

Report of the Directors and Audited Financial Statements

HAVELLS EXIM LIMITED

For the year ended 31 March 2014

HAVELLS EXIM LIMITED

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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 2014.

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 2014 and its state of affairs at that date are set out in the financial statements on pages 5 to 18.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2014.

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 13 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\$267,598 and US\$52,000 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

Sd/-

.....
Yogesh Bansal
Chairman
Hong Kong
26-May-2014

Independent auditors' report
To the shareholder 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 18, which comprise the statement of financial position as at 31 March 2014, 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 141 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 shareholder 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 Company's affairs as at 31 March 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Sd/-

Certified Public Accountants
Hong Kong
26-May-2014

HAVELLS EXIM LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2014

	Notes	Year ended 31 March 2014 US\$	Period from 1 January 2012 to 31 March 2013 US\$
REVENUE	5	160,750,660	149,948,476
Cost of sales		<u>(158,219,129)</u>	<u>(147,586,469)</u>
Gross profit		2,531,531	2,362,007
Administrative expenses, net		(397,458)	(873,568)
Finance cost	6	(992,858)	(682,078)
PROFIT BEFORE TAX	7	<u>1,141,215</u>	<u>806,361</u>
Income tax expense	8	<u>142</u>	<u>(599)</u>
PROFIT FOR THE YEAR/ PERIOD		1,141,357	805,762
OTHER COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD, NET OF TAX		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD		<u><u>1,141,357</u></u>	<u><u>805,762</u></u>

HAVELLS EXIM LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2014

	Notes	31 March 2014 US\$	31 March 2013 US\$
CURRENT ASSETS			
Inventories	9	-	2,891,701
Trade and other receivables	10	39,709,235	40,786,327
Prepayments		-	43,109
Cash and Bank balances		32,943	97,991
Total current assets		<u>39,742,178</u>	<u>43,819,128</u>
CURRENT LIABILITIES			
Trade and bills and other payables	11	37,229,787	42,402,319
Tax payable		-	321
Bank overdraft		-	45,454
Total current liabilities		<u>37,229,787</u>	<u>42,448,094</u>
Net assets		<u><u>2,512,391</u></u>	<u><u>1,371,034</u></u>
EQUITY			
Issued Capital	12	128	128
Retained profits		<u>25,12,263</u>	<u>1,370,906</u>
Total equity		<u><u>2,512,391</u></u>	<u><u>1,371,034</u></u>

Sd/-

.....
Yogesh Bansal
Director

Sd/-

.....
Jaydev K Jani
Director

HAVELLS EXIM LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2014

	Issued capital US\$	Retained Profits US\$	Total equity US\$
At 1 January 2012	128	565,144	565,272
Profit for the period and total comprehensive income for the period	<u>-</u>	<u>805,762</u>	<u>805,762</u>
At 31 March 2013	128	1,370,906	1,371,034
Profit for the year and total comprehensive income for the year	<u>-</u>	<u>1,141,357</u>	<u>1,141,357</u>
At 31 March 2014	<u><u>128</u></u>	<u><u>2,512,263</u></u>	<u><u>2,512,391</u></u>

HAVELLS EXIM LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2014

	Note	Year ended 31 March 2014 US\$	Period from 1 January 2012 to 31 March 2013 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,141,215	806,361
Adjustment for:			
Finance cost	6	992,858	682,078
		<u>2,134,073</u>	<u>1,488,439</u>
Decrease in Inventories		2,891,701	136,617
Decrease in trade receivables		1,077,092	6,039,403
Decrease in prepayments		43,109	57,663
(Decrease) in trade and bills and other payables		<u>(5,172,532)</u>	<u>(10,351,482)</u>
Cash generated from operations		<u>973,443</u>	<u>(2,629,360)</u>
Interest Paid		(992,858)	(620,573)
Hong Kong profits tax paid		(179)	(278)
Net cash flows (used)in / from operating activities		<u>(19,594)</u>	<u>(3,250,211)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(19,594)	(3,250,211)
Cash and cash equivalents at the beginning of year /period		<u>52,537</u>	<u>3,302,748</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR /PERIOD		<u><u>32,943</u></u>	<u><u>52,537</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the statement of financial position		32,943	97,991
Less: Bank overdraft as stated in the statement of financial position		-	(45,454)
Cash and cash equivalents as stated in the statement of cash flows		<u><u>32,943</u></u>	<u><u>52,537</u></u>

HAVELLS EXIM LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2014

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 ultimate 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 POLICY 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.

HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income
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The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). In addition, the Company has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements. The amendments have affected presentation only and have had no impact on the financial position or performance of the Company. The statement of comprehensive income has been restated to reflect the changes.

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.

31 March 2014

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 payables, other payables and bank overdrafts. 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

31 March 2014

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.

31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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
- (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.

HAVELLS EXIM LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2014

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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. FINANCE COSTS

	Year Ended 31 March 2014 US\$	Period from 1 January 2012 to 31 March 2013 US\$
Interest expense on bills payables	240,045	682,078
Debtor factoring charges	752,813	-
	<u>992,858</u>	<u>682,078</u>

7. PROFIT BEFORE TAX

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

	Year Ended 31 March 2014 US\$	Period from 1 January 2012 to 31 March 2013 US\$
Director's remuneration	-	-
Auditors' remuneration	12,599	14,070
Cost of inventories sold	158,219,129	147,586,469
Foreign exchange losses	530	186
	<u>530</u>	<u>186</u>

HAVELLS EXIM LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2014

8. 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.

	Year Ended 31 March 2014	Period from 1 January 2012 to 31 March 2013
	US\$	US\$
Provision for the year/period	-	321
Under provision in prior year	-	278
Over provision in prior year	(142)	-
	<u>(142)</u>	<u>599</u>

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

	Year Ended 31 March 2014	Period from 1 January 2012 to 31 March 2013
	US\$	US\$
Profit before tax	<u>1,141,215</u>	<u>806,361</u>
Tax at the statutory tax rate of 16.5%	188,300	133,050
Adjustments in respect of current tax of previous year	(142)	278
Income not subject to tax	<u>(188,300)</u>	<u>(132,729)</u>
	<u>(142)</u>	<u>599</u>

9. INVENTORIES

	31 March 2014	31 March 2013
	US\$	US\$
Goods in transit	<u>-</u>	<u>2,891,701</u>

HAVELLS EXIM LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2014

10. TRADE RECEIVABLES

	31 March 2014 US\$	31 March 2013 US\$
Due from immediate holding company	2,108,525	6,413,681
Due from fellow subsidiaries	37,600,710	34,372,646
	<u>39,709,235</u>	<u>4,07,86,327</u>

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:

	31 March 2014 US\$	31 March 2013 US\$
Neither past due nor impaired	38,983,400	39,026,694
1 to 60 Days Past due	725,835	1,759,633
	<u>39,709,235</u>	<u>40,786,327</u>

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.

HAVELLS EXIM LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2014

11. TRADE AND BILLS AND OTHER PAYABLES

	31 March 2014 US\$	31 March 2013 US\$
Trade payables	35,129,177	22,902,875
Due to the immediate holding company	2,051,662	1,545,479
Bills payables	-	17,878,003
Other payables	<u>48,948</u>	<u>75,962</u>
	<u><u>37,229,787</u></u>	<u><u>42,402,319</u></u>

As at 31 March 2014, included in the Company's other payables are amounts due to immediate holding company and a fellow subsidiary of US\$13,000 and 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.

12. SHARE CAPITAL

	31 March 2014 US\$	31 March 2013 US\$
Authorised:		
100,000 (31 March 2013: 100,000) ordinary shares of HK\$1 each	<u>12,820</u>	<u>12,820</u>
Issued and fully paid:		
1,000 (31 March 2013: 1,000) ordinary shares of HK\$1 each	<u>128</u>	<u>128</u>

HAVELLS EXIM LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2014

13. 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:

	Year Ended 31 March 2014	Period from 1 January 2012 to 31 March 2013
Immediate holding company:		
Sales of goods	11,394,372	13,091,105
Purchases of goods	16,148,228	11,945,318
Management fee paid	52,000	60,983
Corporate guarantees granted to the Company	-	1,78,78,003
Fellow subsidiaries:		
Sales of goods	149,356,288	136,857,371
Management fee paid	267,598	327,845
Purchases of goods from a joint venture of the immediate holding company of the Company	<u>10,950,880</u>	<u>1,241,680</u>

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

14. 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 10 to the financial statements.

31 March 2014

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 year ended 31 March 2014 and period ended 31 March 2013.

15. 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.

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on DD-MM-YY