

**FINANCIAL STATEMENTS OF
HAVELLS SYLVANIA DUBAI FZCO.
DUBAI - (U.A.E.)**

FOR THE YEAR ENDED

31 DECEMBER 2014

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COMPANY INFORMATION

1. Name & Address of the Company

Havells Sylvania Dubai FZCo.
P. O. Box 54350,
Dubai (U.A.E.)

Tel: 04 - 2998141
Fax: 04 - 2998142

Location: Dubai Airport Free Zone, Dubai (U.A.E.)

2. Banker to the Company

HSBC Bank Middle East
P. O. Box 66, Dubai (U.A.E.)

3. Auditors to the Company

M/s.SALIM RAJKOTWALA
Chartered Accountants
P. O. Box 40972,
Dubai (U.A.E.)

Tel: 04 - 2368945
Fax: 04 - 2368944

A member firm of MGI International

OFFICE BEARERS

Directors

1. Mr. Yogesh Bansal
Director
Longbow House
14-20 Chiswell Street
London EC1Y 4TW

Tel : +442070119712

2. Mr. Fakhruddin Sethjiwala
Director
P. O. Box 54350,
Dubai (U.A.E.)

Tel: 04 - 2998141

3. Mr. Ajith Govindan Nambiar
Director
P. O. Box 54350,
Dubai (U.A.E.)

Tel: 04 - 2998141

AUDITORS' REPORT
TO THE SHAREHOLDERS OF
HAVELLS SYLVANIA DUBAI FZCO.
DUBAI (U.A.E.)

Report on the Financial Statements

We have audited the accompanying balance sheet of M/s. HAVELLS SYLVANIA DUBAI FZCO., DUBAI, as of **31st December 2014**, and the related income statement, statement of cash flows and statement of changes in equity for the year then ended, and other explanatory notes set out on Pages 2 to 16.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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, referred to above present fairly, in all material respects, the financial position of M/s. HAVELLS SYLVANIA DUBAI FZCO., DUBAI, as of **31st December 2014**, and its financial performance and its cash flows for the year then ended in accordance with International Accounting Standards. We also confirm no breach of the Implementing Regulations No. 1 of 2000 applicable to Free Zone Companies, and the UAE Federal Commercial Companies Law No. 8 of 1984 (as amended), has occurred during the year which would have a material effect on the company's business or financial position.



SALIM RAJKOTWALA CHARTERED ACCOUNTANTS

DUBAI 26 MAR 2015

Registration No. 805

P.O.Box 40972, Dubai - U.A.E. Tel. :+971 4 2368945 Fax : +971 4 2368944

E-mail : salim786@eim.ae

HAVELLS SYLVANIA DUBAI FZCO.
P. O. BOX 54350, DUBAI (U.A.E.)
BALANCE SHEET AS AT 31 DECEMBER 2014
IN UAE DIRHAMS

	<u>Notes</u>	<u>31.12.2014</u>	<u>31.12.2013</u>
<u>ASSETS</u>			
Non-current assets			
Property and equipment	3	37,473	31,032
Current assets			
Inventories	4	1,479,417	988,027
Accounts receivable and prepayments	5	7,617,029	7,039,975
Due from related parties	6	13,698,594	10,541,960
Cash and bank balances	7	1,142,012	1,170,004
Total current assets		<u>23,937,052</u>	<u>19,739,966</u>
Total assets		<u>23,974,525</u>	<u>19,770,998</u>
<u>SHAREHOLDERS' FUNDS AND LIABILITIES</u>			
Shareholders' funds			
Share capital	8	600,000	600,000
Legal reserve	9	300,000	300,000
Retained profits		14,674,891	12,956,320
Total shareholders' funds		<u>15,574,891</u>	<u>13,856,320</u>
Liabilities			
Non-current liabilities			
Employees' terminal benefits	10	998,468	789,996
Current liabilities			
Accounts payable and accruals	11	2,650,818	1,564,730
Due to related parties	12	4,750,348	3,559,952
Total current liabilities		<u>7,401,166</u>	<u>5,124,682</u>
Total liabilities		<u>8,399,634</u>	<u>5,914,678</u>
Total Shareholders' funds and liabilities		<u>23,974,525</u>	<u>19,770,998</u>

Annexed Schedule of Notes forms an integral part of these financial statements.

For HAVELLS SYLVANIA DUBAI FZCO.


DIRECTOR


DIRECTOR



HAVELLS SYLVANIA DUBAI FZCO.
P. O. BOX 54350, DUBAI (U.A.E.)
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014
IN UAE DIRHAMS

	<u>Notes</u>	<u>Current Year</u>	<u>Previous Year</u>
<u>Income</u>			
Sales		33,272,316	24,288,130
Less: Cost of sales	13	22,677,313	15,953,194
Gross profit		<u>10,595,003</u>	<u>8,334,936</u>
<u>Operating expenses</u>			
Salaries and benefits		6,396,061	5,467,913
Selling, general and administrative expenses	14	2,753,918	2,117,044
Provision for slow moving stock		(92,261)	(303,332)
Provision for doubtful debts		-	26,000
Depreciation		28,975	49,547
		<u>9,086,693</u>	<u>7,357,172</u>
Operating profit		1,508,310	977,764
Finance cost	15	184,501	153,781
		1,323,809	823,983
Other income	16	394,762	415,260
NET PROFIT FOR THE YEAR		<u>1,718,571</u>	<u>1,239,243</u>

Annexed Schedule of Notes forms an integral part of these financial statements.

For HAVELLS SYLVANIA DUBAI FZCO.


DIRECTOR


DIRECTOR



HAVELLS SYLVANIA DUBAI FZCO.
P. O. BOX 54350, DUBAI (U.A.E.)
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014
IN UAE DIRHAMS

	<u>Notes</u>	<u>Current Year</u>	<u>Previous Year</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net profit for the year		1,718,571	1,239,243
<u>Adjustment for:</u>			
Depreciation		28,975	49,547
Operating profit before working capital changes		<u>1,747,546</u>	<u>1,288,790</u>
(Increase) in inventories		(491,390)	(544,333)
(Increase)/Decrease in accounts receivable and prepayments		(577,054)	590,488
(Increase)/Decrease in amounts due from related parties		(3,156,634)	839,497
Increase/(Decrease) in accounts payable and accruals		1,086,088	(191,347)
Increase/(Decrease) in amounts due to related parties		1,190,396	(1,982,376)
Increase in employees' terminal benefits provision		208,472	190,334
Net cash received from operating activities	(A)	<u><u>7,424</u></u>	<u><u>191,053</u></u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of property and equipment		(35,416)	(12,655)
Net cash (used in) investing activities	(B)	<u><u>(35,416)</u></u>	<u><u>(12,655)</u></u>
Net (decrease)/increase in cash and cash equivalents	(A+B)	<u><u>(27,992)</u></u>	<u><u>178,398</u></u>
Cash and cash equivalents at the beginning of the year		<u>1,170,004</u>	<u>991,606</u>
Cash and cash equivalents at the end of the year	17	<u><u>1,142,012</u></u>	<u><u>1,170,004</u></u>

For HAVELLS SYLVANIA DUBAI FZCO.



DIRECTOR



DIRECTOR



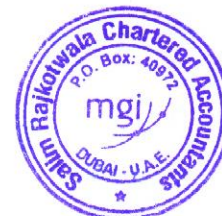
HAVELLS SYLVANIA DUBAI FZCO.
P. O. BOX 54350, DUBAI (U.A.E.)
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014
IN UAE DIRHAMS

	<u>Share Capital</u>	<u>Legal Reserve</u>	<u>Retained Profits</u>	<u>Total</u>
Balance as on 01.01.2013	600,000	300,000	11,717,077	12,617,077
Profit for the year	-	-	1,239,243	1,239,243
Balance as on 31.12.2013	600,000	300,000	12,956,320	13,856,320
Profit for the year	-	-	1,718,571	1,718,571
Balance as on 31.12.2014	600,000	300,000	14,674,891	15,574,891

For HAVELLS SYLVANIA DUBAI FZCO.


DIRECTOR


DIRECTOR



HAVELLS SYLVANIA DUBAI FZCO.
P. O. BOX 54350, DUBAI (U.A.E.)
SCHEDULE OF NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
FIGURES IN UAE DIRHAMS

1. LEGAL STATUS

1.1 M/s. HAVELLS SYLVANIA DUBAI FZCO., DUBAI, is a free zone company with Limited Liability registered with Dubai Airport Free Zone Authority in Dubai, UAE. The following are its Shareholders:

	Share in Capital
Havells Sylvania Europe Ltd., UK	83.33%
Flowil International Lighting (Holding) B.V., The Netherlands	16.67%
	100%

1.2 The principal activities of the company are import and export of electrical and electronic goods, components and parts and providing related services.

1.3 The principal place of business of the company is located at Dubai Airport Free Zone.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and interpretations issued by the Standards Interpretations Committee of the IASB.

The following accounting policies have been applied in dealing with items considered material to the company's financial statements:

2.1 Accounting Convention

These financial statements have been prepared under the historical cost convention.

2.2 Accrual Concept

Income and expenditure have been accounted on accrual basis.

2.3 Property, Equipment and Depreciation

Property and equipment are stated at cost less accumulated depreciation. Cost is depreciated on straight line basis over their expected useful lives as follows:

<u>Item</u>	<u>No.of years</u>
Furniture and fixtures	5 years
Equipment	3 years



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2.4 Inventories

Stocks have been valued at the lower of cost or net realisable value where cost comprises cost of acquisition after making due allowances for obsolete or slow moving items, and net realisable value.

Provision for slow moving and obsolete stock is made at landed cost plus appropriate overheads.

2.5 Accounts Receivable and Prepayments

Trade receivables are recognised at fair value less provision for impairment. A trade receivable provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of sales.

2.6 Accounts Payable and Accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not billed to the company. Trade payables are recognised at fair value.

2.7 Staff Benefits

The company provides end of service severance benefits for its employees in accordance with the UAE's Federal Labour Law. The entitlement of these benefits are based upon employees' final salary and length of service, subject to a completion of minimum service period. The service benefit plan is unfunded.

Adequate provision has been made for staff terminal benefits as per the UAE Labour Law.

2.8 Foreign Currency Conversion

Balances in foreign currencies have been converted into UAE Dirhams at the rate of exchange prevailing at the balance sheet date.

Transactions in foreign currencies are converted at rates ruling when the transaction was entered into.

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

2.9 Legal Reserve

UAE Commercial Companies Law No.8 of 1984, as amended, requires that 10% of the net profit for the year be transferred to legal reserve till it reaches 50% of the authorised share capital of the company. This reserve is not available for distribution to the shareholders except in the circumstances stipulated in the Commercial Companies Law.

2.10 Sales

Sales are stated net of trade discounts and sales returns. Revenue from supply of goods is recognised as soon as all substantial risk and rewards relating to the title of the goods has been transferred to the customers.



2.11 Purchases

Purchases are stated net of discounts and returns and include all direct expenses to determine the landed cost.

2.12 Cash and Cash Equivalents

Cash and cash equivalents for the purpose of cash flow statement consist of cash, balances with banks, overdrafts, and deposits with banks with a maturity of three months or less from the date of deposit.

2.13 Impairment of Assets

Financial Assets

At each balance sheet date, the company assesses if there is any objective evidence indicating impairment of financial assets or non-collectibility of receivables.

Non-financial Assets

At each balance sheet date, the company assesses if there is any indication of impairment of non-financial assets. If an indication exists, the company estimates the recoverable amount of the asset and recognizes an impairment loss in the income statement. The company also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or gain are recognized immediately in the income statement.

2.14 Financial Instruments

Financial instruments comprise cash, bank balances, deposits, advances, trade debtors, amounts due from/to related parties, trade creditors, accruals and borrowings. The financial instruments are recognized on the balance sheet when the company becomes a party to the contractual provisions of the instrument.

2.15 Interest Income

This represents income received by the company on deposits placed with banks and interest charged to customers and others on delayed proceeds of sales and advances, and interest charged to a related party on temporary loan placed to them.

2.16 Interest Expense

This represents a charge to the income statement for interest paid on bank borrowings and to suppliers for additional credit period.



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2.17 Capital Management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern, so that it can continue to provide returns for shareholders by pricing products and services commensurate with the level of risk.

The company sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The company manages the shareholders' funds and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the shareholders' funds, the company may adjust the amount of dividends paid to shareholders, return subordinated loans to shareholders, increase share capital, or sell assets to reduce its exposure to debt.



7/1/15 

31.12.2014 31.12.2013

3. PROPERTY AND EQUIPMENT

	<u>Furniture & Fixture</u>	<u>Equipmen</u>	<u>Total</u>	<u>Total</u>
<u>Cost</u>				
As at 01.01.2014	473,698	124,513	598,211	598,281
Additions during the year	15,308	20,108	35,416	12,655
Less: Disposal during the year	-	(7,719)	(7,719)	(12,725)
As at 31.12.2014	<u>489,006</u>	<u>136,902</u>	<u>625,908</u>	<u>598,211</u>
<u>Less: Depreciation</u>				
As at 01.01.2014	471,823	95,356	567,179	530,357
For the year	939	28,036	28,975	49,547
Relating to disposal	-	(7,719)	(7,719)	(12,725)
Upto 31.12.2014	<u>472,762</u>	<u>115,673</u>	<u>588,435</u>	<u>567,179</u>
<u>Net Book Value</u>				
As on 31.12.2014	<u>16,244</u>	<u>21,229</u>	<u>37,473</u>	<u>31,032</u>
As on 31.12.2013	<u>1,875</u>	<u>29,157</u>	<u>31,032</u>	<u>67,924</u>

4. INVENTORIES

Finished goods (Notes: a & b)	2,089,725	1,696,487
Less: Provision for slow moving stock (Note: c)	<u>(616,199)</u>	<u>(708,460)</u>
	1,473,526	988,027
Add: Goods in transit	5,891	-
	<u>1,479,417</u>	<u>988,027</u>

Notes:

- a) Goods lying in third party warehouse.
- b) Inventory is pledged to banks against term loan obtained by a related party.
- c) Excess provision for slow moving stock written back

(92,261)

(303,332)

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31.12.2014 31.12.2013

5. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Trade debtors (Notes: a, b, c, d & e)	7,575,739	6,967,896
Less: Provision for doubtful debts (Notes: f)	(70,000)	(70,000)
	<u>7,505,739</u>	<u>6,897,896</u>
Advances to suppliers	3,517	-
Staff advances	5,881	10,754
Prepayments and other receivable	101,892	131,325
	<u><u>7,617,029</u></u>	<u><u>7,039,975</u></u>

Notes:

a) Ageing of trade debtors:

More than a year	99,834	62,056
Due between 7 to 12 months	42,862	17,049
Due for less than 6 months	7,433,043	6,888,791
	<u>7,575,739</u>	<u>6,967,896</u>

b) Due from top five trade debtors at the year-end

<u>5,528,636</u>	<u>5,472,120</u>
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c) Number of trade debtors at the year-end

<u>25</u>	<u>22</u>
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d) Trade debtors are geographically distributed as follows:

i) AGCC Countries	91%	99%
ii) Egypt and Jordan	9%	1%
	<u>100%</u>	<u>100%</u>

e) Trade debtors are pledged to banks against term loan obtained by a related party.

f) Increase/(decrease) in provision for doubtful debts	<u>-</u>	<u>26,000</u>
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6. DUE FROM RELATED PARTIES

Havells Sylvania Europe Ltd., UK - short-term loan (Note: a)	13,320,492	10,389,022
Havells Sylvania Europe Ltd., UK - on account of expenses (Note: b)	378,102	117,868
Havells India Ltd., India - on account of expenses	-	35,070
	<u>13,698,594</u>	<u>10,541,960</u>

Notes:

- Amounts due from related parties on account of short-term loan are unsecured, receivable on demand and carries interest as per prevailing market conditions.
- Amounts due from related parties on account of expenses are unsecured and free of interest.

Johns
SA



31.12.2014 31.12.2013

7. CASH AND BANK BALANCES

Cash on hand	5,000	5,000
<u>Cash at a bank</u>		
In current account	777,409	467,004
In call deposit account	359,603	698,000
	<u>1,142,012</u>	<u>1,170,004</u>

8. SHARE CAPITAL

The authorised share capital of the company consists of 6 ordinary shares of AED 100,000 each, issued, subscribed and fully paid-up, as under:

Havells Sylvania Europe Ltd., UK	5 shares	500,000	500,000
Flowil International Lighting (Holding) B.V., The Netherlands	1 share	100,000	100,000
		<u>600,000</u>	<u>600,000</u>

9. LEGAL RESERVE

Balance as on 01.01.2014	300,000	300,000
Balance as on 31.12.2014	<u>300,000</u>	<u>300,000</u>

10. EMPLOYEES' TERMINAL BENEFITS

Adequate provision has been made for staff terminal benefits as per UAE Federal Labour Law. This cost is expensed annually to the profit and loss account. The charge for the year ended 31 December 2014 amounted to AED 260,481 (2013 - 220,297)

Balance as on 01.01.2014	789,996	599,662
Add: Provision for the year	260,481	220,297
Less: Paid during the year	(52,009)	(29,963)
Balance as on 31.12.2014	<u>998,468</u>	<u>789,996</u>

11. ACCOUNTS PAYABLE AND ACCRUALS

Trade creditors	1,612,557	990,702
Advances received from customers	442,131	194,612
Accrued expenses and provisions	596,130	379,416
	<u>2,650,818</u>	<u>1,564,730</u>



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	<u>31.12.2014</u>	<u>31.12.2013</u>
12. DUE TO RELATED PARTIES		
Havells Sylvania Europe Ltd., UK	4,568,507	2,345,863
Havells Sylvania Fixtures, UK	-	13,669
Havells India Ltd., India	133,319	535,606
Havells Sylvania, France	27,660	-
Jiangsu Havells Sylvania, China	20,862	664,814
	<u>4,750,348</u>	<u>3,559,952</u>

Note:

Amounts due to related parties are unsecured, free of interest and payable as per terms of purchase of goods and services.

	<u>Current Year</u>	<u>Previous Year</u>
13. COST OF SALES		
Opening inventories	1,696,487	1,311,536
Purchases (include direct expenses)	23,076,442	16,338,145
	24,772,929	17,649,681
Less: Closing inventories	2,095,616	1,696,487
	<u>22,677,313</u>	<u>15,953,194</u>

14. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Office rent	343,539	339,259
Storage charges	78,047	118,747
Freight charges	177,955	227,924
Telephone and utilities expenses	279,253	293,185
Insurance expenses	51,278	64,257
Travelling expenses	325,261	232,958
Entertainment	51,472	39,181
Recruitment expenses	1,300	35,333
Printing and stationery	13,243	8,108
Visa fees	69,315	42,673
General and office expenses	191,975	133,536
Advertisement and sales promotions	584,965	430,692
Exchange loss	488,698	-
Commission	-	32,468
Local conveyance	70,417	77,195
Legal and audit fees	27,200	41,528
	<u>2,753,918</u>	<u>2,117,044</u>



	<u>Current Year</u>	<u>Previous Year</u>
15. <u>FINANCE COST</u>		
Bank charges	184,501	153,781
	<u>184,501</u>	<u>153,781</u>
16. <u>OTHER INCOME</u>		
Interest received from a related party	376,126	341,268
Interest received from a bank	194	114
Exchange gains	-	27,194
Miscellaneous income	18,442	46,684
	<u>394,762</u>	<u>415,260</u>
	<u>31.12.2014</u>	<u>31.12.2013</u>

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprises of the following:

Cash on hand	5,000	5,000
Cash balances with a bank	1,137,012	1,165,004
	<u>1,142,012</u>	<u>1,170,004</u>

18. TRANSACTIONS WITH RELATED PARTIES

The company has in the ordinary course of business, entered into trading and financial transactions with concerns which fall within the definition of "related parties" as contained in the International Accounting Standard No. 24. The terms of such transactions were approved by the management. The amounts due from the related parties are unsecured, interest free and payable on demand.

a) Transactions with related parties

Purchases from related parties	15,129,928	12,790,166
Reimbursement of expenses to related parties	301,670	93,942
Interest received from a related party	376,126	341,268

b) Outstanding balances with related parties at the year-end:

Due from related parties on account of expense reimbursement, etc.	378,102	152,938
Due from related parties on account and temporary loan	13,320,492	10,389,022
Due to related parties on account of purchases	4,750,348	3,559,952



31.12.2014 31.12.2013

19. FINANCIAL INSTRUMENTS

Derivative and exchange rate risks

The company does not use derivative financial instruments for speculative purposes.

The company does not have any policy of entering into foreign exchange forward contracts or options to manage its exposure to fluctuations in foreign currency exchange rates. Significant foreign currency assets in AED at 31 December 2014 were as follows:

Financial assets in foreign currency:

Trade debtors	7,575,739	6,967,896
Advances to suppliers	3,517	-
Amounts due from related parties	13,698,594	10,541,960
Bank balances	1,050,265	951,864
	<u>22,328,115</u>	<u>18,461,720</u>

Financial liabilities in foreign currency:

Trade creditors	1,378,902	743,303
Advances received from customers	407,122	194,612
Amounts due to related parties	4,750,348	3,559,952
	<u>6,536,372</u>	<u>4,497,867</u>

Credit risks

Financial assets which potentially subject the company to concentration of credit risk consist principally of bank and cash balances and trade debtors. Bank balances are with regulated financial institutions. Credit risk of trade debtors is stated in Note 5 (a), (b), (c) & (d).

Interest rate risks

The company's short-term deposits with a bank are at fixed interest rate and mature within one year. Temporary loan to a related party bears interest as per prevailing market conditions. Interest is paid on short-term borrowings from banks and a related party as per prevailing market conditions.

Fair Value

At the balance sheet date, the carrying amount of bank and cash balances, debtors and creditors approximated their fair values.

20. CAPITAL COMMITMENTS

As at the balance sheet date, the company had no capital commitments.



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21. COMPARATIVE FIGURES

Comparative figures have been re-grouped/re-classified wherever necessary to conform the current year's presentation.

For HAVELLS SYLVANIA DUBAI FZCO.



DIRECTOR

yab/ngg



DIRECTOR

