

**CG MIDDLE EAST FZE
DUBAI SILICON OASIS
DUBAI – UNITED ARAB EMIRATES**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED MARCH 31, 2016**

**CG MIDDLE EAST FZE
DUBAI SILICON OASIS
DUBAI – UNITED ARAB EMIRATES**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED MARCH 31, 2016**

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER

Report on the Financial Statements

We have audited the accompanying financial statements of **CG Middle East FZE, Dubai Silicon Oasis, Dubai – United Arab Emirates** which comprise the statement of financial position as at March 31, 2016 and the statement of comprehensive income, statement of changes in shareholder's equity, statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements which gives a true and fair view of the state of affairs of the Establishment and of the comprehensive income or loss for that year and to comply with the Implementing Regulation No.1 of 2006 pursuant to Dubai local law No. (7) of 2004 and its amendment No.(16) of 2005 pursuant to Federal Law No.15 of 1998 regarding the amendment of Federal Law No.8 of 1984. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we 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 principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditors' Responsibility(continued)

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 **CG Middle East FZE, Dubai Silicon Oasis, Dubai – United Arab Emirates** as of March 31, 2016 and of its financial performance and cash flow for the year then ended, in accordance with Generally Accepted Accounting Principles.

Report on other legal and regulatory requirements

As required by the Implementing Regulation No.1 of 2006 pursuant to Dubai local law No.(7) of 2004 and its amendment No.(16) of 2005 pursuant to Federal Law No.15 of 1998 regarding the amendment of Federal Law No.8 of 1984, we further confirm that,

1. We have obtained all the information and explanations necessary for our audit.
2. We are not aware of any contraventions during the year of the above mentioned law, which may have materially affected the financial position of the Establishment, or the result of its operations during the year.



K. Ramu
Managing Partner
AL KTTBI & ASSOCIATES
CHARTERED ACCOUNTANTS
DUBAI – UNITED ARAB EMIRATES

Reg. No.: (465)

Date: April 27, 2016



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CG Middle East FZE
Dubai Silicon Oasis, Dubai - United Arab Emirates

Statement of Financial Position
As of March 31, 2016 and 2015
(In EURO)

	<u>Notes</u>	<u>31.03.2016</u>	<u>31.03.2015</u>
Assets			
<i>Noncurrent assets:</i>			
Property, plant and equipments	4	19,050	26,727
Total non current assets		<u>19,050</u>	<u>26,727</u>
<i>Current assets:</i>			
Accounts receivable	5	20,574,470	30,225,528
Other receivables	6	46,050	117,254
Amounts due from related parties	7	352,403	638,664
Cash and balance with banks	8	206,227	32,480
Total current assets		<u>21,179,150</u>	<u>31,013,926</u>
Total assets		<u><u>21,198,200</u></u>	<u><u>31,040,653</u></u>
Equity & liabilities			
<i>Shareholder's equity:</i>			
Share capital	2	206,935	206,935
Share application money	9	-	8,794,000
Accumulated profit/(loss)	10	199,394	1,235,820
Total shareholder's funds		<u>406,329</u>	<u>10,236,755</u>
<i>Noncurrent liabilities:</i>			
Employees' end of service benefits	11	198,500	169,202
Borrowings from bank	14	-	20,000,000
Total noncurrent liabilities		<u>198,500</u>	<u>20,169,202</u>



CG Middle East FZE
Dubai Silicon Oasis, Dubai - United Arab Emirates

Statement of Financial Position (continued)
As of March 31, 2016 and 2015
(In EURO)

	<u>Notes</u>	<u>31.03.2016</u>	<u>31.03.2015</u>
<i>Current liabilities:</i>			
Accounts payable	12	390,736	27,242
Other payable	13	87,635	298,916
Amounts due to related parties	7	115,000	308,538
Borrowings from bank	14	20,000,000	-
Total current liabilities		20,593,371	634,696
Total liabilities		20,791,871	20,803,898
Total liabilities and shareholder's equity		21,198,200	31,040,653

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

The Report of the Auditors is set out on pages 1 and 2.

The financial statements on pages 3 to 20 were approved and signed by the Director on April 27, 2016:



Director
CG Middle East FZE



CG Middle East FZE
Dubai Silicon Oasis, Dubai - United Arab Emirates


Statement of Comprehensive Income
For the year ended March 31, 2016 and 2015
(In EURO)

	<u>Notes</u>	<u>2015-16</u>	<u>2014-15</u>
Revenue	15	20,989,131	14,412,855
Direct cost	16	(16,183,945)	(6,132,732)
<i>Gross profit</i>		4,805,186	8,280,123
Other income/(loss) net	17	1,086,059	1,381,706
Administrative, selling and other expenses	18	(1,340,370)	(1,403,506)
Finance cost		(544,324)	(520,586)
<i>Income for the year</i>		4,006,551	7,737,737
Other comprehensive (loss)			
Loss on extraordinary items write off/write back - net	19	(5,042,977)	-
<i>Total comprehensive (loss)/income</i>	10	(1,036,426)	7,737,737

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

The Report of the Auditors is set out on pages 1 and 2.

The financial statements on pages 3 to 20 were approved and signed by the Director on April 27, 2016:



Director

CG Middle East FZE



CG Middle East FZE
Dubai Silicon Oasis, Dubai - United Arab Emirates
Statement of Changes in Shareholder's Equity
For the year ended March 31, 2016 and 2015
(In EURO)

	<u>Share capital</u>	<u>Accumulated profit/(loss)</u>	<u>Share application money</u>	<u>Shareholder's equity</u>
As at April 1, 2014	206,935	(6,501,917)	-	(6,294,982)
<i>Changes in Equity:</i>				
Received during the year	-	-	8,794,000	8,794,000
Comprehensive income for the year	-	7,737,737	-	7,737,737
As at March 31, 2015	206,935	1,235,820	8,794,000	10,236,755
<i>Changes in Equity:</i>				
Share application reversed	-	-	(8,794,000)	(8,794,000)
Comprehensive (loss) for the year	-	(1,036,426)	-	(1,036,426)
As at March 31, 2016	206,935	199,394	-	406,329

The accompanying notes form an integral part of these financial statements.
The Report of the Auditors is set out on pages 1 and 2.

CG Middle East FZE
Dubai Silicon Oasis, Dubai - United Arab Emirates

Statement of Cash Flows
For the year ended March 31, 2016 and 2015
(In EURO)

	<u>2015-16</u>	<u>2014-15</u>
Cash flows from operating activities:		
Total comprehensive (loss)/income for the year	(1,036,426)	7,737,737
Adjustments for non cash items:		
Depreciation of property, plant, and equipment	7,677	7,289
Provision for employees' end of service gratuity	69,544	79,551
Finance cost	544,324	520,586
Operating (loss)/income before changes in operating assets and liabilities	<u>(414,881)</u>	<u>8,345,163</u>
Decrease/(increase) in accounts receivable	9,651,058	(4,581,528)
Decrease/(increase) in other receivables	71,204	(117,254)
Decrease/(increase) in due from related parties	286,261	(617,002)
Increase in accounts payable	363,494	27,242
(Decrease) in due to related parties	(193,538)	(31,643,123)
(Decrease)/increase in accrued expense	(211,281)	235,588
Cash from/(used in) operations	<u>9,552,317</u>	<u>(28,350,914)</u>
Employees' end-of-services gratuity paid	(40,246)	(7,171)
Net cash from/(used in) operating activities	<u>9,512,071</u>	<u>(28,358,085)</u>



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Dubai Silicon Oasis, Dubai - United Arab Emirates

Statement of Cash Flows (continued)
For the year ended March 31, 2016 and 2015
(In EURO)

	<u>2015-16</u>	<u>2014-15</u>
Cash flows from investing activities		
Purchase of property, plant & equipment	-	(5,822)
Net cash flow (used in) investing activities	<u>-</u>	<u>(5,822)</u>
Cash flows from financing activities		
Net movement in borrowing from banks	-	20,000,000
Finance cost paid	(544,324)	(520,586)
Share application money reversed	(8,794,000)	8,794,000
Net cash (used in)/from financing activities	<u>(9,338,324)</u>	<u>28,273,414</u>
<i>Net increase/(decrease) in cash and cash equivalents</i>	173,747	(90,493)
Cash and cash equivalents, beginning of the year	<u>32,480</u>	<u>122,973</u>
Cash and cash equivalents, end of the year	<u><u>206,227</u></u>	<u><u>32,480</u></u>
Represented by:		
Cash at banks	<u>206,227</u>	<u>32,480</u>
	<u><u>206,227</u></u>	<u><u>32,480</u></u>

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

The Report of the Auditors is set out on pages 1 and 2.



CG Middle East FZE
Dubai Silicon Oasis, Dubai – United Arab Emirates

Notes to the Financial Statements
For the year ended March 31, 2016 and 2015

1 Legal status and business activity:

- 1.1 **CG Middle East FZE, Dubai Silicon Oasis, Dubai – United Arab Emirates** (“the Establishment”) was incorporated on April 14, 2013 and operates as a Free Zone Establishment (FZE) in the United Arab Emirates under a trading license issued by the Dubai Silicon Oasis Authority of the Government of Dubai.
- 1.2 The principal activity of the Establishment is trading in electrical & electronic appliances spare parts, power generation, transmission & distribution equipment, industrial plant equipment & spare parts.
- 1.3 The registered office of the Establishment is located at Dubai Silicon Oasis, DSO-HQ-EG-07,HQ building, Dubai, United Arab Emirates.
- 1.4 These financial statements incorporate the operating results of the Establishment with trading license No. 892.

2 Capital:

Authorised, issued and paid up capital of the Establishment is AED 1,000,000/- constituted by ten shares of AED 100,000/-, fully paid (**Euro equivalent 206,935**).

The breakup of the shareholding as at March 31, 2016 was as following:

<u>Name</u>	<u>Incorporated in</u>	<u>Percentage holding</u>	<u>AED</u>
CG International B.V.	Netherlands	100%	1,000,000



CG Middle East FZE
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Notes to the Financial Statements (continued)
For the year ended March 31, 2016 and 2015

3 Summary of significant accounting policies:

Basis of preparation:

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles, and applicable requirements of the U.A.E Law. A summary of the significant accounting policies, which have been applied consistently, are set out as follows:

a) Accounting convention

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

b) Impairment of assets

Property, plant and equipment are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income.

c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment loss, if any. The costs comprise of purchase price, levies, duties and any directly attributable costs of bringing the asset to its working condition. The cost of property, plant and equipment is depreciated using the straight-line method over their estimated useful economic lives as follows:

	<u>Years</u>
Furniture & fixtures	5
Office equipments	5



CG Middle East FZE
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Notes to the Financial Statements (continued)
For the year ended March 31, 2016 and 2015

3 Summary of significant accounting policies (continued):

d) Revenue recognition

Revenue from sale of goods shall be recognised when all the following conditions have been satisfied:

- i. The entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ii. The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- iii. The amount of revenue can be measured reliably;
- iv. It is probable that the economic benefit associated with the transaction will flow to the entity; and
- v. The cost incurred or to be incurred in respect of the transaction can be measured reliably.

e) Financial expenses

Financial expenses are accounted in the statement of comprehensive income in the year in which they are incurred. Except to the extent, that the borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets shall be capitalised as part of cost of that asset.

f) Provisions

Provisions are recognised when the Establishment has a present obligation as a result of a past event, which it is probable, will result in an outflow of economic benefits that can be reasonably estimated.



CG Middle East FZE
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Notes to the Financial Statements (continued)
For the year ended March 31, 2016 and 2015

3 Summary of significant accounting policies (continued):

g) Foreign currencies

Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions.

Monetary items denominated in foreign currencies are translated at the rates prevailing on the statement of financial position date. Gains and losses arising are included in the statement of comprehensive income. Non-monetary items that are measured in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

h) Financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets and financial liabilities are recognised on the entity's statement of financial position when the entity has become a party to the contractual provisions of the instrument. A financial asset is any asset that is cash, a contractual right to receive cash or other financial asset, a contractual right to exchange financial instruments under conditions that are potentially favourable or an equity instrument. A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset, or to exchange financial instruments under conditions that are potentially unfavourable.

Accounts receivable

Revenue made on credit is included in accounts receivable at the financial statement date, as reduced by appropriate allowances for estimated doubtful amounts. Bad debts are written off as they arise.

Account payables

Account payables are stated at their nominal value.



CG Middle East FZE
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Notes to the Financial Statements (continued)
For the year ended March 31, 2016 and 2015

3 Summary of significant accounting policies (continued):

i) Employees' terminal benefits

Amounts required to cover end of service indemnity at the statement of financial position date are computed pursuant to the United Arab Emirates Federal Labour Law based on the employees' accumulated period of service and current basic remuneration at the statement of financial position date.

These are accounted for as required by the U.A.E Federal Law No. (2) of 2015.

j) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, balance with bank and deposits with banks, within a maturity date of three months or less from the date of deposit, free of encumbrances.



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Notes to the Financial Statements (continued)
For the year ended March 31, 2016 and 2015

4 Property, plant and equipments	<u>Office equipments</u>		<u>Furniture & fixtures</u>		<u>Total</u>	
		EURO		EURO		EURO
<i>Cost</i>						
As at April 1, 2015		8,323		30,060		38,383
As at March 31, 2016		<u>8,323</u>		<u>30,060</u>		<u>38,383</u>
<i>Accumulated depreciation</i>						
As at April 1, 2015		1,512		10,144		11,656
Depreciation for the year		1,665		6,012		7,677
As at March 31, 2016		<u>3,177</u>		<u>16,156</u>		<u>19,333</u>
<i>Net book value</i>						
As at March 31, 2016		<u>5,146</u>		<u>13,904</u>		<u>19,050</u>
As at March 31, 2015		<u>6,811</u>		<u>19,916</u>		<u>26,727</u>



CG Middle East FZE
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Notes to the Financial Statements (continued)
For the year ended March 31, 2016 and 2015

5 Accounts receivable

	March 31,	
	2016	2015
	EURO	EURO
Accounts receivable	<u>20,574,470</u>	<u>30,225,528</u>
	<u>20,574,470</u>	<u>30,225,528</u>

6 Other receivables

	March 31,	
	2016	2015
	EURO	EURO
Prepayments	38,247	67,679
Deposits	3,988	-
Loans & advances	<u>3,815</u>	<u>49,575</u>
	<u>46,050</u>	<u>117,254</u>

7 Related parties transactions

The Establishment enters into transactions with companies and entities that fall within the definition of a related party. Such transactions are in normal course of business and at terms that correspond to those on normal arms-length transactions with third parties. Related parties comprise companies and entities under common ownership and/or common management and control; their partners and key management personnel.

The Establishment provides/receives funds to/from related parties as and when required as working capital.

a) Amounts due from related parties

	March 31,	
	2016	2015
	EURO	EURO
Crompton Greaves India Ltd - Switch Gear Division	-	136,261
CG Sales Network, France	<u>352,403</u>	<u>502,403</u>
	<u>352,403</u>	<u>638,664</u>



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Notes to the Financial Statements (continued)
For the year ended March 31, 2016 and 2015

7 Related parties transactions (continued)

b) Amounts due to related parties

	March 31,	
	2016	2015
	EURO	EURO
CG Drives & Automation Sweden AB	115,000	115,000
Crompton Greaves India Ltd - T2 Division	-	193,538
	115,000	308,538

8 Cash and balance with banks

	March 31,	
	2016	2015
	EURO	EURO
Bank balance	206,227	32,480
	206,227	32,480



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Notes to the Financial Statements (continued)
For the year ended March 31, 2016 and 2015

9 Share application money

	March 31,	
	2016	2015
	EURO	EURO
Opening balance	8,794,000	-
Application money pending conversion	-	8,794,000
Application money reversed	(8,794,000)	-
Closing balance	-	8,794,000

The share application money has been reversed during the current financial year based on Management decision.

10 Accumulated profit/(loss)

	For the year ended March 31,	
	2016	2015
	EURO	EURO
Opening balance	1,235,820	(6,501,917)
Comprehensive (loss)/ income for the year	(1,036,426)	7,737,737
Closing balance	199,394	1,235,820

11 Employees' end of service benefits

	For the year ended March 31,	
	2016	2015
	EURO	EURO
Opening balance	169,202	96,822
Provision during the year	69,544	79,551
Paid during the year	(40,246)	(7,171)
Closing balance	198,500	169,202

12 Accounts payable

	March 31,	
	2016	2015
	EURO	EURO
Accounts payable	390,736	27,242
	390,736	27,242



CG Middle East FZE
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Notes to the Financial Statements (continued)
For the year ended March 31, 2016 and 2015

13 Other payable

	March 31,	
	<u>2016</u>	<u>2015</u>
	EURO	EURO
Accrued expense	87,635	179,613
Advance from customers	-	119,303
	<u>87,635</u>	<u>298,916</u>

14 Borrowings from bank

	March 31,	
	<u>2016</u>	<u>2015</u>
	EURO	EURO
Term loan	20,000,000	20,000,000
	<u>20,000,000</u>	<u>20,000,000</u>

15 Revenue

	For the year ended March 31,	
	<u>2016</u>	<u>2015</u>
	EURO	EURO
Revenue	20,989,131	33,894,855
Less: Sales return	-	(19,482,000)
	<u>20,989,131</u>	<u>14,412,855</u>

16 Direct cost

	For the year ended March 31,	
	<u>2016</u>	<u>2015</u>
	EURO	EURO
Direct cost	16,183,945	22,606,336
Less: Reversal on account of sales return	-	(16,473,604)
	<u>16,183,945</u>	<u>6,132,732</u>



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Notes to the Financial Statements (continued)
For the year ended March 31, 2016 and 2015

17 Other income/(loss) net

	For the year ended March 31,	
	2016	2015
	EURO	EURO
Exchange rate fluctuation	(53,941)	26,833
Recovery of expense	1,140,000	1,342,500
Scrap sales	-	12,373
	1,086,059	1,381,706

18 Administrative, selling and other expenses

	For the year ended March 31,	
	2016	2015
	EURO	EURO
Salaries & other related benefits	1,063,740	1,028,483
Rent, rates and taxes	80,409	58,231
Communication and utilities	37,509	32,590
Traveling & entertainment	113,204	180,985
Audit fees	15,535	16,313
Professional	13,878	55,782
Bank charges	8,418	-
Membership and subscription	-	5,468
Depreciation (note - 4)	7,677	7,289
Miscellaneous	-	18,365
	1,340,370	1,403,506

19 Loss on extraordinary items w/off

An amount of Euro 5,042,977/- (Dr) including receivables, advances written off and payables written back (including inter company), which in the opinion of the management is an exceptional item, and hence disclosed separately.



CG Middle East FZE

Dubai Silicon Oasis, Dubai - United Arab Emirates

Notes to the Financial Statements (continued)

For the year ended March 31, 2016 and 2015

20 Financial instruments

Financial instruments of the Establishment comprise of cash at banks, accounts and other receivable, due from/due to related parties, due to bank, accounts and other payable.

Credit risk

Financial assets which potentially expose the Establishment to concentration of credit risk comprise principally bank accounts, due from related parties, accounts and other receivables.

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

Accounts and other receivable are stated net of allowance for doubtful recoveries.

Currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams or US Dollars to which the conversion of Dirhams into US Dollar is fixed.

Interest rate risk

The bank borrowings were at floating rates of interest, at levels which are generally obtained in the United Arab Emirates.

Fair values

At the statement of financial position date, the fair values of financial assets and liabilities, approximate to their carrying amounts.

21 Contingent liabilities

Except for the ongoing business obligations which are under normal course of business against which no loss is expected, there has been no known contingent liability on Establishment's account, as of statement of financial position date.

