid to any supplier as at the end of the accounting year	**12.73**	122.34
(ii)	Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	**0.67**	6.64
(iii)	The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	**88.51**	—
(iv)	The amount of interest due and payable for the year	**44.40**	38.36
(v)	The amount of interest accrued and remaining unpaid at the end of the accounting year	**25.06**	68.49
(vi)	The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	**68.49**	23.49

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

26. Expenditure and earning in foreign currency

		₹ in Lakhs	2010-11 ₹ in Lakhs
(i)	Business Development Expenses	—	1.92
(ii)	Earnings in foreign exchange	—	25.34

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

27. Details of contract revenue and costs

	₹ in Lakhs	2010 - 11 ₹ in Lakhs
Aggregate amount of costs incurred and recognised profits (Less recognised losses) up to 31st March, 2012 for all the contracts in progress	**27759.26**	26893.25
Advances received for such contracts in progress	**2296.98**	1568.26
The amount of retentions due for such contracts	**652.24**	691.61
The gross amount due from customers for such contracts	**6029.39**	4264.12
The gross amount due to customers for such contracts	**667.13**	393.84

28. Employee benefit plans

28. (A) Defined contribution plans

The Company makes Provident Fund contributions to defined contribution plans for qualifying employees. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised ₹ 39.43 Lakhs (Year ended 31st March, 2011: ₹ 66.90 Lakhs) for Provident Fund contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

28. (B) Defined benefit plans

The following table sets out the funded status of Gratuity, a defined benefit scheme, and the amount recognised in the financial statements:

		₹ in Lakhs Gratuity	2010 -11 ₹ in Lakhs Gratuity
(I)	**Components of employer expense**		
	Current service cost	**19.06**	28.33
	Interest cost	**11.82**	17.39
	Expected return on plan assets	**(3.17)**	(3.17)
	Actuarial losses/(gains)	**(80.59)**	(103.52)
	Total expense recognised in the Statement of Profit and Loss	**(52.88)**	(60.97)
	Actual contribution and benefit payments for the year		
	Actual benefit payments	**28.71**	—
	Actual contributions	**38.92**	8.91
(II)	**Net asset / (liability) recognised in the Balance Sheet**		
	Present value of defined benefit obligation	**32.30**	156.35
	Fair value of plan assets	**(28.15)**	(61.12)
	Funded status [Surplus / (Deficit)]	**4.15**	95.23
	Net asset / (liability) recognised in the Balance Sheet	**4.15**	95.23
(III)	**Change in defined benefit obligations (DBO) during the year**		
	Present value of DBO at beginning of the year	**156.35**	214.75
	Current service cost	**19.05**	28.33
	Interest cost	**11.82**	17.39
	Actuarial (gains) / losses	**(80.51)**	(101.35)
	Benefits paid	**(74.41)**	(2.77)
	Present value of DBO at the end of the year	**32.30**	156.35

28. (B) Defined benefit plans (contd.)

	₹ in Lakhs	2010 -11 ₹ in Lakhs
	Gratuity	Gratuity
(IV) Change in fair value of assets during the year		
Plan assets at beginning of the year	**61.12**	49.64
Expected return on plan assets	**3.17**	3.18
Actual company contributions	**38.19**	8.91
Actuarial gain / (loss)	**0.08**	2.16
Benefits paid	**(74.41)**	(2.77)
Plan assets at the end of the year	**28.15**	61.12
Actual return on plan assets	**3.25**	5.34
(V) Composition of the plan assets is as follows	**2011-12**	2010-11
Government bonds	**53%**	53%
PSU bonds	**43%**	43%
Equity mutual funds	**4%**	4%

(C) Experience adjustments

₹ in Lakhs

Gratuity	**31-3-2012**	31-3-2011	31-3-2010	31-3-2009	31-3-2008
Present value of DBO	**32.30**	156.35	214.76	152.60	75.91
Fair value of plan assets	**28.14**	61.11	49.63	31.50	24.51
Funded status [Surplus / (Deficit)]	**(4.15)**	(95.23)	(165.12)	(121.10)	(51.40)
Experience gain / (loss) adjustments on plan liabilities	**(78.85)**	(86.55)	6.76	56.60	13.60
Experience gain / (loss) adjustments on plan assets	**0.08**	2.16	2.13	0.73	0.14

(D) Actuarial assumptions for long-term compensated absences

	2011-12	2010-11
Discount rate	**8.70%**	8.35%
Expected return on plan assets	**7.50%**	7.50%
Salary escalation	**8.00%**	8.00%

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

(E) Expected contribution in next financial year for defined benefit plans ₹ 10 Lakhs (Previous year: ₹ 30 Lakhs).

29. Related Party Disclosures

(a) List of related parties and relationships

(I) Holding company	Voltas Limited
(II) Key Management Personnel (KMP)	Mr. Prashant G. Kandoi (upto 31st March, 2011)
(III) Relatives of KMP	Mr. Gopal M. Kandoi Mrs. Usha G. Kandoi Mrs. Shikha P. Kandoi Gopal M. Kandoi (HUF) Prashant G. Kandoi (HUF)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

(b) Details of related party transactions during the year ended 31st March, 2012 and balances outstanding as at 31st March, 2012:

₹ in Lakhs

	Nature of Transaction	Holding Company	KMP	Relative of KMP	Total
(i)	**Purchase of goods**	**35.72** (39.48)	— (—)	— (—)	**35.72** (39.48)
(ii)	**Sale of goods**	**1429.91** (304.22)	— (—)	— (—)	**1429.91** (304.22)
(iii)	**Purchase of fixed assets**	— (0.42)	— (—)	— (—)	— (0.42)
(iv)	**Receiving of services**				
	1. Interest Paid	**263.00** (150.96)	— (10.14)	— (10.14)	**263.00** (171.24)
	2. Salary, Wages	— (—)	— (29.60)	— (—)	— (29.60)
	3. Contribution to Provident Fund	— (—)	— (3.15)	— (—)	— (3.15)
	4. Gratuity Paid/Payable	— (—)	— (19.41)	— (46.73)	— (66.14)
	5. Rent Paid	**73.23** (1.18)	— (80.85)	— (18.80)	**73.23** (100.83)
	6. Legal and Professional Charges	**3.15** (3.00)	— (—)	— (—)	**3.15** (3.00)
	7. Other Expenses Paid	**11.22** (0.51)	— (—)	— (—)	**11.22** (0.51)
(v)	**Finance**				
	1. Loans Receipt	**2700.00** (1000.00)	— (250.00)	— (250.00)	**2700.00** (1500.00)
	2. Loan Payment	— (500.00)	— (14.28)	— (—)	— (514.28)
(vi)	**Balances outstanding at the end of the year**				
	1. Trade receivables	**156.49** (151.21)	— (—)	— (—)	**156.49** (151.21)
	2. Trade payables	**70.37** (73.08)	— (—)	— (—)	**70.37** (73.08)
	3. Other Payable	**353.19** (—)	— (24.96)	— (5.55)	**353.19** (30.51)
	4. Borrowings	**1700.00** (1500.00)	— (377.57)	— (250.00)	**1700.00** (2127.57)
(vii)	**Warranty/Disclosure Amount received**	— (—)	— (3.19)	— (3.20)	— (6.39)

Note: Figures in brackets relates to the previous year

29. (c) Detailed transaction with Relatives of KMP

Name of Party	**₹ in Lakhs** **Transaction Value**	₹ in Lakhs Transaction Value 2010-11
1. Interest Paid		
Mr. Gopal M. Kandoi	—	10.14
2. Gratuity Paid/Payable		
Mr. Gopal M. Kandoi	—	46.73
3. Rent Paid		
Mrs. Usha G. Kandoi	—	9.20
Mrs. Shikha P.Kandoi	—	9.60
		18.80
4. Loan Receipt		
Mr. Gopal M. Kandoi	—	250.00
5. Other Payable		
Mr. Gopal M. Kandoi	—	5.55
6. Borrowings		
Mr. Gopal M. Kandoi	—	250.00
7. Warranty/ Disclosure amount received		
Mr. Gopal M. Kandoi	—	3.20

30. Earnings per share

		2010-11
Net profit / (loss) for the year from continuing operations (₹ in Lakhs)	**(2619.45)**	(3656.30)
Weighted average number of equity shares	**18,25,782**	18,25,782
Earnings per Share from continuing operations - Basic (₹)	**(143.47)**	(200.26)

31. Although the Company is incurring losses and its net worth has substantially eroded, the financial statements have been prepared on a going concern basis as the Parent company has assured the Company of continuing support including by way of infusion of funds from time to time.

32. (A) Traded Goods

Class of goods	**Purchases**		**Sales**	
		2010-11		2010-11
	₹ in Lakhs	₹ in Lakhs	**₹ in Lakhs**	₹ in Lakhs
Transformer	**31.02**	418.32	**27.23**	509.38
Others	**148.14**	3968.34	**2281.58**	3730.23
Total	**1515.16**	4386.66	**2308.81**	4239.61

32. (B) Services

Class of Services	**Purchases**		**Sales**	
		2010-11		2010-11
	₹ in Lakhs	₹ in Lakhs	**₹ in Lakhs**	**₹ in Lakhs**
Works contract, and installation and erection services	**8734.80**	12184.84	**9385.74**	11953.95

33. The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board
Chairman **P. N. Dhume**
Director **M. Gopi Krishna**

Mumbai, 7th May, 2012

WEATHERMAKER LIMITED

Directors:

P. N. Dhume
A. K. Joshi
M. M. Miyajiwala
Shaukat Ali Mir

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Nineteenth Annual Report and the Accounts for the year ended 31st December, 2011.

2. The on-going economic slowdown in Dubai market coupled with higher manufacturing and operating costs, continued to impact the performance of the Company. The Company recorded turnover of AED 28.638 million and profit of AED 2.086 million for the year ended 31st December, 2011. During the year under review, the Company developed new range of fire dampers and obtained UL certification for the same, which would be marketed in the U.A.E. Region after completion of regulatory requirements. The Company continues to focus on manufacturing and marketing speciality air distribution products, which carry higher margin compared to Airduct fabrication.

3. The Directors recommend dividend of AED 0.600 million for the year ended 31st December, 2011 (previous year: AED 5.250 million).

4. M/s. PKF, Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

Directors : **P. N. Dhume**
A. K. Joshi
M. M. Miyajiwala
Abu Dhabi, 2nd Febuary, 2012 **Shaukat Ali Mir**

AUDITOR'S REPORT

TO THE SHAREHOLDER OF WEATHERMAKER LIMITED

Report on the financial statements

We have audited the accompanying financial statements of **WEATHERMAKER LIMITED,** which comprise the statement of financial position as at 31st December, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 3 to 18.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of financial statements that give true and fair view 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 at 31st December, 2011 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

30th January, 2012

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2011

	Notes	AED	As at 31-12-2010 AED	₹ in '000s	As at 31-12-2010 ₹ in '000s
NON-CURRENT ASSETS					
Property, plant and equipment	6	**1319570**	1528625	**19134**	18665
CURRENT ASSETS					
Inventories	7	**7088043**	6682340	**102777**	81591
Trade and other receivables	8	**16196910**	15897877	**234855**	194113
Cash and cash equivalents	10	**623894**	7277047	**9046**	88853
Other Current Financial Assets	11	**416545**	415482	**6040**	5073
		24325392	30272746	**352718**	369630
TOTAL ASSETS		**25644962**	31801371	**371852**	388295
CURRENT LIABILITIES					
Acceptances		**1219079**	842117	**17677**	10282
Trade and other payables	12	**2478848**	5964161	**35943**	72823
		3697927	6806278	**53620**	83105
NON-CURRENT LIABILITIES					
Provision for staff end-of-service gratuity	13	**1005757**	889921	**14583**	10866
SHAREHOLDER'S EQUITY FUNDS					
Share Capital	14	**1500000**	1500000	**21750**	18315
Retained Earnings		**19441278**	22605172	**281899**	276009
		20941278	24105172	**303649**	294324
TOTAL EQUITY AND LIABILITIES		**25644962**	31801371	**371852**	388295

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

Note: The Statement of Financial Position has been converted into Indian Rupees @ 1 AED = ₹ 14.50 being the exchange rate prevailing as on 31st December, 2011. Previous year figures have been converted @ 1 AED = ₹ 12.21 being the exchange rate prevailing as on 31st December, 2010.

Directors **P. N. Dhume**
A. K. Joshi
M. M. Miyajiwala
Shaukat Ali Mir

Abu Dhabi, 2nd February, 2012

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2011

	Notes	AED	2010 AED	₹ in '000s	2010 ₹ in '000s
Revenue		**28637686**	27658687	**382456**	344627
Cost of sales	17	**(23955501)**	(21910404)	**(319926)**	(273004)
Gross Profit		**4682185**	5748283	**62530**	71623
Other operating income	18	**704021**	726609	**9402**	9054
Distribution costs	19	**(790351)**	(653866)	**(10555)**	(8147)
Administrative expenses	20	**(2600601)**	(2223435)	**(34731)**	(27704)
Profit from Operating Activities		**1995254**	3597591	**26646**	44826
Interest expense on bank overdraft		**—**	(4081)	**—**	(51)
Interest income on bank deposits		**90852**	288356	**1214**	3593
Profit for the year		**2086106**	3881866	**27860**	48368
Other comprehensive income		**—**	—	**—**	—
Total Comprehensive Income for the year		**2086106**	3881866	**27860**	48368

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

Note: The Statement of Comprehensive Income has been converted into Indian Rupees @ 1 AED = ₹ 13.355 being the average of the exchange rates prevailing as on 31st December, 2010 (1 AED = ₹ 12.21) and as on 31st December, 2011 (1 AED = ₹ 14.50). Previous year figures have been converted @ 1 AED = ₹ 12.46 being the average of the exchange rates prevailing as on 31st December, 2009 (1 AED = ₹ 12.71) and as on 31st December, 2010 (1 AED = ₹ 12.21).

Directors **P. N. Dhume**
A. K. Joshi
M. M. Miyajiwala
Shaukat Ali Mir

Abu Dhabi, 2nd February, 2012

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2011

	Share Capital		Retained Earnings		Total	
	AED	**₹ in '000s**	**AED**	**₹ in '000s**	**AED**	**₹ in '000s**
As at 31-12-2009	1500000	19065	18723306	237973	20223306	257038
Total comprehensive income for the year	—	—	3881866	48368	3881866	48368
As at 31-12-2010	1500000	18315	22605172	276009	24105172	294324
Total comprehensive income for the year	—	—	2086106	27860	2086106	27860
Dividends paid during the year	—	—	(5250000)	(64103)	(5250000)	(64103)
As at 31-12-2011	**1500000**	**21750**	**19441278**	**281899**	**20941278**	**303649**

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2011

	Notes	**AED**	2010 AED	**₹ in '000s**	2010 ₹ in '000s
Cash generated from operating activities					
Cash (used in) / generated from operations	22	**(1217542)**	236342	**(16260)**	2945
Interest paid		—	(4081)	—	(51)
Net cash (used in) / from operating activities (A)		**(1217542)**	232261	**(16260)**	2894
Cash flows from investing activities					
Proceeds on disposal of property, plant and equipment		—	90900	—	1133
Purchase of property, plant and equipment		**(276463)**	(273527)	**(4009)**	(3340)
Interest received		**90852**	288356	**1214**	3593
Net cash (used in)/from investing activities (B)		**(185611)**	105729	**(2795)**	1386
Cash flows from financing activities					
Dividends paid		**(5250000)**	—	**(64103)**	—
Net cash used in financing activities (C)		**(5250000)**	—	**(64103)**	—
Net (decrease)/increase in cash and cash equivalents (A+B+C)		**(6653153)**	337990	**(79806)**	658
Cash and cash equivalents at beginning of year		**7277047**	6939057	**88853**	88195
Cash and cash equivalents at end of year	10	**623894**	7277047	**9046**	88853

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011

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, U.A.E.

(b) The Company is engaged in manufacturing and trading of ducts and duct accessories. The activities are carried out in Jebel Ali, Dubai, U.A.E., under a special licence issued by the Jebel Ali Free Zone Authority. The administrative office is located at Light Industrial Unit (LIU) in JAFZA Free Zone.

(c) The parent company and the ultimate parent company is Voltas Limited, India.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted, and which have been consistently applied, are as follows:

(a) Basis of preparation

The financial statements are presented in UAE Dirhams and prepared using historical cost, 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, 2011, and the requirements of Isle of Man Companies Acts, 1931 to 2005.

(b) 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 from the date the asset is available for use until it is de-recognised, 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 depreciation method, useful lives and residual values are undertaken at each reporting date and, where material, if there is a change in estimate, an appropriate adjustment is made to the depreciation charge.

(c) Inventories

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

(d) Staff end-of-service gratuity

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

(e) Revenue

Revenue represents the amount invoiced, net of discounts and returns, for goods delivered 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 profit or loss 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 reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

(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-recognized 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-recognized 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, 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 recognized in profit or loss.

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

3. SIGNIFICANT JUDGEMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES

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

Impairment

At each reporting 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 profit or loss 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011 (contd.)

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key assumptions made concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities 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 7157020 (₹ 103776790) [Previous year: AED 5170664 (₹ 63133807)] in order to assess the likely realization 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 8) or from related parties (see Note 9) and assesses the likelihood of non-recovery. 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 gratuity stated at AED 1005757 (₹14583477) [Previous year : AED 889921 (₹ 10865935)] assuming that all employees were to leave as of the reporting 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.

5. ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following International Financial Reporting Standards, amendments thereto and interpretations that became effective for the current reporting period and which are applicable to the Company are as follows. Their adoption has resulted in presentation and disclosure changes only:

- Improvements to IFRS
  - IAS 1: Presentation of Financial Statements
  - IAS 7: Statement of Cash Flows
  - IAS 17: Leases
  - IAS 18: Revenue
  - IAS 36: Impairment of Assets
  - IAS 39: Financial Instruments: Recognition and Measurement

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 the date the financial statements were authorized for issue but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods. It is anticipated that their adoption in the relevant accounting periods will have an impact only on presentation and disclosures within the financial statements:

- IFRS 9: Financial Instruments (1st January, 2013)
- IAS 24: Related Party Disclosures (1st January, 2011)
- Improvements to IFRS
  - IFRS 7: Financial Instruments: Disclosures (1st January, 2011)
  - IAS 1: Presentation of Financial Statements (1st January, 2011)
- IFRS 9: Financial Instruments (1st January, 2013)
- Presentation of items in Other Comprehensive Income: Amendments to IAS 1 (1st July, 2012)
- IAS 19: Employee Benefits (1st January, 2013)

6. PROPERTY, PLANT AND EQUIPMENT

	Factory buildings		Plant & Machinery and Equipment		Furniture & Fixture and Office equipment		Motor vehicles		Total	
	AED	₹ in '000s	AED	₹ in '000s	AED	₹ in '000s	AED	₹ in '000s	AED	₹ in '000s
Cost										
As at 1-1-2010	901083	11453	4253968	54068	454174	5773	661462	8407	6270687	79701
Additions	—	—	83887	1024	28940	353	160700	1962	273527	3340
Assets written off	—	—	(25100)	(307)	(15662)	(191)	—	—	(40762)	(498)
Disposals	—	—	—	—	—	—	(200700)	(2451)	(200700)	(2451)
As at 31-12-2010	901083	11002	4312755	52659	467452	5708	621462	7588	6302752	76957
Additions	15750	229	136783	1983	15730	228	108200	1569	276463	4009
As at 31-12-2011	**916833**	**13294**	**4449538**	**64519**	**483182**	**7006**	**729662**	**10580**	**6579215**	**95399**
Accumulated depreciation and impairment losses										
As at 1-1-2010	856536	10887	2720875	34582	320793	4077	488407	6208	4386611	55754
Depreciation	22273	278	392272	4888	71977	897	73500	916	560022	6979
Adjustment on assets written off	—	—	(14844)	(181)	(15662)	(191)	—	—	(30506)	(372)
Adjustment on disposal	—	—	—	—	—	—	(142000)	(1734)	(142000)	(1734)
As at 31-12-2010	878809	10730	3098303	37830	377108	4605	419907	5127	4774127	58292
Depreciation	22798	304	299031	3994	49317	659	114372	1527	485518	6484
As at 31-12-2011	**901607**	**13074**	**3397334**	**49261**	**426425**	**6183**	**534279**	**7747**	**5259645**	**76265**
Net book values										
As at 1-1-2010	44547	566	1533093	19486	133381	1696	173055	2199	1884076	23947
As at 31-12-2010	22274	272	1214452	14829	90344	1103	201555	2461	1528625	18665
As at 31-12-2011	**15226**	**220**	**1052204**	**15258**	**56757**	**823**	**195383**	**2833**	**1319570**	**19134**

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

		As at 31-3-2010		As at 31-3-2010
	AED	AED	**₹ in '000s**	₹ in '000s
7. INVENTORIES				
Raw materials	**4827979**	3766585	**70006**	45990
Less: Provision for slow moving inventory	**(68977)**	(68977)	**(1000)**	(842)
	4759002	3697608	**69006**	45148
Consumables	**2329041**	1404079	**33771**	17144
Goods in transit	**—**	1580653	**—**	19299
	7088043	6682340	**102777**	81591

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011 (contd.)

		AED	As at 31-3-2010 AED	₹ in '000s	As at 31-3-2010 ₹ in '000s
8.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables	**15892232**	15603073	**230437**	190514
	Less: Provision for doubtful accounts	**(207285)**	(133780)	**(3006)**	(1633)
		15684947	15469293	**227431**	188881
	Advances	**106413**	23436	**1543**	286
	Prepayments	**300161**	288922	**4352**	3528
	Other receivables	**5626**	16323	**82**	199
	Deposits	**99763**	99903	**1447**	1219
		16196910	15897877	**234855**	194113
	A reconciliation of the movements in the doubtful debt provision account is as follows:				
	Opening balance	**133780**	533780	**1633**	6784
	Provision no longer required	**—**	(400000)	**—**	(4984)
	Provisions made during the year	**73505**	—	**1066**	—
	Closing balance	**207285**	133780	**3006**	1633
	An age analysis of trade receivables that are past due but not impaired is as follows:				
	6 months to 1 year	**1018730**	1566601	**14772**	19128
	Over 1 year	**5531935**	3109893	**80213**	37972
	An analysis of trade receivables considered to be impaired due to non-recovery or perceived difficulty in recovery is as follows:				
	Gross Value	**207285**	133780	**3006**	1633
	Provision	**(207285)**	(133780)	**(3006)**	(1633)
	Carrying value	**—**	—	**—**	—
	Trade receivables not past due and not impaired	**9134282**	10792799	**132447**	131780

9. 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 and at prices determined by the Management.

Related parties comprise the parent company 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 31-12-2010 AED	₹ in '000s	As at 31-12-2010 ₹ in '000s
Included in trade and other receivables	**5563604**	6913530	**80672**	84414
Included in trade and other payables	**310710**	—	**4505**	—

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in Note 23.

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

	AED	As at 31-12-2010 AED	₹ in '000s	As at 31-12-2010 ₹ in '000s
Sales	**8393805**	7810487	**112099**	97319
Purchases	**329210**	567200	**4397**	7067
Expenses charged to a related party	**202544**	17256	**2705**	215
Expenses re-charged by a related party	**4984**	24140	**67**	301
Rental income on machinery	**87750**	36563	**1172**	456

	AED	As at 31-12-2010 AED	₹ in '000s	As at 31-12-2010 ₹ in '000s
10. CASH AND CASH EQUIVALENTS				
Cash on hand	**18773**	7935	**272**	97
Bank balances in Current Account	**605121**	527349	**8774**	6439
Bank balances in Fixed Deposits	—	6741763	—	82317
	623894	7277047	**9046**	88853

	AED	As at 31-12-2010 AED	₹ in '000s	As at 31-12-2010 ₹ in '000s
11. OTHER CURRENT FINANCIAL ASSETS				
Fixed deposits	**416545**	415482	**6040**	5073

	AED	As at 31-12-2010 AED	₹ in '000s	As at 31-12-2010 ₹ in '000s
12. TRADE AND OTHER PAYABLES				
Trade payables	**1706218**	5093964	**24740**	62197
Advance from customers	**22881**	97762	**332**	1194
Accruals	**749749**	772435	**10871**	9432
	2478848	5964161	**35943**	72823

All trade and other payables are due for payment in the next one year.

	AED	As at 31-12-2010 AED	₹ in '000s	As at 31-12-2010 ₹ in '000s
13. PROVISION FOR STAFF END-OF-SERVICE GRATUITY				
Opening balance	**889921**	779194	**10866**	9904
Provision for the year	**169382**	227758	**2456**	2781
Paid during the year	**(53546)**	(117031)	**(776)**	(1429)
Closing balance	**1005757**	889921	**14583**	10866

	AED	As at 31-12-2010 AED	₹ in '000s	As at 31-12-2010 ₹ in '000s
14. SHARE CAPITAL				
Authorised				
500000 shares of USD 1 each converted at USD 1 = AED 3.6725	**1836250**	1836250	**26626**	22421
Issued and paid up				
408441 shares of USD 1 each converted at USD 1 = AED 3.6725	**1500000**	1500000	**21750**	18315

15. DIVIDENDS

Dividends paid and approved by the shareholders during the year of AED 5250000 (₹ 64102500) [Previous year: Nil] represent a dividend per share of AED 12.85 (₹ 156.94) [Previous year: Nil].

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011 (contd.)

16. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to ensure that the Company continues as 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 statement of financial position. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

The Company is not subject to any externally imposed capital requirements.

Funds generated from internal accruals net of dividend declared are retained in the business, according to the business requirements and maintain capital at desired levels.

	AED	2010 AED	**₹ in '000s**	2010 ₹ in '000s
17. COST OF SALES				
Materials consumed and sub-contract costs	**17342985**	16716130	**231616**	208283
Purchase of finished goods	**2021981**	672596	**27004**	8381
Wages and benefits	**2941725**	3019858	**39287**	37627
Staff end-of-service gratuity	**110557**	157346	**1476**	1961
Depreciation (Note 21)	**381162**	473878	**5090**	5905
Rent	**63237**	61900	**845**	771
Other direct costs	**1093854**	808696	**14608**	10076
	23955501	21910404	**319926**	273004

	AED	2010 AED	**₹ in '000s**	2010 ₹ in '000s
18. OTHER OPERATING INCOME				
Scrap sales	**393488**	257414	**5255**	3208
Write back of provision for doubtful recoveries	**—**	400000	**—**	4984
Rental income on machinery	**87750**	36563	**1172**	455
Profit on sale of property, plant and equipment	**—**	32200	**—**	401
Provision no longer required written back	**206315**	—	**2755**	—
Exchange gain	**14210**	388	**190**	5
Miscellaneous income	**2258**	44	**30**	1
	704021	726609	**9402**	9054

	AED	2010 AED	**₹ in '000s**	2010 ₹ in '000s
19. DISTRIBUTION COSTS				
Staff salaries and benefits	**166275**	155556	**2221**	1938
Staff end-of-service gratuity	**7507**	9993	**100**	124
Depreciation (Note 21)	**55039**	14167	**735**	177
Other distribution costs	**561530**	474150	**7499**	5908
	790351	653866	**10555**	8147

	AED	2010 AED	**₹ in '000s**	2010 ₹ in '000s
20. ADMINISTRATIVE EXPENSES				
Write off of property, plant and equipment	**—**	10256	**—**	127
Staff salaries, benefits and rent	**1653271**	1292519	**22079**	16105
Staff end-of-service gratuity	**51318**	60419	**685**	753
Rent	**88245**	91003	**1179**	1134
Depreciation (Note 21)	**49317**	71977	**659**	897
Provision for inventories	**—**	27661	**—**	345
Provision for doubtful accounts	**73505**	—	**982**	—
Other administrative expenses	**684945**	669600	**9147**	8343
	2600601	2223435	**34731**	27704

	AED	2010 AED	₹ in '000s	2010 ₹ in '000s
21. DEPRECIATION				
Disclosed under cost of sales (Note 17)	**381162**	473878	**5090**	5905
Disclosed under distribution costs (Note 19)	**55039**	14167	**735**	177
Disclosed under administrative expenses (Note 20)	**49317**	71977	**659**	897
	485518	560022	**6484**	6979

	AED	2010 AED	₹ in '000s	2010 ₹ in '000s
22. CASH GENERATED FROM OPERATIONS				
Profit for the year	**2086106**	3881866	**27860**	48368
Adjustments for:				
Depreciation of property, plant and equipment	**485518**	560022	**6484**	6979
Interest paid	**—**	4081	**—**	51
Interest income	**(90852)**	(288356)	**(1213)**	(3593)
Profit on sale of property, plant and equipment	**—**	(32200)	**—**	(401)
Write off of property, plant and equipment	**—**	10256	**—**	126
Operating profit before changes in operating assets and liabilities	**2480772**	4135669	**33131**	51530
Increase in inventories	**(405703)**	(3244998)	**(21186)**	(37902)
Increase in trade and other receivables	**(299033)**	(2343025)	**(40742)**	(21831)
(Decrease)/increase in trade and other payables	**(3485313)**	2326962	**(36880)**	26594
Increase in staff gratuity provision	**115836**	110727	**3717**	962
Increase/(decrease) in acceptances	**376962**	(747834)	**7395**	(9926)
Increase in other current financial assets	**(1063)**	(1159)	**(967)**	(193)
	(1217542)	236342	**(16260)**	2945

23. FINANCIAL INSTRUMENTS

The net carrying amounts as at the reporting date of financial assets and financial liabilities are as follows:

	Loans and Receivables				Financial Liabilities			
	AED	2010 AED	₹ in '000s	2010 ₹ in '000s	AED	2010 AED	₹ in '000s	2010 ₹ in '000s
Trade and other receivables	**15874533**	15586516	**230181**	190311	**—**	—	**—**	—
Cash and cash equivalents	**623894**	7277047	**9046**	88853	**—**	—	**—**	—
Other current financial assets	**416545**	415482	**6040**	5073	**—**	—	**—**	—
Acceptances	**—**	—	**—**	—	**1219079**	842117	**17677**	10282
Trade and other payables	**—**	—	**—**	—	**2126671**	5522433	**30837**	67429
	16914972	23279045	**245267**	284237	**3345750**	6364550	**48514**	77711

Management of Risk

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 risks, liquidity risks and market risks (including currency risks and fair value 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011 (contd.)

Borrowing facilities are regularly reviewed to ensure that the Company obtains the best available pricing, terms and conditions on it 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 U.A.E. At the reporting date, there was a significant concentration of credit risk from two customers amounting to AED 4406871 (Rs. 63899630) [Previous year: due from two customers amounting to AED 4777780 (₹ 58336694)].

Currency risk

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

Interest rate risk

Fixed deposit accounts are subject to fixed interest rates at levels generally obtained in the U.A.E. and hence, exposed to fair value interest rate risk. Reasonably possible changes to interest rates at the reporting date are unlikely to have had a significant impact on profit or equity.

Fair values

The fair value of financial instrument is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of the Company's financial assets and financial liabilities which are required to be stated at cost or at amortised cost approximate to their carrying values.

24. 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.

		2010		2010
	AED	AED	**₹ in '000s**	₹ in '000s
Not later than one year	**61900**	61900	**827**	771
Between one and five years	**247600**	247600	**3307**	3085
Later than five years	**366242**	428142	**4891**	5335

25. CONTINGENT LIABILITIES

		2010		2010
	AED	AED	**₹ in '000s**	₹ in '000s
Bankers' letters of guarantee	**427475**	689585	**5709**	8592
Unutilized balances of commercial letters of credit	**—**	4816288	**—**	60011

26. TAXATION

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

Directors **P. N. Dhume**
A. K. Joshi
M. M. Miyajiwala
Shaukat Ali Mir

Abu Dhabi, 2nd February, 2012

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

Director :
Mohammad Hanif Patvi

Supervisory Board :
P. N. Dhume
A.K. Joshi
M. M. Miyajiwala
Shaukat Ali Mir
B. G. Prabhuajgaonkar

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Annual Report and the Accounts for the year ended 31st December, 2011.

2. The Company has reported higher revenue of SR 4.218 million for the year ended 31st December, 2011, as compared to SR 2.882 million in the previous year. However, as the Company has revamped its business operations, there is an increase in staff costs and other administrative expenses. Moreover, as the appeal for waiver of Zakat for previous years was rejected by the concerned Government authorities, the same was provided during the year under review. As a result, the Company has reported loss of SR 2.124 million for the year ended 31st December, 2011, as compared to profit of SR 3.185 million in the previous year, which was on account of reversal of provision made for doubtful debts. Support of Voltas marketing team has been extended to enable the Company vigorously participate in tenders for new projects in KSA and increase its revenue.

3. M/s. Deloitte & Touche Bakr Abulkhair & Co., Public Accountants, the retiring Auditors, being eligible, offer themselves for reappointment.

Mohammad Hanif Patvi

Jeddah, 20th March, 2012 *Director*

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, 2011, and the related statements of operations, shareholders' deficit and cash flows for the year then ended, and Notes 1 to 20 which form an integral part of these financial statements as prepared by the Company in accordance with Article 175 of the Regulations 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 auditing standards generally accepted in the Kingdom of Saudi Arabia. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Basis of Qualification

The accumulated 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 when the accumulated losses of a company exceed one-half of the share capital. As of 31st December, 2011. the Company had not complied with these statutory requirements.

Qualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31st December, 2011 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia 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 relate to the preparation and presentation of these financial statements.

Other Matters

Without further qualifying our opinion, we draw attention to the fact that the Company's ability to continue as a going concern is dependent on the continuous financial support from its shareholders.

Deloitte & Touche Bakr Abulkhair & Co.

Al-Mutahhar Y. Hamiduddin
Jeddah, 20th March, 2012 License No. 296

BALANCE SHEEET AS AT 31ST DECEMBER, 2011

	Notes	SR	As at 31-12-2010 SR	₹ in '000s	As at 31-12-2010 ₹ in '000s
ASSETS					
CURRENT ASSETS					
Cash and bank balances	3	**129826**	1241401	**1843**	14847
Accounts receivable		**5277220**	5443047	**74936**	65099
Contract retentions		**1142239**	1072330	**16220**	12825
Advances, prepayments and deposits		**56957**	134934	**809**	1614
Unbilled revenue		**1504281**	214974	**21361**	2571
Total current assets		**8110523**	8106686	**115169**	96956
NON-CURRENT ASSETS					
Property and equipment	4	**80764**	101958	**1147**	1219
TOTAL ASSETS		**8191287**	8208644	**116316**	98175
LIABILITIES AND SHAREHOLDERS' (DEFICIT)/EQUITY					
CURRENT LIABILITIES					
Accounts payable, accrued and other liabilities	5	**5462218**	4300561	**77563**	51435
Contract advances		**1034563**	66325	**14691**	793
Retentions payable		**229222**	268486	**3255**	3211
Total current liabilities		**6726003**	4635372	**95509**	55439
NON-CURRENT LIABILITIES					
End-of-service indemnities	6	**1544653**	1528428	**21934**	18280
SHAREHOLDERS' (DEFICIT)/EQUITY					
Share Capital	1	**2600000**	2600000	**36920**	31096
Statutory Reserve	7	**959649**	959649	**13627**	11477
Accumulated Losses	1	**(27189885)**	(25065672)	**(386096)**	(299785)
Subordinated loan for losses	14	**23550867**	23550867	**334422**	281668
Total shareholders' (deficit)/equity		**(79369)**	2044844	**(1127)**	24456
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIT)/EQUITY		**8191287**	8208644	**116316**	98175

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) = ₹ 14.20 being the exchange rate prevailing as on 31st December, 2011. Previous year figures have been converted @ 1 SR = ₹ 11.96 being the exchange rate prevailing as on 31st December, 2010.

Jeddah, 20th March, 2012

Director **Mohammad Hanif Patvi**

STATEMENT OF OPERATIONS FOR THE YEAR ENDED 31ST DECEMBER, 2011

			2010		2010
	Notes	**SR**	SR	**₹ in '000s**	₹ in '000s
Contract Revenues	13	**4217852**	2882160	**55170**	35162
Contract Costs	10	**(3714470)**	(3543850)	**(48585)**	(43235)
Gross Profit/(Loss)		**503382**	(661690)	**6585**	(8073)
General and administrative expenses	11	**(2270636)**	(933925)	**(29700)**	(11394)
Reversal of allowance for doubtful debts		**—**	4714381	**—**	57515
Operating (Loss)/Profit		**(1767254)**	3118766	**(23115)**	38048
Finance charges		**(120530)**	(5237)	**(1577)**	(64)
Other Income	12	**210059**	71258	**2748**	869
Net (Loss)/Income before Zakat		**(1677725)**	3184787	**(21944)**	38853
Zakat	8	**(446488)**	—	**(5840)**	—
NET (LOSS)/INCOME AFTER ZAKAT		**(2124213)**	3184787	**(27784)**	38853

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

Note: The Statement of Operations have been converted into Indian Rupees @ 1 SR = ₹ 13.08 being the average of the exchange rates prevailing as on 31st December, 2010 (1 SR = ₹ 11.96) and as on 31st December, 2011 (1 SR = ₹ 14.20). Previous year figures have been converted into Indian Rupees @ 1 SR = ₹ 12.20 being the average of the exchange rates prevailing as on 31st December, 2009 (1 SR = ₹ 12.45) and as on 31st December, 2010 (1 SR = ₹ 11.96).

Jeddah, 20th March, 2012

Director **Mohammad Hanif Patvi**

STATEMENT OF SHAREHOLDERS' (DEFICIT)/EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2011

		Share Capital		**Statutory Reserve**		**Accumulated Losses**		**Subordinated loan for losses**		**Total**	
	Notes	**SR**	**₹ in '000s**	**SR**	**₹ in '000s**	**SR**	**₹ in '000s**	**SR**	**₹ in '000s**	**SR**	**₹in'000s**
1st January, 2010		2600000	32370	959649	11947	(28250459)	(351718)	23550867	293208	(1139943)	(14193)
Net Income for 2010		—	—	—	—	3184787	38853	—	—	3184787	38853
Income Tax	8	—	—	—	—	—	—	—	—	—	—
31st December, 2010		2600000	31096	959649	11477	(25065672)	(299785)	23550867	281668	2044844	24456
Net Loss for 2011		—	—	—	—	(2124213)	(27784)	—	—	(2124213)	(27784)
Income Tax	8	—	—	—	—	—	—	—	—	—	—
31st December, 2011		**2600000**	**36920**	**959649**	**13627**	**(27189885)**	**(386096)**	**23550867**	**334422**	**(79369)**	**(1127)**

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2011

		2010		2010
	SR	SR	**₹ in '000s**	₹ in '000s
OPERATING ACTIVITIES				
Net (loss)/income before Zakat	**(1677725)**	3184787	**(21944)**	38853
Adjustments for:				
Depreciation	**27484**	26432	**360**	323
Gain on sale of property and equipment	**(28500)**	(11500)	**(373)**	(140)
Reversal of allowance for doubtful debts	**—**	(4714381)	**—**	(57515)
Discount from suppliers on final settlement	**(11913)**	(2865)	**(156)**	(35)
End-of-service indemnities	**127522**	141430	**1668**	1725
Finance charges	**120530**	5237	**1577**	64
Changes in operating assets and liabilities:				
Accounts receivable	**165827**	(1452711)	**(9838)**	(15419)
Contract retentions	**(69909)**	826011	**(3395)**	10809
Advances, prepayments and deposits	**77977**	142516	**805**	1840
Unbilled revenue	**(1289307)**	2997339	**(18789)**	3978
Accounts payables, accrued and other liabilities	**727082**	88120	**19619**	1046
Contract advances	**968238**	(484017)	**13898**	(6059)
Retentions payable	**(39264)**	—	**44**	—
Cash (used in)/from operations	**(901958)**	746398	**(12808)**	8927
Finance charges paid	**(120530)**	(5237)	**(1577)**	(64)
End-of-service indemnities paid	**(111297)**	(104380)	**(1456)**	(1273)
Net cash (used in)/from operating activities	**(1133785)**	636781	**(15841)**	7590
INVESTING ACTIVITIES				
Purchase of property and equipment	**(6290)**	(12390)	**(89)**	(148)
Proceeds from sale of property and equipment	**28500**	11500	**373**	140
Net cash from/(used in) investing activities	**22210**	(890)	**284**	(8)
Net change in cash and bank balances	**(1111575)**	635891	**(13003)**	7308
Cash and bank balances, 1st January	**1241401**	605510	**14847**	7539
Cash and bank balances, 31st December	**129826**	1241401	**1844**	14847

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011

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 Dhual-Qa'dah, 1398 (19th October, 1978) under Commercial Registration No. 4030016635. The Share Capital of the Company, amounting to SR 2 million, was divided into 20,000 shares of SR 100 each. In 2003, the Share Capital of the Company was further increased by SR 600,000 by capitalizing the unpaid dividend and the relevant increase was published in the Official Gazette on 1 Muharram, 1424 (4th March, 2003).

The Company is owned 39% by Metrovol FZE, a wholly owned subsidiary of Voltas Limited, registered in United Arab Emirates and 61% by Voltas Limited, a company registered in India. During the current year, Metrovol FZE was liquidated in United Arab Emirates and Voltas Limited has initiated the legal process in the Kingdom of Saudi Arabia to transfer the shareholding held by Metrovol FZE to Voltas Netherlands B.V., a wholly owned subsidiary of 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 (21st August, 1985).

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.

Article 180 of the Regulations for Companies requires that once the losses of a Company exceed 50% of its share capital, a shareholders' meeting should be called to decide on whether to continue the operations of the Company or not. Further as required by Article 164, this resolution should be published in the official gazette.

As on 31st December, 2011, the accumulated losses of the Company exceeded 50% of the share capital of the Company. These financial statements are prepared on a going concern basis since the shareholders in their meeting dated 22nd March, 2012 decided to continue the business and to provide financial support to the Company. However, the shareholders' meeting and consequently the publication of the resolution in the official gazette was not made within 30 days as required by Article 180.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia on a going concern basis (Note 1). 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 contract costs as required under accounting standards generally accepted in the Kingdom of Saudi Arabia. Allocations between general and administrative expenses and 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%
Porta cabins	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 operations.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011 (contd.)

(f) End-of-service indemnities

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

(g) 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.

(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.

Rental 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 bank balances, accounts receivable, unbilled revenue and contract retentions and are initially measured at their fair values and thereafter stated at their cost as reduced by the allowance for doubtful assets, if any.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include accounts payable, due to related parties and retentions payable, and are initially measured at their fair values and thereafter stated at their cost.

3. CASH AND BANK BALANCES

		2010		2010
	SR	SR	**₹ in '000s**	₹ in '000s
Cash and bank balances	**129826**	1241401	**1843**	14847

Cash and bank balances include cash margin of SR Nil (₹ Nil) [2010: SR 0.25 million (₹ 29.87 Lakhs)] restricted against letters of guarantee (Note 17).

4. PROPERTY AND EQUIPMENT

	1st January		Additions		Disposal		**31st December**	
Cost:	SR	₹ in '000s	SR	₹ in '000s	SR	₹ in '000s	**SR**	**₹ in '000s**
Machinery	502880	6014	—	—	—	—	**502880**	**7141**
Furniture and fixtures	372614	4456	—	—	—	—	**372614**	**5291**
Office equipment	868076	10382	6290	89	(6200)	(88)	**868166**	**12328**
Vehicles	755946	9041	—	—	(45073)	(640)	**710873**	**10094**
Porta cabins	55630	665	—	—	—	—	**55630**	**790**
Total Cost	2555146	30558	6290	89	(51273)	(728)	**2510163**	**35644**
Depreciation:								
Machinery	502880	6014	—	—	—	—	**502880**	**7141**
Furniture and fixtures	372614	4456	—	—	—	—	**372614**	**5291**
Office equipment	770824	9219	26284	344	(6200)	(88)	**790908**	**11231**
Vehicles	755946	9041	—	—	(45073)	(640)	**710873**	**10094**
Porta cabins	50924	609	1200	16	—	—	**52124**	**740**
Total Depreciation	2453188	29339	27484	360	(51273)	(728)	**2429399**	**34497**
Net Book Value at 1st January	101958	1219						
Net Book Value at 31st December							**80764**	**1147**

5. ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES

		2010		2010
	SR	SR	**₹ in '000s**	₹ in '000s
Accounts payable	**2764664**	2342148	**39258**	28012
Accrued liabilities	**829155**	1708947	**11774**	20439
Due to related parties (Note 9)	**1421911**	249466	**20191**	2984
Provision for Zakat (Note 8)	**446488**	—	**6340**	—
	5462218	4300561	**77563**	51435

6. END-OF-SERVICE INDEMNITIES

The movement in provision is as follows:

		2010		2010
	SR	SR	**₹ in '000s**	₹ in '000s
1st January	**1528428**	1491378	**18280**	18568
Provision for the year	**127522**	141430	**1688**	1725
Payments during the year	**(111297)**	(104380)	**(1456)**	(1273)
31st December	**1544653**	1528428	**21934**	18280

7. STATUTORY RESERVE

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

8. ZAKAT AND INCOME TAX

The Company had taxable losses during the years 2008 to 2011. Accordingly, no provisions for income tax were made for the said years. Before 2008, the Company was subject to zakat being a mixed company.

During 2009, the DZIT issued final assessments for the years 2003 to 2007, in which the DZIT assessed an additional zakat and income tax liability of SR 0.49 million (₹ 61.28 Lakhs). The Company paid SR 0.04 million (₹ 5.70 Lakhs) and filed an objection against the balance amount. During the current year, the objection was rejected by the DZIT, therefore, the Company made a provision for the remaining amount of SR 0.45 million (₹ 58.40 Lakhs).

Outstanding assessments:

The tax returns for the years 2008, 2009 and 2010 are under review by the DZIT.

9. RELATED PARTY TRANSACTIONS

During the year, the Company transacted with the following related parties

Names	**Relationship**
Voltas Limited	Shareholder
Voltas Netherlands B.V.	Affiliate
Universal Weathermaker Factory L.L.C.	Affiliate

During the current year, the Company purchased ducting materials amounting to SR 1 million (₹ 130.80 Lakhs) from one of the affiliates.

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

		2010		2010
	SR	SR	**₹ in '000s**	₹ in '000s
Voltas Limited	**315035**	195000	**4473**	2332
Voltas Netherlands B.V.	**54466**	54466	**773**	651
Universal Weathermaker Factory L.L.C.	**1052410**	—	**14944**	—
	1421911	249466	**20190**	2983

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011 (contd.)

10. CONTRACT COSTS

		2010		2010
	SR	SR	**₹ in '000s**	₹ in '000s
Material cost	**3220076**	2268938	**42119**	27681
Sub-contractor cost	**116068**	729108	**1518**	8895
Salaries and benefits	**359266**	539413	**4699**	6581
Other expenses	**19060**	6391	**249**	78
	3714470	3543850	**48585**	43235

11. GENERAL AND ADMINISTRATIVE EXPENSES

		2010		2010
	SR	SR	**₹ in '000s**	₹ in '000s
Salaries and benefits	**1219759**	40049	**15955**	489
Rent (Note 16)	**445876**	300515	**5832**	3666
Bad debts directly written off	**—**	15800	**—**	193
Vehicle expenses	**116311**	63950	**1521**	780
Communication, travel and insurance	**82568**	48614	**1080**	593
Office expenses	**175665**	174283	**2298**	2126
Depreciation	**27484**	26432	**359**	322
Other expenses	**202973**	264282	**2655**	3225
	2270636	933925	**29700**	11394

12. OTHER INCOME

		2010		2010
	SR	SR	**₹ in '000s**	₹ in '000s
Gain on sale of Property and equipment	**28500**	14500	**373**	177
Receipts against bad debts written off	**97259**	—	**1272**	—
Long outstanding liabilities written back	**68117**	—	**891**	—
Discount from suppliers on final settlement	**11913**	2865	**156**	35
Others	**4270**	53893	**56**	657
	210059	71258	**2748**	869

13. TRANSACTIONS WITH MAJOR CUSTOMERS

Contract revenue from three customers (2010: one customer) amounted to approximately SR 3.99 million (₹ 521.89 Lakhs) [2010: SR 2.26 million (₹ 275.72 Lakhs)], which represents approximately 95% (2010: 78%) of the total contract revenue.

14. SUBORDINATED LOAN FOR LOSSES

During 2006, the shareholders resolved to provide an interest free loan to the Company amounting to SR 3.25 million (₹ 461.50 Lakhs) as a subordinated loan for losses as the accumulated losses exceeded one-half of the Company's share capital. During the years 2007, 2008 and 2009, the shareholders provided additional amounts of SR 0.25 million (₹ 35.50 Lakhs), SR 9 million (₹ 1278 Lakhs) and SR 8.50 million (₹ 1207 Lakhs), respectively.

Further, during 2009, an amount of SR 1.74 million (₹ 247.08 Lakhs) was transferred from short-term debts to subordinated loan and the shareholders waived a balance of SR 0.81 (₹ 115.02 Lakhs) due to them. The subordinated loan is not repayable until the accumulated losses are recovered from future profits.

15. CREDIT RISK

Credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments.

The Company's credit risk is primarily attributable to its accounts receivable, contract retentions and unbilled revenues. The amounts presented in the balance sheet are net of allowance for doubtful assets, 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.

16. OPERATING LEASE ARRANGEMENTS

		2010		2010
	SR	SR	**₹ in '000s**	₹ in '000s
Payments under operating leases recognized as an expense during the year	**445876**	300515	**5832**	3666

Operating lease payments represent rentals payable by the Company for certain office properties and accommodation under annual renewable contracts.

17. CONTINGENCIES

As of 31st December, 2011, the Company has outstanding letters of credit amounting to SR 1 million (₹ 141.87 Lakhs) [2010: SR Nil (₹ Nil)] and bank guarantees amounting to SR 0.65 million (₹ 92.58 Lakhs) [2010: SR 0.25 million (₹ 29.87 Lakhs)], which were issued in the normal course of business operation.

18. NON-CASH OPERATING AND FINANCING ACTIVITIES

		2010		2010
	SR	SR	**₹ in '000s**	₹ in '000s
Discount from a supplier	—	2865	—	35
Asset sold to an ex-employee in lieu of his end-of-service	—	3000	—	37

20. FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

21. COMPARATIVE FIGURES

Certain figures for 2010 have been reclassified to conform with the presentation in current year.

Jeddah, 20th March, 2012 *Director* **Mohammad Hanif Patvi**

LALBUKSH VOLTAS ENGINEERING SERVICES & TRADING L.L.C.

Directors :

P. N. Dhume *(Chairman)*
Shaukat Ali Mir
Issa Lalbuksh Al Raisi
M. M. Miyajiwala

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Annual Report and the Accounts for the year ended 31st December, 2011.

2. The Company recorded turnover of Omani Rial (RO) 3.359 million and net profit of RO 0.278 million for the year ended 31st December, 2011. The performance was adversely affected due to political instability in Sultanate of Oman, together with unrest amongst local population, which continued for larger part of the year 2011. As a result, many Governement projects in Water, Irrigation and Land Scaping Segments were kept on hold thereby impacting the order booking of the Company.

3. The local Government announced several new directives, mainly to protect the local citizens, to increase the pay package by over 20% across all industries. The existing norms on localization were also strengthened, which would affect the cost structure of most of the companies in Oman. At the same time, the economic scenario is showing signs of recovery in the last few months and the Company expects satisfactory level of order booking during the year 2012.

4. The Directors recommend dividend of RO 0.750 million (previous period : RO 1.519 million) for the year ended 31st December, 2011, partly from Retained Earnings.

5. Mr. M. M. Miyajiwala, associated with Voltas Limited, was appointed as a Director on the Board of the Company.

6. M/s. PKF L.L.C., Chartered Accountants (formerly known as RSM & Co.), the retiring auditors, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

P. N. Dhume
Chairman

Muscat, 3rd April, 2012

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
LALBUKSH VOLTAS ENGINEERING SERVICES & TRADING L.L.C.

Report on the Financial Statements

We have audited the accompanying financial statements of **LALBUKSH VOLTAS ENGINEERING SERVICES & TRADING L.L.C.,** which comprise the statement of financial position as at 31st December, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 2 to 20.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 present fairly, in all material respects, the financial position of LALBUKSH VOLTAS ENGINEERING SERVICES & TRADING L.L.C. as of 31st December, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to following matter stated below.

At the year end, uncertified dues of RO 693972 (comprising of dues from main contract of RO 669818 and dues of RO 24154 for work carried out based on engineering/verbal instructions) pertaining to different contracts, are outstanding for more than one year and are receivable from various customers, against which a provision of RO 355734 has been made by the Company's management. Whilst the ultimate outcome of the aforesaid contract matters, certification delays, variation orders, etc. is uncertain and subject to future negotiations, no further provision for possible loss on these dues has been made in the financial statements as the management believes that the said matters would be suitably resolved in future without any material impact on the Company.

PKF L.L.C.
Chartered Accountants
Sultanate of Oman

Muscat, 25th February, 2012

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2011

	Notes	RO	As at 31-12-2010 RO	₹ in '000s	As at 31-12-2010 ₹ in '000s
ASSETS					
NON-CURRENT ASSET					
Property, plant and equipment	3	**236663**	235980	**32707**	27466
Other financial assets	9	**265837**	—	**36739**	—
		502500	235980	**69446**	27466
CURRENT ASSETS					
Inventories	4	**123729**	75529	**17099**	8791
Contract and other receivables	5	**2915282**	3437757	**402892**	400121
Amounts due from customers for contract work	6	**41472**	70509	**5731**	8207
Amounts due from related parties	7	**—**	9438	**—**	1098
Cash and cash equivalents	8	**207924**	487623	**28735**	56754
Other current financial assets	9	**993910**	1673390	**137358**	194766
		4282317	5754246	**591815**	669737
TOTAL ASSETS		**4784817**	5990226	**661261**	697203
EQUITY AND LIABILITIES					
MEMBERS' FUNDS					
Share Capital	10	**250000**	150000	**34550**	17458
Legal Reserve		**83334**	50000	**11516**	5820
General Reserve		**750000**	850000	**103650**	98932
Accumulated Profits		**1622306**	2896033	**224203**	337069
Equity Funds		**2705640**	3946033	**373919**	459279
NON-CURRENT LIABILITIES					
Staff end-of-service gratuity		**221330**	235243	**30588**	27380
CURRENT LIABILITIES					
Trade and other payables	11	**1178906**	998501	**162925**	116216
Amounts due to customers for contract work	6	**172335**	226928	**23817**	26412
Provision for tax		**506606**	583521	**70012**	67916
		1857847	1808950	**256754**	210544
TOTAL EQUITY AND LIABILITIES		**4784817**	5990226	**661261**	697203

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

Note: The Statement of Financial Position has been converted into Indian Rupees @ 1 Omani Rial (RO) = ₹ 138.20 being the exchange rate prevailing as on 31st December, 2011. Previous year figures have been converted @ 1 RO = ₹ 116.39 being the exchange rate prevailing as on 31st December, 2010.

Directors **P. N. Dhume**
Shaukat Ali Mir
Issa Lalbuksh Al Raisi
Muscat, 3rd April, 2012 **M. M. Miyajiwala**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2011

	Notes	RO	1-4-2010 to 31-12-2010 RO	₹ in '000s	1-4-2010 to 31-12-2010 ₹ in '000s
REVENUE		**3359379**	2207635	**427632**	257852
Cost of works executed	12	**(2624007)**	(1342200)	**(334023)**	(156769)
GROSS PROFIT		**735372**	865435	**93609**	101083
Other operating income	13	**19191**	10462	**2443**	1222
Staff costs		**(131563)**	(77587)	**(16747)**	(9063)
Director's remuneration		**(8700)**	(5800)	**(1107)**	(677)
Depreciation		**(102364)**	(91036)	**(13030)**	(10633)
Provision for doubtful debts		**—**	(24619)	**—**	(2875)
Other operating expenses	14	**(214125)**	(149975)	**(27257)**	(17517)
PROFIT FROM OPERATING ACTIVITIES		**297811**	526880	**37911**	61540
Interest income		**14789**	29553	**1883**	3452
Finance costs	15	**(6276)**	(6878)	**(799)**	(803)
NET PROFIT FOR THE YEAR / PERIOD BEFORE TAX		**306324**	549555	**38995**	64189
Income tax expense for current year / period		**(27621)**	(67863)	**(3516)**	(7926)
Income tax expense for earlier years		**(346)**	—	**(44)**	—
NET PROFIT FOR THE YEAR / PERIOD AFTER TAX		**278357**	481692	**35435**	56263
Other comprehensive income for the year / period		**—**	—	**—**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR / PERIOD		**278357**	481692	**35435**	56263

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

Note: The Statement of Comprehensive Income has been converted into Indian Rupees @ 1 Omani Rial (RO) = ₹ 127.295 being the average of the exchange rates prevailing as on 31st December, 2010 (1 RO = ₹ 116.390) and as on 31st December, 2011 (1 RO = ₹ 138.200). Previous year figures have been converted into Indian Rupees @ 1 RO = ₹ 116.800 being the average of the exchange rates prevailing as on 31st March, 2010 (1 RO = 117.210) and as on 31st December, 2010 (1 RO = ₹ 116.390).

Directors **P. N. Dhume**
Shaukat Ali Mir
Issa Lalbuksh Al Raisi
Muscat, 3rd April, 2012 **M. M. Miyajiwala**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2011

	Share Capital		Legal Reserve		General Reserve		Accumulated Profits		Total	
	RO	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**
As at 1st April, 2010	150000	17582	50000	5861	850000	99628	2639341	309357	3689341	432428
Total comprehensive income for the period after tax	—	—	—	—	—	—	481692	56263	481692	56263
Dividends paid	—	—	—	—	—	—	(225000)	(26280)	(225000)	(26280)
As at 31st December, 2010	150000	17458	50000	5820	850000	98932	2896033	337069	3946033	459279
Total comprehensive income for the year	—	—	—	—	—	—	278357	35435	278357	35435
Issue of Share Capital	100000	13820	—	—	(100000)	(13820)	—	—	—	—
Transfer to Legal Reserve	—	—	33334	4607	—	—	(33334)	(4607)	—	—
Dividends paid	—	—	—	—	—	—	(1518750)	(193329)	(1518750)	(193329)
As at 31st December, 2011	**250000**	**34550**	**83334**	**11516**	**750000**	**103650**	**1622306**	**224203**	**2705640**	**373919**

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2011

		1-4-2010 to 31-12-2010		1-4-2010 to 31-12-2010
	RO	RO	**₹ in '000s**	₹ in '000s
Cash flows from operating activities				
Net profit for the year / period before tax	**306324**	549555	**38995**	64189
Adjustments for:				
Depreciation	**102364**	91036	**13030**	10633
Profit on disposal of property, plant and equipment	**(5333)**	(8410)	**(737)**	(979)
Interest income	**(14789)**	(29553)	**(1883)**	(3452)
Finance costs	**6276**	6878	**799**	803
Operating profit before changes in operating assets and liabilities	**394842**	609506	**50204**	71194
Decrease / (increase) in contract and other receivables	**417783**	411529	**(5995)**	50631
Increase / (decrease) in due to / from customers for contract work (net)	**(25556)**	111603	**(120)**	12952
Decrease / (increase) in inventories	**(48200)**	(11576)	**(8309)**	(1295)
Decrease / (increase) in trade and other payables	**180405**	(432995)	**46709**	(51570)
Increase / (decrease) in staff-end-of service gratuity	**(13913)**	22808	**3208**	2480
Related parties balances	**9438**	(6177)	**1106**	(716)
Cash from operating activities	**914799**	704698	**126425**	82020
Taxes paid	**(190)**	(227714)	**(22)**	(28427)
Net cash from operating activities (A)	**914609**	476984	**126399**	55516
Cash flows from investing activities				
Interest received	**14789**	29553	**1883**	3452
Increase in time deposit	**413643**	(46160)	**20669**	(4038)
Purchase of property, plant and equipment	**(103760)**	(45493)	**(13208)**	(5313)
Proceeds from disposal of property, plant and equipment	**6046**	8415	**770**	983
Net cash from (used in) investing activities (B)	**330718**	(53685)	**45705**	(6248)
Cash flows from financing activities				
Finance costs paid	**(6276)**	(6878)	**(799)**	(803)
Dividends paid	**(1518750)**	(225000)	**(193329)**	(26280)
Net cash (used in) financing activities (C)	**(1525026)**	(231878)	**(210759)**	(26988)
Net (decrease)/increase in cash and cash equivalents (A+B+C)	**(279699)**	191421	**(28019)**	22036
Cash and cash equivalents at beginning of period	**487623**	296202	**56754**	34718
Cash and cash equivalents at end of year / period	**207924**	487623	**28735**	56754

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011

1. LEGAL STATUS AND PRINCIPAL BUSINESS ACTIVITIES

(a) LALBUKSH VOLTAS ENGINEERING SERVICES & TRADING L.L.C. is a limited liability company, registered under the commercial laws of the Sultanate of Oman.

(b) The ultimate parent company is Voltas Limited, India.

(c) The Company is engaged in drilling, irrigation and landscaping activities and construction of water treatment plants.

(d) The financial statements are prepared in Rials Omani, which is the functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations, issued or adopted by the International Accounting Standards Board, and which are effective for the current accounting year, and the applicable requirements of the Oman Commercial Companies Law. The significant accounting policies adopted, 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. Depreciation is calculated on straight line basis to write off the cost of property, plant and equipment less their estimated residual value, where material, in equal annual instalments over their estimated useful lives. Depreciation has been calculated from the date of acquisition at the following rates:

Porta cabins	15.00%
Capital equipment and accessories	15.00%
Furniture and fixtures	33.33%
Equipment	15.00%
Vehicles	33.33%

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

(b) Impairment

The carrying amounts of the financial and non-financial assets are reviewed at each year end to determine whether there is any indication of impairment. If any such indication exists, their recoverable amount is estimated. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

(c) Inventories

Inventories are stated at lower of cost and net realisable value after making due allowance for obsolete and slow moving inventories. Cost is determined on First-in First-out (FIFO) basis and comprises of invoice value plus applicable landing charges. Net realisable value is based on estimated selling price less any estimated cost of completion and disposal.

(d) Trade receivable

Bad debts are written off or fully provided for as they arise and provision is made for all doubtful debts.

(e) Amounts due from / to customers for contract work

Amounts due from / to customers for contract work is the net amount of :

(i) contract costs comprising of cost of materials, labour, sub-contract and attributable overheads, plus recognised profits, less

(ii) the sum of recognised losses and progress billings.

(f) Cash and cash equivalents

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

(g) Trade and other payables

Liabilities are recognized for amounts to be paid for goods or services received, whether billed by the suppliers or not, to the extent of goods or services certified by the Company.

(h) Taxation

Provision for income tax has been made on the basis of the Company's net taxable profit arrived at by making suitable adjustments for likely disallowances as per the past completed income tax assessments to the net profit as per the financial statements and applying the income tax rate specified in the Income Tax Law in Oman. Additional tax liability that may arise in future on completion of pending income tax assessments for the tax years 2008 to 2011 is not expected to be material to the Company's financial position, and would be paid for and accounted in the financial statements of the year in which the income tax assessments are completed.

(i) Employees benefit costs

The Company contributes to the Social Security Scheme under Royal Decree 72/91 (Defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with Omani Social Insurance Law 1991) for Omani employees, administered by the Government of Sultanate of Oman.

Accruals for employees benefits comprising of leave salary, passage and end-of-service gratuity for non-Omani employees is in accordance with Company's rules and is based on the liability, which would arise if the employment of all staff were terminated at the year-end. The total expense recognised in the statement of comprehensive income for staff end-of-service benefits amounts to RO 40506 (₹ 5597929) [previous year: RO 32860 (₹ 3824575)].

(j) Legal Reserve

Legal Reserve is created by appropriating 10% of the net profit for the period as required by Article 154 of the Commercial Companies Law of Oman 1974. The Company has resolved to transfer RO 5499 (₹ 759962) over and above 10% of the net profit during the year. The reserve is not available for distribution.

(k) General Reserve

General Reserve is created by appropriating a portion of the net profit for the period. The Reserve is available for distribution.

(l) Revenue

Revenue recognition on contracts

Contract revenues are recognised on percentage of completion method. When the outcome of a contract can be estimated reliably, contract revenue and contract costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at year end. Losses on contracts are fully recognized when identified. Contract billings are recorded on the basis of progress bills prepared by the Company's engineers and are considered as revenue to the extent that they are probable of being certified and recovered.

The stage of completion is determined on the basis of progress on each contract measured by reference to proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Conservative proportion of the profit estimated by directors to be earned on completion of the contracts is considered by reference to the work completed at the year-end. Losses, if any, on jobs not completed are provided for when identified.

Sales

Sales represents net amount invoiced for goods delivered and services rendered during the period.

Interest

Interest income is recognised on a time proportion basis.

(m) Finance costs

Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other finance costs are recognized as an expense in the year in which they are incurred.

(n) Foreign currencies

Transactions in foreign currencies are translated into Rials Omani and recorded at the rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Rials Omani at the rates of exchange ruling at the year end. The resultant exchange gains and losses are recognised in the statement of comprehensive income.

(o) Operating lease rentals

Operating lease rentals are recognised as an expense on a straight-line basis over the lease term.

(p) Financial instruments

- Financial instruments of the Company comprise trade and other receivables, cash and cash equivalents, trade and other payables, amounts due from / to related parties and members, amounts due from / to customers for contract work, bank fixed deposits.
- Financial assets and financial liabilities are recognized 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, 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.
- Financial assets that have fixed or determinable payments and for which there is no active market, 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 recognized in the statement of comprehensive income.
- Financial liabilities, are measured at cost or, if the impact is material, at amortised cost using the effective interest method.

(q) Significant judgements and key assumptions

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

Impairment

At each year end, 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, the assets are written down to their recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011 (contd.)

(ii) Key assumptions made concerning the future and other key sources of estimation uncertainty at the year end, 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. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the periods in which the estimate is revised and in any future periods affected:

Carrying values of property, plant and equipment

The useful lives and residual values of fixed assets are estimated based on intended use of assets and their economic lives. 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, in order to assess their likely realization proceeds, technological changes, age, likely obsolescence, the rate at which the materials are being sold and the physical damage. Based on the assessment, assumptions are made as to the level of provisioning required.

Doubtful debts

Management regularly undertakes a review of the amounts of receivables owed to the Company either from customers or from related parties, and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates, extent of confirmations, 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 liability to staff end-of-service gratuity assuming that all employees were to leave as at the year end. 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 effects.

Contract work in progress

Contract revenues on contracts in progress at the year end are recognised on a percentage of completion basis, that requires the Management to estimate the costs expected to be incurred in future to complete the contracts. Further, profits on contracts in progress is recognized only when the final outcome can be reliably estimated.

Contract matters

In the contracting industry, there are various contractual matters relating to possible penalties for delays in job completion, claims of suppliers / subcontractors, work disputes, recovery of uncertified contract/variation work dues, expected costs during job warranty and defect liability period etc, that are subject to various sources of uncertainties and future negotiations. The Management regularly reviews, estimates and suitably accounts for the possible financial impact of such contractual matters based on their assessment, past experience and available information.

(r) Adoption of new International Financial Reporting Standards

(i) The following International Financial Reporting Standards, amendments thereto and Interpretations that became effective for the current reporting period and which are applicable to the Company are as follows. Their adoption has resulted in presentation and disclosure changes only:

- IAS 24 : Related Party Disclosures (1st January, 2011)
- Improvements to IFRS
  - IFRS 7 : Financial Instruments : Disclosures (1st January, 2011)
  - IAS 1 : Presentation of Financial Instruments (1st January, 2011)

(ii) 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 the date the financial statements were authorised for issue but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods. It is anticipated that their adoption in the relevant accounting periods will have an impact only on presentation and disclosures within the financial statements:

- IFRS 9 : Financial Instruments (1st January, 2013)
- Improvements to IAS
  - IAS 19 : Employee Benefits (1st January, 2013)
- Presentation of Items of Other Comprehensive Income: Amendments to IAS 1 (1st July, 2013)

3. PROPERTY, PLANT AND EQUIPMENT

	Porta Cabins		Capital equipment and accessories		Furniture, fixtures and equipment		Vehicles		Total	
	RO	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**	**RO**	**₹ in '000s**
Cost										
As at 1st January, 2011	22237	2588	1230484	143216	91330	10630	534905	62258	1878956	218692
Additions	4000	509	7568	963	16398	2087	75794	9648	103760	13207
Disposals	—	—	(10980)	(1398)	(2519)	(321)	(22180)	(2823)	(35679)	(4542)
As at 31st December, 2011	**26237**	**3626**	**1227072**	**169581**	**105209**	**14540**	**588519**	**81333**	**1947037**	**269080**
Accumulated depreciation										
As at 1st January, 2011	21331	2483	1067237	124216	64515	7509	489893	57018	1642976	191226
Depreciation for the year	973	124	55220	7029	10622	1352	35549	4525	102364	13030
Adjustment relating to disposals	—	—	(10979)	(1398))	(1810)	(230)	(22177)	(2823)	(34966)	(4451)
As at 31st December, 2011	**22304**	**3082**	**1111478**	**153606**	**73327**	**10134**	**503265**	**69551**	**1710374**	**236373**
Net book value										
As at 31st December, 2010	906	105	163247	19000	26815	3121	45012	5239	235980	27466
As at 31st December, 2011	**3933**	**544**	**115594**	**15975**	**31882**	**4406**	**85254**	**11782**	**236663**	**32707**

Porta cabins and equipments are on land owned by the member company.

4. INVENTORIES

	RO	As at 31-12-2010 RO	**₹ in '000s**	As at 31-12-2010 ₹ in '000s
Materials	**196729**	148529	**27188**	17287
Less: Provision for slow moving inventories	**(73000)**	(73000)	**(10089)**	(8496)
	123729	75529	**17099**	8791

The movements in provision for slow moving inventories are as follows:

	RO	As at 31-12-2010 RO	**₹ in '000s**	As at 31-12-2010 ₹ in '000s
Opening balance	**73000**	73000	**10089**	8496
Provision made	**—**	—	**—**	—
Closing balance	**73000**	73000	**10089**	8496

5. CONTRACT AND OTHER RECEIVABLES

	RO	As at 31-12-2010 RO	**₹ in '000s**	As at 31-12-2010 ₹ in '000s
Contract receivables	**2544783**	2913403	**351689**	339091
Retentions	**291227**	337321	**40248**	39261
	2836010	3250724	**391937**	378352
Provision for doubtful debts	**(355734)**	(355734)	**(49162)**	(41404)
	2480276	2894990	**342775**	336948
Advances to staff	**14062**	8093	**1943**	942
Prepaid expenses	**2800**	9625	**387**	1120
Advance tax	**410908**	515600	**56787**	60011

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011 (contd.)

5. CONTRACT AND OTHER RECEIVABLES (contd.)

	RO	As at 31-12-2010 RO	**₹ in '000s**	As at 31-12-2010 ₹ in '000s
Deposits	**3344**	4430	**462**	516
Interest accrued on bank fixed deposit	**4123**	5254	**570**	612
Other receivables	**169**	165	**23**	19
	2915682	3438157	**402947**	400168
Provision for doubtful receivables	**(400)**	(400)	**(55)**	(47)
	2915282	3437757	**402892**	400121

The movements in the provision for doubtful debts account are as follows:

	RO	As at 31-12-2010 RO	**₹ in '000s**	As at 31-12-2010 ₹ in '000s
Opening balance	**355734**	331115	**41404**	38810
Provision made during the year/period	**—**	24619	**—**	2875
Closing balance	**355734**	355734	**49162**	41404

There is no movement in provision for doubtful receivables account.

- An age analysis of contract receivables that are past due but not impaired is as follows:

	RO	As at 31-12-2010 RO	**₹ in '000s**	As at 31-12-2010 ₹ in '000s
6 months to 1 year	**258061**	1134955	**35664**	132097
Over 1 year	**646268**	82510	**89314**	9603
	904329	1217465	**124978**	141700

An analysis of contract receivables considered to be impaired due to non-recovery or perceived difficulty in recovery is as follows:

	RO	As at 31-12-2010 RO	**₹ in '000s**	As at 31-12-2010 ₹ in '000s
Gross value	**355734**	355733	**49162**	41404
Provision	**355734**	355733	**49162**	41404
Carrying value	**—**	—	**—**	—
Contract receivables not past due and not impaired	**1575947**	1677526	**217796**	195247

6. CONTRACTS IN PROGRESS	**RO**	1-4-2010 to 31-12-2010 RO	**₹ in '000s**	1-4-2010 to 31-12-2010 ₹ in '000s
Contract costs incurred plus recognised profits less recognised losses	**1298975**	1634430	**179518**	190231
Progress billings	**1429838**	1790849	**197604**	208437
Retentions receivable	**50798**	74750	**7020**	8700
Advances received	**119961**	—	**16579**	—

	RO	As at 31-12-2010 RO	₹ in '000s	As at 31-12-2010 ₹ in '000s
7. AMOUNTS DUE FROM A RELATED PARTY				
Lalbuksh Contracting & Trading Establishment L.L.C.	**—**	9438	**—**	1098

	RO	As at 31-12-2010 RO	₹ in '000s	As at 31-12-2010 ₹ in '000s
8. CASH AND CASH EQUIVALENTS				
Bank balances:				
Current accounts	**205921**	486838	**28458**	56663
Smart card balances	**1954**	785	**270**	91
	207875	487623	**28728**	56754
Cash on hand	**49**	—	**7**	—
	207924	487623	**28735**	56754

The credit facilities from a bank are secured by way of:

(a) Lien on fixed deposits of RO 373000 (₹ 51548600) with the bank.

(b) Personal guarantees of RO 850000 (₹ 117470000) from the Legal heirs of Late Lalbuksh Essa Al Raisi (signed by power of attorney holder, Mr. Issa Lalbuksh Essa Al Raisi).

	RO	As at 31-12-2010 RO	₹ in '000s	As at 31-12-2010 ₹ in '000s
9. OTHER CURRENT FINANCIAL ASSETS				
Fixed deposits with banks	**1259747**	1673390	**174097**	194766
Less : Current Portion	**(993910)**	—	**(137358)**	—
	265837	1673390	**36739**	194766

Fixed deposits of RO 373000 (₹ 51548600) [(Previous year: RO 365907 (₹ 42587916)] are pledged with banks as security against credit facilities.

10. SHARE CAPITAL

The share capital comprises 250000 shares (Previous year: 150000 shares) of face value RO 1/- each, fully paid.

	RO	As at 31-12-2010 RO	₹ in '000s	As at 31-12-2010 ₹ in '000s
11. TRADE AND OTHER PAYABLES				
Trade payables	**509278**	580685	**70382**	67586
Accruals	**530130**	398008	**73264**	46324
Other payables	**526**	19808	**73**	2306
Advance from customers	**138972**	—	**19206**	—
	1178906	998501	**162925**	116216

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2011 (contd.)

	RO	1-4-2010 to 31-12-2010 RO	₹ in '000s	1-4-2010 to 31-12-2010 ₹ in '000s
12. COST OF WORKS EXECUTED				
Materials consumed	**1023851**	411499	**130331**	48063
Labour expenses	**886201**	479940	**112809**	56057
Sub contract expenses	**260654**	157837	**33180**	18435
Other direct expenses	**453301**	292924	**57703**	34214
	2624007	1342200	**334023**	156769

	RO	1-4-2010 to 31-12-2010 RO	₹ in '000s	1-4-2010 to 31-12-2010 ₹ in '000s
13. OTHER OPERATING INCOME				
Profit on disposal of property, plant and equipment	**5333**	8410	**679**	982
Miscellaneous income	**13858**	2052	**1764**	240
	19191	10462	**2443**	1222

	RO	1-4-2010 to 31-12-2010 RO	₹ in '000s	1-4-2010 to 31-12-2010 ₹ in '000s
14. OTHER OPERATING EXPENSES				
Rent	**68240**	25511	**8687**	2980
Repairs and maintenance	**16675**	17740	**2123**	2072
Insurance	**25957**	29420	**3304**	3436
Electricity and water charges	**21923**	12094	**2791**	1412
Telephones, fax and postage	**17463**	13621	**2223**	1591
Travelling and conveyance	**14662**	13652	**1866**	1595
Vehicle expenses	**3283**	1925	**418**	225
Advertisement and business promotion expenses	**10740**	4741	**1367**	554
Miscellaneous expenses	**35182**	31271	**4478**	3652
	214125	149975	**27257**	17517

	RO	1-4-2010 to 31-12-2010 RO	₹ in '000s	1-4-2010 to 31-12-2010 ₹ in '000s
15. FINANCE COSTS				
Bank charges	**6276**	6878	**799**	803

16. DIVIDENDS

Dividend paid of RO 1518750 (₹ 193329281) [Previous year: RO 225000 (₹ 26280000)] represents a dividend per share of RO 6.075 (₹ 773.32) [Previous year: RO 1.500 (₹ 175.20)].

17. RELATED PARTIES

The Company enters into transactions with parties that fall within the definition of a related party as contained in International Accounting Standard 24: Related Party Disclosures. The Management considers such transactions to be in the normal course of business. Related parties comprise parent company, companies under common ownership and/or common management control and members. The balances with related parties at the year end have been separately disclosed in the financial statements.

The nature of significant related party transactions and the amounts involved are as follows:

	Member company RO	**Directors** RO	**Other related parties** RO	**Total** RO	1-4-2010 to 31-12-2010 Total RO	**Total** ₹ in '000s	1-4-2010 to 31-12-2010 Total ₹ in '000s
Rent expense	**—**	**37590**	**24000**	**61590**	15736	**7840**	1838
Director's remuneration	**—**	**8700**	**—**	**8700**	5800	**1107**	677

The Company also provides funds to and receives funds from related parties as and when required as working capital facilities.

18. TAXATION

(a) The accounting net profit for the year has been adjusted in respect of provisions and other disallowances for the purpose of determining the taxable profit for the year. Taxation has been provided at the applicable rate of 12% (Previous year: 12%) after the basic exemption in accordance with Income Tax Law in Sultanate of Oman. Taxation for the tax years 2008 to 2011 are subject to agreement with the taxation authorities.

(b) The income tax expense as per the statement of comprehensive income comprises:

		1-4-2010 to 31-12-2010		1-4-2010 to 31-12-2010
	RO	RO	**₹ in '000s**	₹ in '000s
Current Tax				
Charge for the current year	**27621**	67683	**3516**	7926
Charge for the earlier years	**346**	—	**44**	—
Income Tax expense	**27967**	67683	**3560**	7926

(c) The reconciliation between the income tax expense on the accounting profit and income tax expense in the statement of comprehensive income is as follows:

		1-4-2010 to 31-12-2010		1-4-2010 to 31-12-2010
	RO	RO	**₹ in '000s**	₹ in '000s
Tax on accounting profit of RO 306324 (₹ 38993514) [Previous year : RO 549555 (₹ 64188024)] at applicable tax rates	**34702**	64403	**4417**	7522
Add/less tax effect of:				
Expenses disallowable	**—**	185	**—**	22
Profit on sale of property, plant and equipment not considered as taxable income for tax purposes	**(640)**	(1009)	**(81)**	(118)
Provisions made/(reversed) (net) for doubtful debts and inventories not considered as deductible expense for tax purposes	**—**	2954	**—**	345
Depreciation adjustment based on depreciation rates as per tax law	**(6441)**	1330	**(820)**	155
Tax expense as per statement of comprehensive income	**27621**	67863	**3516**	7926

19. FINANCIAL INSTRUMENTS

Management of risk

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, exchange rate, liquidity and 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 reputed financial institutions.

The Company buys goods and services in foreign currencies. Exposure is minimised where possible by denominating such transactions in US dollars to which the Rials Omani 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.

Exposures to the aforementioned risks are detailed below:

(a) Credit, interest rate and exchange rate risk exposures

Credit risk

Financial assets which potentially expose the Company to credit risks and concentrations of credit risk comprise principally, bank current, smart card, fixed and time deposit accounts, amounts due from related parties and contract and other receivables. The maximum credit risk exposure of financial assets recognised in the statement of financial position approximate to the carrying amount of the assets net of provisions.

The Company's bank current, smart card, fixed and time deposit accounts are placed with reputed financial institutions. Contract debtors are stated net of provision for doubtful debts. As at the year end, RO 1613185 (₹ 222942167) constituting 57% [Previous year: RO 2265955 (₹ 263734502) constituting 70%] of contract debtors and retentions are due from one debtor (Previous year: two debtors). As at year end, an amount of RO 1466775 (₹ 202708305) i.e. 34% [Previous year: RO 2160852 (₹ 251501564) i.e. 38%] of the current assets is receivable from two reputed banks (Previous year: two reputed banks), respectively who have confirmed their balances payable to the Company. There are no other significant concentrations of credit risk with any single debtor or group of companies or to debtors outside the industry and the country in which the Company operates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2011 (contd.)

Risk exposure on uncertified debts

At the year end, uncertified dues of RO 693972 (₹ 95906930) [comprising of dues from main contract of RO 669818 (₹ 92568848) and dues of RO 24154 (₹ 3338083) for work carried out based on engineering/verbal instructions)] pertaining to different contracts, are outstanding for more than one year and are receivable from various customers, against which a provision of RO 355734 (₹ 49162439) has been made by the Company's Management. Whilst the ultimate outcome of the aforesaid contract matters, certification delays, variation orders, etc. is uncertain and subject to future negotiations, no further provision for possible loss on these dues has been made in the financial statements as the Management believes that the said matters would be suitably resolved in future without any material impact to the Company.

Interest rate risk

The Company's fixed deposits are at interest rates of 0.25% to 2.75% per annum (Previous year: 1% – 2.75% per annum). Most of the other financial assets and liabilities are non-interest bearing. Reasonably possible changes to interest rates at the year end are unlikely to have a significant impact on profit or equity.

Exchange rate risk

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

Reasonably possible changes to exchange rates at the year end are unlikely to have a significant impact on profit or equity.

(b) Fair values

The fair values of the Company's financial assets and financial liabilities approximate to their carrying values, net of provisions.

Liquidity risk

The Company limits its liquidity risk by ensuring that adequate bank facilities are available to enable it to meet its obligations as they fall due for payment. The maturity analysis of the Company's financial liabilities as at the year end is given below:

	RO	As at 31-12-2010 RO	**₹ in '000s**	As at 31-12-2010 ₹ in '000s
Other non-current liabilities	**221330**	235243	**30588**	27380
Trade and other payables	**1178906**	998501	**162925**	116216
Amounts due to customers for contract work	**172335**	226928	**23817**	26412
Provision for tax (net of advance tax)	**95698**	67921	**13225**	7905
	1668269	1528593	**230555**	177913

20. CONTINGENT LIABILITIES	**RO**	As at 31-12-2010 RO	**₹ in '000s**	As at 31-12-2010 ₹ in '000s
Unutilised letter of credit	**7821**	196462	**1081**	22866
Banker's letters of guarantee	**999930**	893124	**138190**	103951
	1007751	1089586	**139271**	126817

As is common in the contracting industry, there are certain ongoing pending matters under negotiations with the clients/consultants relating to possible penalties for delays in job completion, claim of suppliers/subcontractors not accepted by the Company, work disputes, recovery of uncertified contract/variation work dues, etc., whose actual occurrence and financial impact cannot be ascertained at the present stage.

21. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to ensure that the Company continues as a going concern, maintains an optimal capital structure to reduce the cost of capital, and to provide the shareholders with a rate of return on their investment commensurate with the level of risk assumed. Capital comprises equity funds as presented in the statement of financial position. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

22. COMPARATIVE FIGURES

Current year figures are for twelve months and therefore are not comparable with previous period's figures, which are for nine months.

Directors **P. N. Dhume**
Shaukat Ali Mir
Issa Lalbuksh Al Raisi
M. M. Miyajiwala

Muscat, 3rd April, 2012

VOLTAS OMAN L.L.C.

Directors :

Shaukat Ali Mir *(Chairman)*
Akber M. Sultan *(Vice Chairman)*
Chandra D. Pant
Minoo M. Saher
M. M. Miyajiwala (w.e.f. 3rd April, 2012)
B. G. Prabhuajgaonkar (upto 3rd April, 2012)

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present the first Annual Report and the Accounts for the period ended 31st December, 2011.

2. The Company (Voltas Oman L.L.C.) was incorporated on 15th February, 2011, as a limited liability company under the Commercial Companies Law of Sultanate of Oman as a joint venture between Voltas Limited and Mustafa Sultan Enterprises L.L.C., with Capital of Omani Rial (RO) 500,000. The shareholding of 65% is held by Voltas Netherlands B.V., a wholly owned subsidiary of Voltas Limited and the balance 35% is held by Mustafa Sultan Enterprises L.L.C.

3. The Company would leverage the respective strengths of the joint venture partners by undertaking Engineering, Procurement and Construction (EPC) works for Mechanical, Electrical and Plumbing (MEP) Projects in Built Environment and allied structures in Sultanate of Oman. Tendering for MEP projects has commenced with active participation and support from the marketing team of Voltas Limited and succeeded in securing its first order during the period under review.

4. For the period between 15th February, 2011 and 31st December, 2011, the Company has reported loss of RO 0.208 million, mainly towards staff and administrative costs.

5. M/s. PKF L.L.C., Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

On behalf of the Board of Directors

Shaukat Ali Mir
Chairman

Muscat, 3rd April, 2012

AUDITOR'S REPORT

TO THE MEMBERS OF
VOLTAS OMAN L.L.C.

Report on the Financial Statements

We have audited the accompanying financial statements of **VOLTAS OMAN L.L.C.**, which comprise the statement of financial position as at 31st December, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information set out on pages 2 to 14.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 present fairly, in all material respects, the financial position of VOLTAS OMAN L.L.C. as of 31st December 2011, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

We draw attention to Note No. 2 to these financial statements regarding the going concern concept.

PKF L.L.C.
Chartered Accountants

Muscat, Sultanate of Oman
30th January, 2012

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2011

	Notes	RO	₹ in '000s
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**29643**	**4097**
CURRENT ASSETS			
Other receivables	5	**1405**	**194**
Cash equivalent	6	**312634**	**43206**
Bank margin account		**3000**	**415**
		317039	**43815**
TOTAL ASSETS		**346682**	**47912**
EQUITY AND LIABILITIES			
MEMBERS' FUNDS			
Share Capital	7	**500000**	**69100**
Accumulated loss		**(208025)**	**(28749)**
Equity Funds		**291975**	**40351**
Amount due to a member	8	**11489**	**1588**
Members' Funds		**303464**	**41939**
NON-CURRENT LIABILITIES			
Staff end-of-service gratuity		**2878**	**398**
CURRENT LIABILITIES			
Trade and other payables	9	**31493**	**4352**
Amounts due to ultimate parent company		**8847**	**1223**
		40340	**5575**
TOTAL EQUITY AND LIABILITIES		**346682**	**47912**

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

Note: The Statement of Financial Position has been converted into Indian Rupees @ 1 Omani Rial (RO) = ₹ 138.20 being the exchange rate prevailing as on 31st December, 2011. The Company was incorporated on 15th February, 2011. This is the first period of commercial operations of the Company, hence, previous period figures are not available for comparison.

Directors **Shaukat Ali Mir**
Akber M. Sultan
Minoo M. Saher
B. G. Prabhuajgaonkar

Muscat, 30th January, 2012

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31ST DECEMBER, 2011

	Notes	15-2-2011 to 31-12-2011 RO	15-2-2011 to 31-12-2011 ₹ in '000s
Revenue		—	—
Cost of works billed		—	—
Gross Profit		—	—
Miscellaneous income		707	91
Staff costs		(122990)	(15765)
Depreciation		(9289)	(1191)
Other operating expense	10	(76379)	(9790)
Loss from Operating Activities		(207951)	(26655)
Finance cost	11	(74)	(9)
Net Loss for the Period Before Tax		(208025)	(26664)
Income tax expense		—	—
Net Loss for the Period After Tax		(208025)	(26664)
Other comprehensive income for the period		—	—
Total Comprehensive Loss for the period		(208025)	(26664)

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

Note: The Statement of Comprehensive Income has been converted into Indian Rupees @ 1 Omani Rial (RO) = ₹ 128.180 being the average of the exchange rates prevailing as on 15th February, 2011 (1 RO = ₹ 118.160) and as on 31st December, 2011 (1 RO = ₹ 138.200). The Company was incorporated on 15th February, 2011. This is the first period of commercial operations of the Company, hence, previous period figures are not available for comparison.

Directors **Shaukat Ali Mir**
Akber M. Sultan
Minoo M. Saher
Muscat, 30th January, 2012 **B. G. Prabhuajgaonkar**

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31ST DECEMBER, 2011

	Share Capital		Accumulated loss		Total	
	RO	₹ in '000s	RO	₹ in '000s	RO	₹ in '000s
Issue of Share Capital	500000	59080	—	—	500000	59080
Total comprehensive net loss for the period	—	—	(208025)	(26664)	(208025)	(26664)
As at 31st December, 2011	**500000**	**69100**	**(208025)**	**(28749)**	**291975**	**40351**

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

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST DECEMBER, 2011

	15-2-2011 to 31-12-2011 RO	15-2-2011 to 31-12-2011 ₹ in '000s
Cash flows from operating activities		
Net comprehensive loss for the period before tax	**(208025)**	**(26664)**
Adjustments for:		
Depreciation on property, plant and equipment	**9289**	**1191**
Finance cost	**74**	**9**
Operating loss before changes in operating assets and liabilities	**(198662)**	**(25464)**
Increase in other receivables	**(1405)**	**(194)**
Increase in trade and other payables	**31493**	**4352**
Increase in staff end-of-service gratuity	**2878**	**398**
Member's balance	**11489**	**1588**
Ultimate parent company's balance	**8847**	**1223**
Cash used in operating activities	**(145360)**	**(20089)**
Tax paid	**—**	**—**
Net cash used in operating activities (A)	**(145360)**	**(20089)**
Cash flows from investing activities		
Purchase of property, plant and equipment	**(38932)**	**(4990)**
Net cash used in investing activities (B)	**(38932)**	**(5380)**
Cash flows from financing activities		
Finance cost paid	**(74)**	**(9)**
Issue of share capital	**500000**	**59080**
Bank margin account	**(3000)**	**(415)**
Net cash from financing activities (C)	**496926**	**68675**
Net increase in cash equivalent (A+B+C)	**312634**	**43206**
Cash equivalent at beginning of period	**—**	**—**
Cash equivalent at end of period	**312634**	**43206**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER, 2011

1. LEGAL STATUS AND BUSINESS ACTIVITY

(a) VOLTAS OMAN L.L.C. is a limited liability company, registered under the Commercial Laws of the Sultanate of Oman.

(b) The Company undertakes electrical and mechanical contracting works.

(c) The financial statements are prepared in Rials Omani, which is the functional and presentation currency.

2. GOING CONCERN CONCEPT

As per the statement of financial position, the Company has incurred a accumulated comprehensive net loss of RO 208025 (₹ 26664645) as at 31st December, 2011. However, the financial statements have been prepared on a going concern basis as the members have agreed to support the operations of the Company and are confident that the Company would be able to generate sufficient net profits in future to make it an economically viable unit.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations, issued or adopted by the International Accounting Standards Board, and which are effective for the current accounting period, and the applicable requirements of the Oman Commercial Companies Law. The significant accounting policies adopted, 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. Depreciation is calculated on straight line basis to write off the cost of property, plant and equipment less their estimated residual value, where material, in equal annual instalments over their estimated useful lives. Depreciation has been calculated from the date of acquisition at the following rates:

Equipment	15.00%
Furniture and fixtures	33.33%
Computers and software	33.33%

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

(b) Impairment

The carrying amounts of the property, plant and equipment are reviewed at each year end to determine whether there is any indication of impairment. If any such indication exists, their recoverable amount is estimated. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of the property, plant and equipment exceeds its recoverable amount.

(c) Other receivables

Bad debts are written off or fully provided for as they arise and provision is made for all doubtful debts.

(d) Cash equivalent

Cash equivalent comprise bank current account and deposits free of encumbrance with a maturity date of three months or less from the date of deposit.

(e) Legal Reserve

Legal Reserve is created by appropriating 10% of the net profit for the year as required by Article 154 of the Commercial Companies Law of Oman 1974. There is no transfer to legal reserve during the period on account of the comprehensive net loss incurred by the Company. The Company may resolve to discontinue such annual transfers when the reserve totals 33.33% of the paid up share capital. The reserve is not available for distribution.

(f) Employees benefit costs

The Company contributes to the Social Security Scheme under Royal Decree 72/91 (Defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with Omani Social Insurance Law 1991) for Omani employees, administered by the Government of Sultanate of Oman.

Accruals for employees benefits comprising leave salary and end-of-service gratuity for non-Omani employees is in accordance with Company's rules and is based on the liability which would arise if the employment of all staff were terminated at the year end. The total expense recognised in the statement of comprehensive income for staff end-of-service gratuity amounts to RO 3365 (₹ 465043).

Accrual for staff passage is made on proportionate leave entitlement of employees in accordance with Company's rules.

(g) Trade and other payables

Liabilities are recognized for amounts to be paid for goods or services received, whether billed by the suppliers or not, to the extent of goods or services certified by the Company.

(h) Taxation

Provision for income tax for the current period has not been made in the financial statements on account of the net tax loss incurred during the year arrived at after making suitable adjustments as per the Law of Income Tax on companies in Oman to the net comprehensive loss incurred during the period as per Company's financial statements. As per the Law of Income Tax on companies in Oman, tax losses incurred shall be carried forward for five years after expiry of the tax year in which it was incurred and shall be deducted in computation of taxable income of those years. The net tax loss of RO 209660 (₹ 26874219) for the tax year 2011 is subject to finalization of income tax assessment by the Income Tax Authority in Oman and is available for set off against future taxable income in Oman. Deferred tax amount on unused tax losses and temporary differences are not recognized due to uncertainty regarding the availability of future taxable net profit against which the unused tax losses and temporary differences can be utilized.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER, 2011 (contd.)

(i) Financial instruments

- Financial instruments of the Company comprise other receivables, cash equivalent, trade and other payables, amounts due to related parties and members.
- Financial assets and financial liabilities are recognized 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, 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.
- Financial assets that have fixed or determinable payments and for which there is no active market, 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 recognized in the statement of comprehensive income.
- Financial liabilities, are measured at cost or, if the impact is material, at amortised cost using the effective interest method.

(j) Operating lease rentals

Operating lease rentals are recognised as an expense on a straight line basis over the lease term.

(k) Finance costs

Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other finance costs are recognized as an expense in the year in which they are incurred.

(l) Foreign currencies

Transactions in foreign currencies are translated into Rials Omani and recorded at the rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Rials Omani at the rates of exchange ruling at the year end. The resultant exchange gains and losses are recognised in the statement of comprehensive income.

(m) Significant judgements and key assumptions

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

Impairment

At each year end, 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, the assets are written down to their recoverable amount.

(ii) Key assumptions made concerning the future and other key sources of estimation uncertainty at the year end, 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. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected:

Carrying values of property, plant and equipment

The useful lives and residual values of fixed assets are estimated based on intended use of assets and their economic lives. 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.

Doubtful debts

Management regularly undertakes a review of the amounts of receivables owed to the Company either from customers or from related parties, and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates, extent of confirmations, and assessed credit worthiness 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 liability of Staff end-of-service gratuity assuming that all employees were to leave as at the year end. 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 effects.

(n) Adoption of new International Financial Reporting Standards

(i) The following International Financial Reporting Standards, amendments thereto and Interpretations that became effective for the current reporting period and which are applicable to the Company are as follows. Their adoption has resulted in presentation and disclosure changes only:

- IAS 24 : Related Party Disclosures (1st January, 2011)
- Improvements to IFRS
  - IFRS 7 : Financial Instruments : Disclosures (1st January, 2011)
  - IAS 1 : Presentation of Financial Instruments (1st January, 2011)

(ii) 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 the date the financial statements were authorised for issue but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods. It is anticipated that their adoption in the relevant accounting periods will have an impact only on presentation and disclosures within the financial statements:

- IFRS 9 : Financial Instruments (1st January, 2013)
- IFRS 11: Joint Arrangements (1st January, 2013)
- Improvements to IFRS

4. PROPERTY, PLANT AND EQUIPMENT

	Equipment		Furniture and fixtures		Computers and software		Total	
	RO	₹ in '000s	RO	₹ in '000s	RO	₹ in '000s	RO	₹ in '000s
Cost								
Additions	2018	259	22968	2944	13946	1788	38932	4991
As at 31st December, 2011	**2018**	**279**	**22968**	**3174**	**13946**	**1927**	**38932**	**5380**
Accumulated depreciation								
Depreciation for the period	231	30	6567	842	2491	319	9289	1191
As at 31st December, 2011	**231**	**32**	**6567**	**908**	**2491**	**344**	**9289**	**1284**
Net book value As at 31st December, 2011	**1787**	**247**	**16401**	**2267**	**11455**	**1583**	**29643**	**4097**

5. OTHER RECEIVABLES

	RO	As at 31-12-2011 ₹ in '000s
Advance to staff	**575**	**79**
Prepayments	**830**	**115**
	1405	**194**

6. CASH EQUIVALENT

	RO	As at 31-12-2011 ₹ in '000s
Bank Balance on current account	**312634**	**43206**

7. SHARE CAPITAL

The share capital comprises 500000 shares of face value RO 1/- each, fully paid.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER, 2011 (contd.)

8. AMOUNT DUE TO A MEMBER

	RO	As at 31-12-2011 ₹ in '000s
Mustafa Sultan Enterprises L.L.C.	11489	1588

9. TRADE AND OTHER PAYABLES

	RO	As at 31-12-2011 ₹ in '000s
Trade payables *	7831	1082
Accruals	23662	3270
	31493	4352

* Trade payables include RO 1600 (₹ 221120) due to a related party on account of trade dealings.

10. OTHER OPERATING EXPENSES

	15-2-2011 to 31-12-2011 RO	15-2-2011 to 31-12-2011 ₹ in '000s
Rent	23250	2980
Repairs and maintenance	165	21
Insurance	77	10
Electricity and water	1041	133
Telephones, fax and postage	4495	576
Travelling and conveyance	5336	684
Tender charges	12755	1635
Vehicle expenses	1713	220
Advertisement and business promotion expenses	3989	511
Miscellaneous expenses	23558	3020
	76379	9790

11. FINANCE COST

	15-2-2011 to 31-12-2011 RO	15-2-2011 to 31-12-2011 ₹ in '000s
Bank charges	74	9

12. RELATED PARTIES

The Company enters into transactions with parties that fall within the definition of a related party as contained in International Accounting Standard 24: Related Party Disclosures. The Management considers such transactions to be in the normal course of business. Related parties comprise companies under common ownership and/or common management control and members. The balances with related parties at the period end have been separately disclosed in the financial statements.

The nature of significant related party transactions and the amounts involved are as follows:

	Ultimate parent company RO	Member company RO	Other related parties RO	15-2-2011 to 31-12-2011 Total RO	15-2-2011 to 31-12-2011 Total ₹ in '000s
Purchase of property, plant and equipment	—	—	34529	34529	4426
Expense debit	12480	2000	—	14480	1856

The Company provides funds to and receives funds from related parties as and when required as working capital facilities.

13. FINANCIAL INSTRUMENTS

Management of risk

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, exchange rate, liquidity and interest rate risks.

Credit risk is managed by assessing the credit worthiness 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 reputed financial institutions.

The Company buys goods and services in foreign currencies. Exposure is minimised where possible by denominating such transactions in US dollars to which the Rials Omani 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 it borrowings.

Exposures to the aforementioned risks are detailed below:

(a) Credit, Interest Rate and Exchange Rate Risk Exposures

Credit risk

Financial assets which potentially expose the Company to credit risks and concentrations of credit risk comprise principally, bank current and margin accounts and other receivables. The maximum credit risk exposure of financial assets recognised in the statement of financial position approximate to the carrying amount of the assets.

The Company's bank current and margin accounts are placed with reputed financial institution. As at 31st December, 2011, amount of RO 315534 (₹ 43606799) constituting 99.56% of the current assets and 91.04% of the total assets was due from one reputed bank situated in the Sultanate of Oman which has confirmed its balances payable to the Company. There are no significant concentrations of credit risk with any single debtor or group of companies or to debtors from a particular industry or to debtors outside the country in which the Company operates.

Interest rate risk

There are no significant interest rate risks as most of the financial assets and financial liabilities are non-interest bearing.

Exchange rate risk

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

(b) Fair values

The fair values of the Company's financial assets and financial liabilities approximate to their carrying values, net of provisions.

14. CONTINGENT LIABILITY

	RO	₹ in '000s
Banker's letters of guarantee	**3000**	**415**

15. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to ensure that the Company continues as a going concern, maintains an optimal capital structure to reduce the cost of capital and to provide the shareholders with a rate of return on their investment commensurate with the level of risk assumed. Capital comprises equity funds as presented in the statement of financial position. Debt comprises total amounts owing to third parties, net of cash equivalent.

16. COMPARATIVE FIGURES

Comparative figures are not available as this is the first period of commercial operations of the Company starting from 15th February, 2011.

Directors **Shaukat Ali Mir**
Akber M. Sultan
Minoo M. Saher
B. G. Prabhuajgaonkar

Muscat, 30th January, 2012

SIMTO INVESTMENT COMPANY LIMITED

Directors :

Sanjay Johri
P. D. Karkaria
Anil George

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Twenty-Eighth Annual Report and the Accounts for the year ended 31st March, 2012.

2. The Company has earned higher income of ₹ 177.36 lakhs and net profit of ₹ 157.13 lakhs for the year ended 31st March, 2012 as compared to income of ₹ 126.71 lakhs and net profit of ₹ 76.19 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, 2012 and of the profit of the Company for the year ended 31st March, 2012;

   (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. P. D. Karkaria retires by rotation and, being eligible, offers himself for reappointment.

6. As required by Section 383A(1) of the Companies Act, 1956 read with the Companies (Compliance Certificate) Rules, 2001, a 'Compliance Certificate' issued by a Practicing Company Secretary and forming part of the Directors' Report, is annexed hereto.

7. M/s. S. A. Buhariwalla & Co., Chartered Accountants, the retiring Auditors of the Company, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

Sanjay Johri
Anil George
Directors

Mumbai, 17th May, 2012

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, 2012. 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 10th May, 2011, 15th July, 2011, 1st November, 2011 and 25th January, 2012 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 27th April, 2011.
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, 2011 was held on 22nd July, 2011 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 certificate 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. Mr. Anil George was appointed as a Director of the Company with effect from 11th May, 2011 in the casual vacancy caused by resignation of Mr. M. M. Miyajiwala.

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, 2012.

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.

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 ON 31ST MARCH, 2012.

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.32	303	Changes in Directorate	7-6-2011	Yes	--
2.	Form 20B with Annual Return	159	For the year ended 31-3-2011	5-8-2011	Yes	--
3.	Form No.23AC with Balance Sheet and Form No.23ACA with Profit & Loss Account	220	-do-	2-9-2011	Yes	--
4.	Form No. 66 with Compliance Certificate	383A	-do-	5-8-2011	Yes	--
5.	Form No.32	303	Appointment of Director at AGM	5-8-2011	Yes	--

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

Mumbai, 3rd May, 2012

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, 2012 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, 2012 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, 2012;
      (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
(Registration No. 101615W)

N. S. Buhariwalla
Membership No. 43963

Mumbai, 17th May 2012

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 the 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 a Resolution for non-acceptance of public deposits. 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, 2012 for a period exceeding six months from the date it became payable.
12. The Company has no accumulated loss as at 31st March, 2012. 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
(Registration No. 101615W)

N. S. Buhariwalla
Membership No. 43963

Mumbai, 17th May 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

			Note	₹ in '000s	As at 31-3-2011 ₹ in '000s
I.	**EQUITY AND LIABILITIES**				
	(1)	**Shareholders' Funds**			
	(a)	Share Capital	1	**15299**	15299
	(b)	Reserves and Surplus	2	**145969**	130256
				161268	145555
	(2)	**Current Liabilities**			
	(a)	Other Current Liabilities	3	**2063**	2142
	(b)	Short-term Provisions	4	**31**	15
				2094	2157
	TOTAL EQUITY AND LIABILITIES			**163362**	147712
II.	**ASSETS**				
	(1)	**Non-current Assets**			
	(a)	Non-Current Investments	5	**147751**	76754
	(b)	Deferred tax Assets (Net)	14(4)	**—**	—
				147751	76754
	(2)	**Current Assets**			
	(a)	Current Investments	6	**10075**	68652
	(b)	Cash and Cash Equivalents	7	**2059**	2306
	(c)	Other Current Assets	8	**3477**	—
				15611	70958
	TOTAL ASSETS			**163362**	147712

The accompanying Notes form an integral part of the Financial Statements.

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

N. S. Buhariwalla
Partner
Membership No. 43963

Mumbai, 17th May, 2012

For and on behalf of the Board

Directors **S. Johri**
P. D. Karkaria
Anil George

Mumbai, 17th May, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

		Note	₹ in '000s	2010-11 ₹ in '000s
1.	**INCOME**			
	Revenue from operations	9	**17712**	12655
	Other Income	10	**24**	16
	Total Income		**17736**	12671
2.	**EXPENSES**			
	(a) Employee benefit expense	11	**320**	258
	(b) Other expenses	12	**777**	4194
	Total Expenses		**1097**	4452
3.	**PROFIT BEFORE TAX**		**16639**	8219
	Tax Expense:			
	(a) Current Tax		**890**	600
	(b) Provision for taxation of earlier years provided / (written back)		**—**	(7)
	(c) Securities Transaction Tax		**36**	7
4.	**TOTAL TAX EXPENSE**		**926**	600
5.	**PROFIT AFTER TAX**		**15713**	7619
	Earnings per equity share:			
	Earnings per Share - Basic and Diluted (₹)		**10.27**	4.98

The accompanying Notes form an integral part of the Financial Statements.

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

N. S. Buhariwalla
Partner
Membership No. 43963

Mumbai, 17th May, 2012

For and on behalf of the Board

Directors **S. Johri**
P. D. Karkaria
Anil George

Mumbai, 17th May, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

		2010-11
	₹ in '000s	₹ in '000s
Cash flow from operating activities		
Interest,commission and miscellaneous receipts	**5733**	16
Operating expenses	**(538)**	(322)
Operating profit before changes in operating assets	**5195**	(306)
Increase/(decrease) in operating liabilities:		
Sundry creditors and outstanding liabilities	**—**	10
Net cash from operating activities before income tax	**5195**	(296)
Income tax paid (MAT)	**—**	(57)
Net cash from operating activities	**5195**	(353)
Cash flow from investing activities		
Dividend - Non-current investments	**6730**	6071
Dividend - Current investments	**1963**	3329
Proceeds from sale of Non-current investments	**18162**	10865
Proceeds from sale of Current investments	**164516**	252199
	191371	272464
Purchase of Non-current investments	**(76408)**	—
Purchase of Current investments	**(115939)**	(273907)
	(976)	(1443)
Securities Transaction Tax	**(36)**	(7)
(Increase)/decrease in current assets	**(3477)**	—
Income tax paid (MAT)	**(874)**	(477)
Net cash from investing activities	**(5363)**	(1927)
Cash flow from financing activities		
Dividend including Dividend Distribution Tax	**(79)**	—
Net cash from financing activities	**(79)**	—
Net increase/(decrease) in cash and cash equivalents	**(247)**	(2280)
Cash and cash equivalents at beginning of period	**2306**	4586
(Decrease) in cash and cash equivalents	**(247)**	(2280)
Cash and cash equivalents at end of period	**2059**	2306

Note: Cash and cash equivalents include unclaimed dividend bank balance of ₹ 1993927 (Previous year: ₹ 2072927)

The accompanying Notes form an integral part of the Financial Statements.

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

N. S. Buhariwalla
Partner
Membership No. 43963

Mumbai, 17th May, 2012

For and on behalf of the Board

Directors **S. Johri**
P. D. Karkaria
Anil George

Mumbai, 17th May, 2012

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

		As at 31-3-2011
	₹ in '000s	₹ in '000s
1. Share Capital		
(a) Authorised		
25,00,000 (Previous year: 25,00,000) Equity Shares of ₹ 10/- each	**25000**	25000
8,55,000 (Previous year: 8,55,000) Preference Shares of ₹ 100/- each	**85500**	85500
	110500	110500
(b) Issued, Subscribed and Paid up		
15,29,850 (Previous year: 15,29,850) Equity Shares of Rs. 10/- each	**15299**	15299

(c) A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

Particulars	**As at 31st March, 2012 Equity Shares**		As at 31st March, 2011 Equity Shares	
	Numbers	**₹ in '000s**	Numbers	₹ in '000s
Shares outstanding at the beginning of the year	**15,29,850**	**15299**	15,29,850	15299
Shares Issued during the year	**—**	**—**	—	—
Shares bought back during the year	**—**	**—**	—	—
Shares outstanding at the end of the year	**15,29,850**	**15299**	15,29,850	15299

(d) Equity shares held by Voltas Limited, the holding company

Particulars	**As at 31st March, 2012 Equity Shares**		As at 31st March, 2011 Equity Shares	
	Numbers	**₹ in '000s**	Numbers	₹ in '000s
Equity shares held by Voltas Limited	**14,62,087**	**14620**	14,62,087	14620

(e) Shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held

Name of Shareholder	**Class of Shares**	**As at 31st March, 2012**		As at 31st March, 2011	
		Number of Shares held	**% of holding**	Number of Shares held	% of holding
Voltas Limited	Equity	**14,62,087**	**95.57**	14,62,087	95.57

(f) The Company has neither issued any securities/bonus shares nor bought back shares of the Company during the year ended 31st March, 2012 and preceding four financial years.

(g) As per records of the Company, no calls remained unpaid by the Directors of the Company as on 31st March, 2012 (Previous year: Nil).

(h) The Company has not forfeited shares during the year ended 31st March, 2012 (Previous year: Nil).

2. Reserves and Surplus

		As at 31-3-2011
	₹ in '000s	₹ in '000s
1. Capital Redemption Reserve		
As per last Balance Sheet	**28145**	28145
Add: Transferred during the year	**—**	—
Less: Written back in current year	**—**	—
Closing Balance	**28145**	28145
2. General Reserve		
As per last Balance Sheet	**18574**	18574
Add: Transferred during the year	**—**	—
Less: Written back in current year	**—**	—
Closing Balance	**18574**	18574
3. Special Reserve		
As per last Balance Sheet	**61308**	59784
Add: Transferred during the year	**3143**	1524
Less: Written back in current year	**—**	—
Closing Balance	**64451**	61308
4. Surplus/(deficit) in the Statement of Profit and Loss		
As per last Balance Sheet	**22229**	16134
Add: Transferred during the year	**—**	—
Add: Net Profit for the current year	**15713**	7619
Less: Written back in current year	**—**	—
Less: Transfer to Special Reserve	**3143**	1524
Closing Balance	**34799**	22229
Total Reserves and Surplus	**145969**	130256

3. Other Current Liabilities

		As at 31-3-2011
	₹ in '000s	₹ in '000s
Unpaid dividends 2006-07	**1994**	2073
Other Payables		
(a) Audit Fees	**22**	22
(b) Amount payable to minority shareholders of Sarvechha	**44**	44
(c) TDS on Professional Fees	**3**	3
Total Other Current Liabilities	**2063**	2142

4. Short Term Provisions

		As at 31-3-2011
	₹ in '000s	₹ in '000s
Provision for taxation (Net)	**31**	15

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

5. Non-Current Investments

		Face Value ₹	**Numbers**	As at 31-3-2011 Numbers	**₹ in '000s**	As at 31-3-2011 ₹ in '000s
A.	**Investment in Fully Paid Equity Shares**					
(a)	**Trade Investments**					
	Quoted					
	Tata Chemicals Limited	10	**618000**	618000	**40930**	40930
	Tata Motors Limited (Ordinary Shares) (Stock split 5 Ordinary Shares of ₹ 2 each)	2	**56475**	11295	**8520**	8520
	Tata Motors Limited ('A' Ordinary Shares) (Stock split 5 'A' Ordinary Shares of ₹ 2 each)	2	**8065**	1613	**492**	492
	Bank of Baroda	10	**8500**	8500	**1955**	1955
	ICICI Bank Limited	10	**10600**	10600	**9964**	9964
	Cairn India Limited	10	—	15250	—	2440
	Bharat Earth Movers Limited	10	—	1675	—	1801
	Power Grid Corporation Limited	10	—	5091	—	265
	Reliance Power Limited	10	—	872	—	245
	National Hydroelectric Power Corporation Limited	10	—	55000	—	1731
	Unquoted					
	OMC Computers Limited	10	**153562**	153562	**879**	879
	Westerwork Engineers Limited	100	**600**	600	**754**	754
	Industrial Estates Private Limited	1000	**1**	1	**1**	1
	Brihat Trading Private Limited	10	**3350**	3350	**34**	34
(b)	**Other Investments**					
	Quoted					
	Blue Star Limited	2	**375**	375	**2**	2
	Hitachi Home & Life Solutions (I) Limited	10	**100**	100	**2**	2
	Unquoted					
	Carrier Airconditioning & Refrigeration Company Limited	10	**400**	400	**2**	2
	Agro Foods Punjab Ltd.	100	**280000**	280000	**280**	280
					63815	70297
B.	**Investments in Mutual Funds**					
	Unquoted					
	Fidelity International Opportunities Fund	10	—	488998	—	5000
	Tata Indo Global Infrastructure Fund	10	—	500000	—	5000
	JM Agri & Infra Fund (Dividend Payout)	10	—	250000	—	2500
	Tata FMP Series 34 Scheme C Growth	10	**1000000**	—	**10000**	—
					10000	12500
C.	**Investments in Debentures or Bonds**					
	Unquoted					
	11.4% Tata Power Perpetual Bond 2021	1000000	**45**	—	**45793**	—
	11.5% Tata Steel Perpetual Bond 2021	1000000	**30**	—	**30750**	—
					76543	—
	Gross Non-current investments				**150358**	82797
	Less: Provision for diminution in value				**2607**	6043
	Total Non-current investments				**147751**	76754
	Aggregate amount of quoted investments : Cost				**61865**	68347
	Aggregate amount of quoted investments : Market Value				**246627**	252987
	Aggregate amount of unquoted investments : Cost				**88493**	14450
	Aggregate provision for diminution in value of investments				**2607**	6043

6. Current Investments

	Face Value ₹	**Numbers**	As at 31-3-2011 Numbers	**₹ in '000s**	As at 31-3-2011 ₹ in '000s
Investments in Mutual Funds					
Unquoted					
JM Money Manager Regular Plan DDR	10	**574139**	—	**5748**	—
Kotak Floater ST DDR	10	**427722**	—	**4327**	—
UTI Floating Rate Fund STP IP DDR	10	—	10330	—	10338
Tata Floater Fund DDR	10	—	1015048	—	10187
JM Money Manager Fund Regular Plan DDR	10	—	1025984	—	10272
ICICI Prudential Blended Plan B II DDR	10	—	1000703	—	10015
DWS Money Plus IP DDR	10	—	1011318	—	10193
Religare Ultra Short Term Fund IP DDR	1000	—	10030	—	10047
IDFC FMP Monthly Series 30 Dividend Payout	10	—	760000	—	7600
Gross current investments				**10075**	68652
Less: Provision for diminution in value				—	—
Total current investments				**10075**	68652
Aggregate amount of unquoted investments : Cost				10075	68652
Aggregate provision for diminution in value of investments				—	—

7. Cash and cash equivalents

		₹ in '000s	As at 31-3-2011 ₹ in '000s
(a)	Cash in hand	—	—
(b)	Balances with banks [Includes Unpaid Dividend Account: ₹ 19.94 Lakhs (31-3-2011: ₹ 20.73 Lakhs)]	**2059**	2306
		2059	2306

8. Other Current Assets

	₹ in '000s	As at 31-3-2011 ₹ in '000s
Interest accrued on investments	**3477**	—

9. Revenue from Operations

		₹ in '000s	2010-11 ₹ in '000s
Operating income			
(a)	Dividend Income		
	- From non-current investments	**6730**	6071
	- From current investments	**1963**	3329
(b)	Interest Income		
	- Interest on Bonds	**5709**	—
(c)	Net Gain/(Loss) on sale of investments		
	- On sale of non-current investments (Net)	**3310**	3255
		17712	12655

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

10. Other Income

		2010-11
	₹ in '000s	₹ in '000s
Other non-operating income	**24**	16

11. Employee Benefit Expenses

		2010-11
	₹ in '000s	₹ in '000s
Salary	**320**	258

12. Other Expenses

		2010-11
	₹ in '000s	₹ in '000s
(a) Auditors' Remuneration (Refer Note 13)	**31**	31
(b) Legal & Professional charges	**28**	7
(c) Amortisation Premium Written off	**135**	—
(d) Diminution in Investment	**559**	4130
(e) Other expenses		
(i) Stationery, Postage, Fax & Telephone	**8**	11
(ii) Other general expenses	**16**	15
	24	26
	777	4194

13. Payments to Auditors

		2010-11
	₹ in '000s	₹ in '000s
1. Audit fees	**25**	25
2. Other services	**6**	6
	31	31

14. Additional Information

1. Corporate Information

   The Company is a Non-Banking Finance Company (NBFC) registered with Reserve Bank of India (RBI). The Principal Activity of the Company is Investment.

2. 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.

   (ii) Investments are valued at cost less permanent diminution in value of such investments. The excess of cost over the face value of the investments in Bonds is amortized equally over the residual period till the date of redemption. Investments held are of long term nature.

3. 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.

4. As there is no reasonable certainity that sufficient taxable income will be available against which Deferred Tax Assets can be realised, the same have not been recognised as at 31st March, 2012.

5. Contingent Liabilities

			As at 31-3-2011
		₹ in '000s	₹ in '000s
(a)	Claims against the Company not acknowledged as debts	**Nil**	Nil
(b)	Guarantees	**Nil**	Nil
(c)	Other money for which the Company is contigently liable	**Nil**	Nil

15. PARTICULARS IN TERMS OF PARAGRAPH 13 OF NON-BANKING FINANCIAL (NON DEPOSIT ACCEPTING OR HOLDING) COMPANIES PRUDENTIAL NORMS (RESERVE BANK) DIRECTIONS, 2007

₹ in '000s

Particulars	**Amount outstanding**	**Amount overdue**	31st March, 2011 Amount outstanding	31st March, 2011 Amount overdue
Liabilities side :				
(1) Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid :				
(a) Debentures: Secured	**NIL**	**NIL**	NIL	NIL
: Unsecured	**NIL**	**NIL**	NIL	NIL
(other than falling within the meaning of public deposits)				
(b) Deferred Credits	**NIL**	**NIL**	NIL	NIL
(c) Term Loans	**NIL**	**NIL**	NIL	NIL
(d) Inter-corporate loans and borrowing	**NIL**	**NIL**	NIL	NIL
(e) Commercial Paper	**NIL**	**NIL**	NIL	NIL
(f) Other Loans (specify nature)	**NIL**	**NIL**	NIL	NIL

Assets side :	**Amount outstanding**	31st March, 2011 Amount outstanding
(2) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :		
(a) Secured	**NIL**	NIL
(b) Unsecured	**NIL**	NIL

	Amount outstanding	31st March, 2011 Amount outstanding
(3) Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities :		
(i) Lease assets including lease rentals under sundry debtors :		
(a) Financial lease	**NIL**	NIL
(b) Operating lease	**NIL**	NIL
(ii) Stock on hire including hire charges under sundry debtors :		
(a) Assets on hire	**NIL**	NIL
(b) Repossessed Assets	**NIL**	NIL
(iii) Other loans counting towards AFC activities		
(a) Loans where assets have been repossessed	**NIL**	NIL
(b) Loans other than (a) above	**NIL**	NIL

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

(4) Break-up of Investments :

		₹ in '000s	31st March, 2011
Current Investments :		**Amount Outstanding**	Amount Outstanding
1. Quoted :			
(i) Shares	(a) Equity	**NIL**	NIL
	(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
2. Unquoted :			
(i) Shares	(a) Equity	**NIL**	NIL
	(b) Preference	**NIL**	NIL
(ii) Debentures and Bonds		**NIL**	NIL
(iii) Units of Mutual Funds		**10075**	68652
(iv) Government Securities		**NIL**	NIL
(v) Others (Please specify)		**NIL**	NIL
Long Term Investments :			
1. Quoted :			
(i) Shares	(a) Equity	**61306**	67225
	(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
2. Unquoted :			
(i) Shares	(a) Equity	**37**	37
	(b) Preference	**NIL**	NIL
(ii) Debentures and Bonds		**76408**	NIL
(iii) Units of Mutual Funds		**10000**	9492
(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 :

₹ in '000s

	Amount net of provisions			31st March, 2011 Amount net of provisions		
Category	**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 ₹ in '000s**	**Book Value (Net of Provisions) ₹ in '000s**	31st March, 2011 Market Value/ Break-up or Fair Value or NAV ₹ in '000s	31st March, 2011 Book Value (Net of Provisions) ₹ 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	**246627**	**157826**	252987	145406
Total	**246627**	**157826**	252987	145406

* As per Accounting Standard of ICAI

(7) Other information :

		31st March, 2011
(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 satisfication of debt	**Not Applicable**	Not Applicable

16. The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of the financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

Directors **S. Johri**
P. D. Karkaria
Anil George

Mumbai, 17th May, 2012

VOLTAS NETHERLANDS B.V.

Directors :

P. N. Dhume *(Chairman)*
A. K. Joshi
Shaukat Ali Mir
B. G. Prabhuajgaonkar
Representative of
Tradman Netherlands B.V.

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Thirteenth Annual Report and the Accounts for the year ended 31st March, 2012.

2. The Company earned higher profit of Euro 2.184 million for the year ended 31st March, 2012 as compared to Euro 1.149 million in the previous year. The Directors recommend dividend of 50% aggregating Euro 0.310 million for the year ended 31st March, 2012, same as last year.

3. During the year under review, the Company made an investment of Euro 101,056 representing 49% of the share capital of a new limited liability company – Voltas Qatar W.L.L., a joint venture company between Voltas Limited (holding company) and Sovereign International Company W.L.L. Voltas Qatar W.L.L. has been incorporated on 2nd April, 2012 in the State of Qatar with capital of Qatari Riyal 1 million.

4. M/s. PKF Wallast, Accountants & Business Advisors, the retiring Auditors, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

P. N. Dhume
Chairman

Abu Dhabi, 9th May, 2012

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
VOLTAS NETHERLANDS B.V.

Report on the financial statements

We have audited the accompanying financial statements for consolidation purposes of **Voltas Netherlands B.V.,** Delft, the Netherlands for the year ended 31st March, 2012, which have been prepared for incorporation in the consolidated financial statements of Voltas Limited.

Management's responsibility

Management of the Company is responsible for the preparation and fair presentation of the financial statements for consolidation purposes in accordance with the accounting principles of the parent company. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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 the financial statements for consolidation purposes based on our audit. We conducted our audit in accordance with Dutch Law. This law requires that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements for consolidation purposes are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements for consolidation purposes. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements for consolidation purposes, 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 for consolidation purposes 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 for consolidation purposes.

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 for consolidation purposes give a true and fair view of the financial position of Voltas Netherlands B.V., Delft, as at 31st March, 2012, and of its 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, 4th May, 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

	Euro	As at 31-3-2011 Euro	₹ in '000s	As at 31-3-2011 ₹ in '000s
SOURCES OF FUNDS				
Share Capital	**618729**	618729	**42228**	39091
Reserves and Surplus	**4559440**	2684937	**311182**	169634
Shareholders' Funds	**5178169**	3303666	**353410**	208725
APPLICATION OF FUNDS				
Participations (at cost)				
Voice Antilles N.V.	**414661**	414661	**28301**	26198
Saudi Ensas Company for Engineering Services W.L.L.	**160788**	160788	**10974**	10159
Lalbuksh Voltas Engineering Services & Trading L.L.C.	**1159588**	1159588	**79142**	73263
Voltas Oman L.L.C.	**636945**	636945	**43471**	40242
Voltas Qatar W.L.L.	**101056**	—	**6897**	—
	2473038	2371982	**168785**	149862
Less: Depreciation-Saudi Ensas Company for Engineering Services W.L.L.	**(160788)**	(160788)	**(10974)**	(10159)
	2312250	2211194	**157811**	139703
CURRENT ASSETS, LOANS AND ADVANCES				
Receivables from group companies	**1302516**	1241801	**88896**	78457
Other receivables	**5447**	—	**372**	—
Bank Balances	**1580874**	14468	**107895**	914
Less: Current Liabilities	**(22918)**	(163797)	**(1564)**	(10349)
Net Current Assets	**2865919**	1092472	**195599**	69022
	5178169	3303666	**353410**	208725

Note : The Balance Sheet has been converted into Indian Rupees @ 1 Euro = ₹ 68.25 being the exchange rate prevailing as on 31st March, 2012. Previous year figures have been converted @ 1 Euro = ₹ 63.18 being the exchange rate prevailing as on 31st March, 2011.

Directors **P. N. Dhume**

Abu Dhabi, 9th May, 2012 **Shaukat Ali Mir**

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012

	Euro	2010-11 Euro	₹ in '000s	2010-11 ₹ in '000s
OTHER INCOME				
Dividend from participations	**2224026**	1204708	**146152**	74481
EXPENSES				
Operating and Administrative Expenses	**(86234)**	(78134)	**(5667)**	(4831)
Financial results	**46075**	22760	**3028**	1407
	(40159)	(55374)	**(2639)**	(3424)
Profit before extraordinary items and taxation	**2183867**	1149334	**143513**	71057

Note : The Profit and Loss Account has been converted into Indian Rupees @ 1 Euro = ₹ 65.715 being the average of the exchange rates prevailing as on 31st March, 2011 (1 Euro = ₹ 63.18) and as on 31st March, 2012 (1 Euro = ₹ 68.25). Previous year figures have been converted into Indian Rupees @ 1 Euro = ₹ 61.825 being the average of the exchange rates prevailing as on 31st March, 2010 (1 Euro = ₹ 60.47) and as on 31st March, 2011 (1 Euro = ₹ 63.18).

Directors **P. N. Dhume**

Abu Dhabi, 9th May, 2012 **Shaukat Ali Mir**

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 through the profit and loss account.

Accounting period

The financial statements cover the period 1st April, 2011 up to and including 31st March, 2012.

Participations

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

		Acquisition costs	
	%	**Euro**	**₹ in '000s**
Voice Antilles N.V.	**100**	**414661**	**28301**
Saudi Ensas Company for Engineering Services W.L.L.	**39**	**160788**	**10974**
Lalbuksh Voltas Engineering Services & Trading L.L.C.	**40**	**1159588**	**79142**
Voltas Oman L.L.C.	**65**	**636945**	**43471**
Voltas Qatar W.L.L.	**49**	**101056**	**6897**
Total acquisition costs		**2473038**	**168785**
Less: Depreciation-Saudi Ensas Company for Engineering Services W.L.L. due to negative net asset value		**(160788)**	**(10974)**
		2312250	**157811**

The participations are carried at acquisition costs.

Share Capital

The entire paid up share capital of the Company, consist of 13,635 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, Book 2 of the Netherlands Civil Code.

Reserves and Surplus

	Euro	**₹ in '000s**
Balance as per 31st March, 2011	**2684937**	**169634**
Profit for the year ended 31st March, 2012	**2183867**	**143513**
Dividend bookyear 2010/2011	**(309364)**	**(19546)**
Balance as per 31st March, 2012	**4559440**	**311182**

Receivables from group companies

	Euro	**₹ in '000s**
Loan to Saudi Ensas Company for Engineering Services W.L.L.	**177896**	**12141**
Dividend to be received from Voice Antilles N.V.	**1124620**	**76755**
Dividend to be received from Saudi Ensas Company for Engineering Services W.L.L.	**43068**	**2939**
Less: Provision on Dividend receivable from Saudi Ensas Company for Engineering Services W.L.L.	**(43068)**	**(2939)**
Balance as per 31st March, 2012	**1302516**	**88896**

The loan to Saudi Ensas Company for Engineering Services W.L.L. will be converted into Equity Capital in future. Therefore, no interest is calculated.

Current Liabilities

	Euro	**₹ in '000s**
Audit, advisory and accounting costs	**15500**	**1058**
Creditors	**7418**	**506**
	22918	**1564**

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

Abu Dhabi, 9th May, 2012

VOICE ANTILLES N.V.

Directors:

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

DIRECTORS' REPORT

TO THE MEMBERS

The Directors present their Thirteenth Annual Report and the Accounts for the year ended 31st March, 2012.

2. The Company earned an income of USD 4.943 million and after meeting its operating and administrative expenses, reported net profit of USD 4.908 million for the year under review as compared to USD 1.728 million in the previous year. The Directors recommend dividend of 375% for the year ended 31st March, 2012 aggregating USD 1.500 million, same as last year.

3. The legal process for closure of the Company through Voluntary liquidation has been delayed and expected to be completed by end May 2012. In the interim, the assets and liabilities in the Balance Sheet are stated at their liquidation values and the investment held by the Company in Universal Voltas L.L.C. are revalued at net equity method and reflected as Current Asset (investment in associate held for sale) instead of Financial Fixed assets.

4. M/s. Deloitte Dutch Caribbean, the retiring Auditors, being eligible, offer themselves for reappointment, till the closure of the Company in 2012-13.

On behalf of the Board of Directors

P. N. Dhume

Abu Dhabi, 9th May, 2012 *Chairman*

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
VOICE ANTILLES N.V.

We have audited the accompanying financial statements of **Voice Antilles N.V.** (the "Company"), established in Curacao, which comprise the balance sheet as at 31st March, 2012, the income statement and the cash flow statement for the year then ended, and a summary of accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Book 2 of the Curacao Civil Code, using the Guidelines for annual reporting of the Dutch Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31st March, 2012, and of its results and its cash flows for the year then ended in accordance with Book 2 of the Curacao Civil Code, using Guidelines for the annual reporting of the Dutch Accounting Standards Board.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1.1 in the financial statements which indicates that management has decided to cease operations of the Company and liquidate the Company in subsequent year. These conditions, along with other matters as set forth in Note 1.1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Consequently the assets and liabilities are adjusted and stated at their liquidation values.

Deloitte Dutch Caribbean

Curacao, 15th May, 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

	Notes	**USD**	As at 31-3-2011 USD	**₹ in '000s**	As at 31-3-2011 ₹ in '000s
ASSETS					
CURRENT ASSETS					
Investment in Associate held for sale	4	**4864327**	2524466	**248664**	112818
Time Deposits	5	**186101**	183945	**9513**	8221
Interest Receivable		**206**	—	**11**	—
Dividend Receivable	6	**2600871**	—	**132957**	—
Cash at Bank	7	**266776**	1782376	**13638**	79654
Total Current Assets		**7918281**	4490787	**404783**	200693
Total Assets		**7918281**	4490787	**404783**	200693
SHAREHOLDERS' EQUITY	8				
Share Capital		**400000**	400000	**20448**	17876
Revaluation Reserve		—	2134466	—	95389
Retained Earnings		**5971450**	1928703	**305261**	86194
Total Shareholders' Equity		**6371450**	4463169	**325709**	199459
CURRENT LIABILITIES					
Dividend Payable		**1500000**	—	**76680**	—
Accounts Payable		**6550**	6584	**335**	294
Provision for profit taxes		**40281**	21034	**2059**	940
Total Current Liabilities		**1546831**	27618	**79074**	1234
Total Shareholders' Equity and Liabilities		**7918281**	4490787	**404783**	200693

Note: The Balance Sheet has been converted into Indian Rupees @ 1 USD = ₹ 51.12 being the exchange rate prevailing as on 31st March, 2012. Previous year figures have been converted @ 1 USD = ₹ 44.69 being the exchange rate prevailing as on 31st March, 2011.

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

Abu Dhabi, 9th May, 2012

INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

	Notes	**USD**	2010-11 USD	**₹ in '000s**	2010-11 ₹ in '000s
FINANCIAL INCOME / (EXPENSES)					
Result from associate	4	**4940732**	1760000	**236686**	79042
Other Income		**2362**	379	**113**	17
Total Income		**4943094**	1760379	**236799**	79059
GENERAL AND ADMINISTRATIVE EXPENSES					
Management fee		**1485**	1485	**71**	67
Audit fee		**5000**	5733	**240**	257
Time spent		**7282**	7076	**349**	318
Administration services		**835**	500	**40**	22
Tax services		**350**	350	**17**	16
Bank Charges		**475**	890	**23**	40
Exchange currency differences		—	373	—	17
Miscellaneous expenses		**139**	325	**7**	15
		15566	16732	**747**	752
Gross Profit		**4927528**	1743647	**236052**	78307
Previous year costs		—	(2400)	—	(108)
Profit tax	3	**(19247)**	(12874)	**(922)**	(578)
Net Profit		**4908281**	1728373	**235130**	77621

Note: The Income Statement has been converted into Indian Rupees @ 1 USD = ₹ 47.905 being the average of the exchange rates prevailing as on 31st March, 2011 (1 USD = ₹ 44.69) and as on 31st March, 2012 (1 USD = ₹ 51.12). Previous year figures have been converted into Indian Rupees @ 1 USD = ₹ 44.91 being the average of the exchange rates prevailing as on 31st March, 2010 (1 USD = ₹ 45.13) and as on 31st March, 2011 (1 USD = ₹ 44.69).

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

Abu Dhabi, 9th May, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

	USD	2010-11 USD	₹ in '000s	2010-11 ₹ in '000s
OPERATING ACTIVITIES				
Net Profit	**4908281**	1728373	**235130**	77621
Adjustment for:				
Revaluation Reserve	**—**	2134466	**—**	95389
Changes in current assets / liabilities				
Increase / (Decrease) in Dividend Payable	**1500000**	(1600000)	**76680**	(72208)
(Increase) / Decrease in Time Deposit	**(2156)**	499994	**(1293)**	22645
(Increase) / Decrease in Dividend Receivable	**(2600871)**	500340	**(132957)**	22580
(Decrease) / Increase in Accounts Payable	**(34)**	1025	**41**	43
(Increase) / Decrease in Interest Receivable	**(206)**	—	**(11)**	—
Increase in Profit Tax Payable	**19247**	12875	**1119**	572
Net Cash from Operating Activities	**3824261**	3277073	**178709**	146642
INVESTING ACTIVITIES				
(Increase) in Investment in associate	**(2339861)**	(2524466)	**(135846)**	(112818)
Decrease in investments	**—**	390000	**—**	17601
Net cash (used in) Investing Activities	**(2339861)**	(2134466)	**(135846)**	(95217)
FINANCING ACTIVITIES				
Dividend as of 31st March, 2011 – Paid	**(1500000)**	—	**(67035)**	—
Dividend as of 31st March, 2012 – Payable	**(1500000)**	—	**(76680)**	—
Net cash (used in) financing activities	**(3000000)**	—	**(143715)**	—
Net (Decrease) / Increase in Cash at Bank	**(1515600)**	1142607	**(66016)**	50781
Cash at Bank at beginning of year	**1782376**	639769	**79654**	28873
Cash at Bank at end of year	**266776**	1782376	**13638**	79654

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

1. General

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

These Financial Statements are approved by the Board of Directors on 9th May, 2012.

Voice Antilles N.V. ('the Company') is part of the Tata Group Company. It is 100% owned by Voltas Netherlands B.V., The Netherlands. The Company's object categories of business are: investment in overseas ventures, undertaking turnkey projects and trading activities.

1.1 Going Concern

The Board of Directors has decided to discontinue the operations of the Company in the year subsequent to 31st March, 2012. The Company's assets and liabilities are stated at their liquidation values.

2. Accounting principles

These Financial statements are prepared based on Book 2 of the Civil Code of Curacao using the guidelines for financial reporting of the Dutch Accounting Standards Board.

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. The nominal values approach their liquidation values.

2.1 Foreign Currency exchange

Transactions in currencies other than US Dollar are recorded at rates of exchange prevailing on the dates 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 profit and loss account.

3. Taxation

The Company is subject to the profit tax of Curacao at the rate of 2.4 – 3%, calculated through a tax ruling closed with the fiscal authorities.

4. Investment in Associate

During 2000, the Company acquired 49% of the outstanding share capital of Universal Voltas L.L.C., a company with its statutory seat in Abu Dhabi, for a price of USD 390,000 from Omega Limited. The participation is carried at equity value.

	% of holding	USD	As at 31-3-2011 USD	₹ in '000s	As at 31-3-2011 ₹ in '000s
Universal Voltas L.L.C.,U.A.E.	49	**4864327**	2524466	**248664**	112818

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

4. Investment in Associate (contd.)

Movement schedule as of 31st March, 2012 is as follows :	**USD**	**₹ in '000s**
Beginning Balance as on 1st April, 2011	2524466	112818
Result of participation	4940732	236686
Dividend declared	(2600871)	(132957)
Ending Balance as on 31st March, 2012	**4864327**	**248664**

5. Time Deposit

Time Deposit comprises one short-term bank deposit with maturity date of 20th April, 2012 with an interest rate of 0.38% p.a.

	USD	As at 31-3-2011 USD	**₹ in '000s**	As at 31-3-2011 ₹ in '000s
Time Deposit	**186101**	183945	**9513**	8221

6. Dividend Receivable

Dividend receivable is recognized when declared.

	USD	As at 31-3-2011 USD	**₹ in '000s**	As at 31-3-2011 ₹ in '000s
Opening balance	—	500340	—	22580
Received payment	—	(500340)	—	(22580)
Dividend declared	**2600871**	1760000	**132957**	78654
Dividend paid	—	(1760000)	—	(78654)
Closing balance	**2600871**	—	**132957**	—

7. Cash at bank

	USD	As at 31-3-2011 USD	**₹ in '000s**	As at 31-3-2011 ₹ in '000s
First Caribbean International Bank	**266776**	1782376	**13638**	79654

8. Shareholders' Equity

	Issued and paid up capital		Retained Earnings		Revaluation Reserve		Total	
	USD	**₹ in '000s**	**USD**	**₹ in '000s**	**USD**	**₹ in '000s**	**USD**	**₹ in '000s**
Originally presented balance as of 1st April, 2010	400000	18052	200330	9041	—	—	600330	27093
Revaluation of investment in associate	—	—	—	—	2134466	95389	2134466	95389
Result 2010/2011	—	—	1728373	77621	—	—	1728373	77621
Balance as of 31st March, 2011	400000	17876	1928703	86194	2134466	95389	4463169	199459
Balance as of 1st April, 2011	400000	17876	1928703	86194	2134466	95389	4463169	199459
Allocation of Revaluation reserve	—	—	2134466	109114	(2134466)	(109114)	—	—
Dividend declared as of 31st March, 2011	—	—	(1500000)	(67035)	—	—	(1500000)	(67035)
Dividend payable as of 31st March, 2012	—	—	(1500000)	(76680)	—	—	(1500000)	(76680)
Result 2011/2012	—	—	4908281	235130	—	—	4908281	235130
Balance as of 31st March, 2012	**400000**	**20448**	**5971450**	**305261**	—	—	**6371450**	**325709**

Share Capital

The total share capital of the Company consists of 1000000 shares of 1 USD each. Of this number, 400000 shares are paid-up and issued. The entire paid and issued capital is held by Voltas Netherlands B.V. (formerly VIL Overseas Enterprises B.V.).

9. Other Information

Statutory rules concerning appropriation of result

In the Company statutory regulations, the following has been presented concerning the appropriation of result:

9.1 Proposed appropriation of result for the financial year 2012

The Board of Directors proposes, with the approval of Supervisory Board, that the result for financial year 2012 amounting to USD 4908281 (₹ 235131201) should be allocated to the retained earnings.

9.2 Dividend

During the bookyear, the Board of Directors' prepared and approved a board resolution dated 9th May, 2012 and declared a dividend amounting to USD 1500000 (₹ 76680000).

9.3 Subsequent events

The Board of Directors has decided to discontinue the operations of the Company in subsequent year. Consequently, the assets and liabilities in these financial statements have been stated at their liquidation values.

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

Abu Dhabi, 9th May, 2012

AUTO AIRCON (INDIA) LIMITED

Directors :

M. M. Miyajiwala
V. P. Malhotra
Vinod Chandrashekar

DIRECTORS' REPORT

TO THE MEMBERS

The Directors submit their Seventeenth Annual Report and Accounts for the year ended 31st March, 2012.

2. The Company has reported loss of ₹ 1.76 lakhs for the year ended 31st March, 2012 primarily on account of certain administrative and fixed overheads. 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, 2012 and of the loss of the Company for the year ended 31st March, 2012.

   (c) proper and sufficient care has 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. M. M. Miyajiwala retires by rotation and being eligible, offers himself for reappointment.

5. M/s. Damji Merchant & Co., Chartered Accountants, the retiring Auditors, being eligible offer themselves for reappointment.

On behalf of the Board of Directors

M. M. Miyajiwala
V. P. Malhotra
Directors

Mumbai, 18th May, 2012

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, 2012 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. 2(a). The financial statements have been prepared on the assumption that the Company is not a going concern. All assets and liabilities are at net realizable 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 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 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, 2012 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, 2012;
      (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
(Registration No. 102082W)

Ambrish Mehta
Partner
Membership No. 016086

Mumbai, 18th May, 2012

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 has 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 explanations 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 explanations 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 Sections 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, 2012 for a period of 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 & Excise Duty are as under:

Name of the Statute	Nature of the dues	Amount (₹ 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 explanations 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
(Registration No. 102082W)

Ambrish Mehta
Partner
Membership No. 016086

Mumbai, 18th May, 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

		Note	₹ in '000s	As at 31-3-2011 ₹ in '000s
I.	**EQUITY AND LIABILITIES**			
(1)	**Shareholders' Funds**			
	(a) Share Capital	3	**113000**	113000
	(b) Reserves and Surplus	4	**(121020)**	(120844)
			(8020)	(7844)
(2)	**Current Liabilities**			
	(a) Trade Payables	5	**8614**	8281
	(b) Other Current Liabilities	6	**3122**	3122
			11736	11403
	TOTAL EQUITY AND LIABILITIES		**3716**	3559
II.	**ASSETS**			
(1)	**Non-Current Assets**			
	Fixed Assets			
	– Tangible Assets	7	**3**	3
			3	3
(2)	**Current Assets**			
	(a) Cash and Cash Equivalents	8	**169**	12
	(b) Short-term Loans and Advances	9	**3544**	3544
			3713	3556
	TOTAL ASSETS		**3716**	3559

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

		Note	₹ in '000s	2010- 11 ₹ in '000s
	CONTINUING OPERATIONS			
I.	**REVENUE FROM OPERATIONS**		**—**	—
II.	**OTHER INCOME**	10	**1**	—
III.	**TOTAL REVENUE (I + II)**		**1**	—
IV.	**EXPENSES**			
	Other Expenses	11	**177**	456
	TOTAL EXPENSES (IV)		**177**	456
V.	**PROFIT/(LOSS) BEFORE TAX (III - IV)**		**(176)**	(456)
VI.	**TAX EXPENSE**			
	Current Tax		**—**	—
VII.	**PROFIT/(LOSS) AFTER TAX (V - VI)**		**(176)**	(456)
VIII.	**EARNINGS PER EQUITY SHARE**			
	Basic and Diluted (₹)	14.1	**(0.02)**	(0.04)

The accompanying notes form an integral part of the Financial Statements.
In terms of our report attached.
For **DAMJI MERCHANT & CO.**
Chartered Accountants

Ambrish Mehta
Partner

Mumbai, 18th May, 2012

For and on behalf of the Board

Directors **M. M. Miyajiwala**
V. P. Malhotra
Vinod Chandrashekar

Mumbai, 18th May, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

			2010-11
A.	**CASH FLOW FROM OPERATING ACTIVITIES**	**₹ in '000s**	₹ in '000s
	Net Profit before Taxation	**(176)**	(456)
	Add - Adjustments for :		
	Depreciation/Amortisation	**—**	—
	Operating Profit before Working Capital changes	**(176)**	(456)
	Less - Adjustments for:		
	(Increase)/Decrease in loans and advances	**—**	(353)
	Increase/(Decrease) in trade payables	**(333)**	(89)
	Cash generated from operations	**(333)**	(442)
	NET CASH FROM OPERATING ACTIVITIES	**157**	(14)
B.	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS**	**157**	(14)
	CASH AND CASH EQUIVALENTS AS AT 1-4-2011	**12**	26
	CASH AND CASH EQUIVALENTS AS AT 31-3-2012	**169**	12
	Cash and Cash Equivalents consist of:		
	Cash and Bank balances	**169**	12

In terms of our report attached.
For **DAMJI MERCHANT & CO.**
Chartered Accountants

Ambrish Mehta
Partner

Mumbai, 18th May, 2012

For and on behalf of the Board

Directors **M. M. Miyajiwala**
V. P. Malhotra
Vinod Chandrashekar

Mumbai, 18th May, 2012

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2012

1. Corporate Information

The principal activities of the Company are designing, manufacturing, assembling and marketing of Heating Ventilation and Air Conditioning Systems carried on from Pune.

2. Statement on Significant Accounting Policies

(a) Accounting Conventions

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention on the assumption that the Company is not a going concern. All assets and liabilities are at net realizable value.

(b) Use of Estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between actual results and the estimates are recognized in the periods in which the results are known/materialize.

(c) 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.

(d) 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 additions/sales are made (Except those items costing ₹ 5000 and less which are depreciated at the rate of 100% in the year of purchase/addition).

(e) Excise Duty

Excise Duty is provided for on all finished/trading goods in stock at the year-end.

(f) Provision for Income Tax

Income Tax is provided as per the tax payable under the Income Tax Act, 1961. 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.

3. Share Capital

		As at 31-3-2011
	₹ in '000s	₹ in '000s
Authorised:		
- 1,20,00,000 (Previous year: 1,20,00,000) Equity Shares of ₹ 10/- each	**120000**	120000
Issued, Subscribed and Paid up:		
- 1,13,00,000 (Previous year: 1,13,00,000) Equity Shares of ₹ 10/- each	**113000**	113000

3. (a) A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

	Equity Shares	
	Numbers	₹ in '000s
Shares outstanding at the beginning of the year	**1,13,00,000**	113000
Shares Issued during the year	**—**	—
Shares bought back during the year	**—**	—
Shares outstanding at the end of the year	**1,13,00,000**	113000

(b) Shares in the Company held by each shareholder holding more than 5 percent shares specifying the number of shares held

Name of Shareholder	Class of Shares			As at 31st March, 2011	
		Number of Shares held	**% of holding**	Number of Shares held	% of holding
Voltas Ltd	Equity Shares with Voting Rights	**1,13,00,000**	**100.00**	1,13,00,000	100.00

4. Reserves and Surplus

		As at 31-3-2011
	₹ in '000s	₹ in '000s
Surplus/(deficit) in the statement of profit and loss		
(a) As per last Balance Sheet	**(120844)**	(120388)
(b) Additions		
(+) Net Profit/(Loss) for the current year	**(176)**	(456)
(c) Closing Balance	**(121020)**	(120844)
Total Reserves and Surplus	**(121020)**	(120844)

5. Current Liabilities

		As at 31-3-2011
Trade Payables	**₹ in '000s**	₹ in '000s
Due on account of goods purchased and services rendered - other than Acceptances	**8614**	8281

6. Other Current Liabilities

		As at 31-3-2011
	₹ in '000s	₹ in '000s
Other Liabilities	**3122**	3122

NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2012 (contd.)

₹ in '000s

7. Tangible Assets

	Freehold Buildings	Plant and Machinery	Office and EDP Equipments	Furniture and fixtures	Total Tangible Assets
Gross Block at Cost:					
Cost at beginning of period	927	1618	130	324	2999
Cost at end of period	**927**	**1618**	**130**	**324**	**2999**
Impairment:					
Impairment at beginning of period	—	—	—	—	—
Impairment at end of period	—	—	—	—	—
Depreciation and Amortisation:					
Depreciation at beginning of period	926	1617	130	323	2996
Depreciation at end of period	**926**	**1617**	**130**	**323**	**2996**
Net book value at beginning of period	1	1	—	1	3
Net book value at end of period	**1**	**1**	—	**1**	**3**

8. Cash and cash equivalents

	₹ in '000s	As at 31-3- 2011 ₹ in '000s
(a) Cash in hand	**1**	1
(b) Balances with banks		
- Current account	**168**	11
Total Cash and Bank balances	**169**	12
Total Cash and cash equivalents	**169**	12

₹ in '000s

9. Loans and Advances

(Unsecured, considered good otherwise stated)	Long Term	Short Term	Total	As at 31st March, 2011 Long Term	Short Term	Total
(a) Advance with public bodies (Customs, Port Trust, etc.)	—	**16**	**16**	—	16	16
(b) Other loans and advances						
Other Advances recoverable in cash or in kind or for value to be received	—	**3528**	**3528**	—	3528	3528
	—	**3544**	**3544**	—	3544	3544

10. Other Income

	₹ in '000s	2010-11 ₹ in '000s
Other non-operating income (net of expenses directly attributable to such income)	**1**	—

11. Other Expenses

		2010-11
	₹ in '000s	₹ in '000s
(a) Travelling & Conveyance	**2**	2
(b) Auditors' Remuneration (Refer Note 13)	**3**	3
(c) Legal & Professional charges	**160**	3
(d) Other expenses		
(1) Stationery, Postage, Fax & Telephone	**—**	2
(2) Other general expenses	**12**	446
	12	448
Total Other Expenses	**177**	456

12. Additional information to the financial statements

12.1 Contingent Liability not provided for :

(a) Excise duty demands (including penalties) aggregating ₹ 473.35 Lakhs. Company in appeal before CESTAT.

(b) Sales Tax demand of ₹ 30.94 Lakhs (including penalty of ₹ 0.14 Lakh) against which the Company has filed an appeal before Tribunal.

12.2 The Company has no amounts due to Micro and Small Enterprises under Micro, Small and Medium Enterprises Development Act, 2006.

		2010-11
13. Auditors' Remuneration	**₹ in '000s**	₹ in '000s
	3	3

14. Disclosures under Accounting Standards

14.1 Annualised earnings per Equity Share have been calculated based on Net Profit/(Loss) after taxation of (₹ 176738/-) [Previous Year: ₹ (455716/-)].

Weighted average number of Equity Shares used in computing basic and diluted earnings per Equity Share – 1,13,00,000.

		2010-11
Basic and Diluted earnings per share (₹)	**(0.02)**	(0.04)

14.2 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.

14.3 Related Party Disclosures:

Party	**Relation**	**₹ in '000s**	2010-11 ₹ in '000s
Voltas Limited	Holding Company		
- Amount payable towards liabilities/expenses incurred		**191**	417
- Amount outstanding at the year end		**8468**	8277

15. The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of the financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

Signatures to Notes 1 to 15.

For and on behalf of the Board

Directors **M. M. Miyajiwala**
V. P. Malhotra
Vinod Chandrashekar

Mumbai, 18th May, 2012

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