Report of the Directors and Audited Financial Statements

HAVELLS EXIM LIMITED

31 March 2015

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Ernst & Young

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Building a better working world

HAVELLS EXIM LIMITED

CONTENTS

HAVELLS EXIM LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2015.

Principal activities
The principal activities of the Company are trading of lighting and other products.

Results and dividend
The Company's profit for the year ended 31 March 2015 and its state of affairs at that date are set out in the financial statements on pages 5 to 17.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2015.

Reserves
Details of movements in the Company's reserves during the year are set out in the statement of changes in equity.

Directors
The directors of the Company during the year were:

Yogesh Bansal
Jaydev K Jani

In accordance with article 6 of the Company's articles of association, all directors continue in office for the ensuing year.

Directors' interests in contracts
Save as disclosed in note 11 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company, its holding company or any of its fellow subsidiaries was a party during the year.

Directors' rights to acquire shares
At no time during the year was the Company, its holding company or any of its fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Management contracts
During the year, the Company paid management service fee of US$295,213 and US$55,000 to Guangzhou Havells Sylvania Enterprises Limited, a fellow subsidiary, and Havells India Limited, the immediate holding company, respectively, in connection with the administration of its business.

HAVELLS EXIM LIMITED

REPORT OF THE DIRECTORS

Auditors
Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

....
Yogesh Bansal

Hong Kong
6 May 2015

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Independent auditors' report
To the members of Havells Exim Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Havells Exim Limited (the "Company") set out on pages 5 to 17, which comprise the statement of financial position as at 31 March 2015, and the statement of profit or loss and comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of the financial statements that give a 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 the directors, 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.

Independent auditors' report (continued)
To the members of Havells Exim Limited
(Incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Company as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong
6 May 2015

HAVELLS EXIM LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2015

	Notes	2015 US$	2014 US$
REVENUE	5	166,983,343	160,750,660
Cost of sales		(164,353,276)	(158,219,129)
Gross profit		2,630,067	2,531,531
Administrative expenses		(410,394)	(397,458)
Interest expense on bills payable		-	(240,045)
Trade receivable discounting charges		(1,018,060)	(752,813)
PROFIT BEFORE TAX	6	1,201,613	1,141,215
Income tax credit	7	194	142
PROFIT FOR THE YEAR		1,201,807	1,141,357
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,201,807	1,141,357

HAVELLS EXIM LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2015

	Notes	2015 US$	2014 US$
CURRENT ASSETS			
Trade receivables	8	41,932,843	39,709,235
Cash and bank balances		3,168,202	32,943
Total current assets		45,101,045	39,742,178
CURRENT LIABILITIES			
Trade and bills and other payables	9	41,386,722	37,229,787
Tax payable		125	-
Total current liabilities		41,386,847	37,229,787
Net assets		3,714,198	2,512,391
EQUITY			
Share capital	10	128	128
Retained profits		3,714,070	2,512,263
Total equity		3,714,198	2,512,391

Yogesh Bansal

Jaydev K Jani

HAVELLS EXIM LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2015

	Share capital US$	Retained profits US$	Total equity US$
At 1 April 2013	128	1,370,906	1,371,034
Profit for the year and total comprehensive income for the year	-	1,141,357	1,141,357
At 31 March 2014 and 1 April 2014	128	2,512,263	2,512,391
Profit for the year and total comprehensive income for the year	-	1,201,807	1,201,807
At 31 March 2015	128	3,714,070	3,714,198

HAVELLS EXIM LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2015

	2015 US$	2014 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,201,613	1,141,215
Adjustments for:		
Interest expense on bills payable	-	240,045
Trade receivable discounting charges	1,018,060	752,813
	2,219,673	2,134,073
Decrease in inventories	-	2,891,701
Decrease/(increase) in trade receivables	(2,223,608)	1,077,092
Decrease in prepayments	-	43,109
Increase/(decrease) in trade and bills and other payables	4,156,935	(5,172,532)
Cash generated from operations	4,153,000	973,443
Interest paid	(1,018,060)	(992,858)
Hong Kong profits tax refund/(paid)	319	(179)
Net cash flows generated from/(used in) operating activities	3,135,259	(19,594)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,135,259	(19,594)
Cash and cash equivalents at the beginning of year	32,943	52,537
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	3,168,202	32,943
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the statement of financial position	3,168,202	32,943

1. CORPORATE INFORMATION

Havells Exim Limited (the "Company") is a limited liability company incorporated in Hong Kong. The Company's registered office is located at Unit 1005, 10/F, Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Hunghom, Kowloon, Hong Kong. The Company's immediate holding company is Havells India Limited, a company incorporated and listed in India.

The principal activities of the Company are trading of lighting and other products.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention. These financial statements are presented in United States dollars ("US$"), which is also the Company's functional currency, and all amounts are rounded to the nearest dollar except where otherwise indicated.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the new and revised HKFRSs, which are effective for the first time for the current year's financial statements. The adoption of these revised HKFRSs has had no significant effect on these financial statements and there have been no significant changes to the accounting policy applied in these financial statements.

In addition, the requirement of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time, during the current financial year. The main impact to the financial statements is on the presentation and disclosure of the financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied the new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Company's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

(a) Financial assets

The Company's financial assets include trade receivables and cash and bank balances, which are classified and accounted for as loans and receivables. Financial assets are recognised on the trade date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment allowances. Any changes in their value are recognised in profit or loss.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all the risks and rewards of ownership have been transferred.

An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on loans and receivables is recognised when there is objective evidence that the Company will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

(b) Financial liabilities

The Company's financial liabilities include trade and bills and other payables. Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Foreign currency translations

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts.

Revenue from sale of goods is recognised on transfer of the significant risks and rewards of ownership, which generally coincides with the time of delivery of goods.

Related parties

A party is considered to be related to the Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements apart from those involving estimations which have the most significant effect on the amounts recognised in the financial statements.

Income tax

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

The policy for impairment of trade receivables of the Company is based on the evaluation of collectibility and aging analysis of trade receivables and on management's judgement. Significant judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required.

5. REVENUE

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold during the year.

6. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging:

	2015 US$	2014 US$
Director's remuneration	-	-
Auditors' remuneration	18,600	12,599
Cost of inventories sold	164,353,276	158,219,129
Foreign exchange losses	-	530

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. During the year ended 31 March 2014, no provision for Hong Kong profits tax has been made as the Company did not have any assessable profits arising in Hong Kong.

	2015 US$	2014 US$
Provision for the year	125	-
Overprovision in prior periods	(319)	(142)
Total credit for the year	(194)	(142)

7. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rate to the tax credit at the effective rate is as follows:

	2015 US$	2014 US$
Profit before tax	1,201,613	1,141,215
Tax at the statutory tax rate of 16.5%	198,266	188,300
Adjustments in respect of current tax of previous periods	(319)	(142)
Income not subject to tax	(198,141)	(188,300)
Tax credit at the effective tax rate	(194)	(142)

8. TRADE RECEIVABLES

	2015 US$	2014 US$
Due from immediate holding company	2,928,413	2,108,525
Due from fellow subsidiaries	39,004,430	37,600,710
	41,932,843	39,709,235

The average credit period is generally for a period of 150 days from the date of bill of lading. Overdue balances are reviewed regularly by management. The credit risk of the Company's trade receivable arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these trade receivables. The Company does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 US$	2014 US$
Neither past due nor impaired	41,427,953	38,983,400
1 to 60 days past due	504,890	725,835
	41,932,843	39,709,235

8. TRADE RECEIVABLES (continued)

Trade receivables that were past due but not impaired related to amounts due from the immediate holding company and fellow subsidiaries that have a good track record with the Company. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and balances are still considered recoverable.

9. TRADE AND BILLS AND OTHER PAYABLES

	2015 US$	2014 US$
Trade and bills payables	38,669,236	35,129,177
Due to the immediate holding company	2,657,619	2,051,662
Other payables	59,867	48,948
	41,386,722	37,229,787

As at 31 March 2015, included in the Company's other payables are amounts due to the immediate holding company and a fellow subsidiary of US$14,500 (2014: US$13,000) and US$26,667 (2014: US$22,803), respectively. Amounts due to the immediate holding company and a fellow subsidiary are unsecured, interest-free and have no fixed terms of repayment.

10. SHARE CAPITAL

	2015 US$	2014 US$
Issued and fully paid:		
1,000 ordinary shares	128	128

11. RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in these financial statements, the Company had the following material transactions with its related parties during the year:

	2015 US$	2014 US$
Immediate holding company:		
Sales of goods	20,918,074	11,394,372
Purchases of goods	15,533,082	16,148,228
Management fee paid	55,000	52,000
Fellow subsidiaries:		
Sales of goods	146,065,269	149,356,288
Management fee paid	295,213	267,598
Purchases of goods from a joint venture of the immediate holding company of the Company	15,777,694	10,950,880

These transactions were charged in accordance with terms mutually agreed between the Company and the immediate holding company, fellow subsidiaries and a related party.

12. FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY

At 31 March 2015, the Company discounted certain bills receivable with a carrying amount in aggregate of US$34,848,021 (2014: US$18,751,755) to banks (the "Derecognised Discounted Bills"). In accordance with relevant regulations, the holders of the Derecognised Discounted Bills have a right of recourse against the Company if the bills default in certain circumstances (the "Continuing Involvement"). In the opinion of the directors, the Company has transferred substantially all risks and rewards relating to the Derecognised Discounted Bills. Accordingly, the Company has derecognised the full carrying amounts of the Derecognised Discounted Bills. The maximum exposure to loss from the Company's Continuing Involvement in the Derecognised Discounted Bills and the undiscounted cash flows to repurchase these Derecognised Discounted Bills are equal to their carrying amounts. In the opinion of the directors, the fair values of the Company's Continuing Involvement in the Derecognised Discounted Bills are not significant. The Derecognised Bills had a remaining maturity from six days to ninety days (2014: seven days to eighty-seven days) at the end of the reporting period.

During the year, the Company has not recognised any gain or loss on the date of transfer of the Derecognised Bills (2014: Nil). No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The discounting of bills has been made evenly throughout the year.

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

Foreign currency risk

The Company has no significant foreign currency risk because most of the transactions are denominated in the Company's functional currency.

Credit risk

The carrying amounts of cash and bank balances and trade receivables represent the Company's maximum exposure to credit risk in relation to financial assets. All the Company's cash and bank balances are held in reputable banks, which management believes are of high credit quality. Further quantitative data in respect of the Company's exposure to credit risk arising from trade receivables are disclosed in note 8 to the financial statements.

Liquidity risk

The Company aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Company finance its working capital requirement through funds generated from operations.

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was less than one year.

Capital Management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholder's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholder, return capital to the shareholder or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2015 and 31 March 2014.

14. COMPARATIVE AMOUNTS

Certain comparative amounts in the statement of comprehensive income and statement of cash flows have been reclassified to conform with current year's presentation.

15. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 6 May 2015.