

# **Havells Malta Limited**

## **Report and consolidated financial statements for the year ended 31 December 2014**

Company number C40825

**Havells Malta Limited**  
**Report and consolidated financial statements for the year ended 31 December 2014**

	<b>Page</b>
Directors and advisors	2
Directors' report	3
Statement of directors' responsibilities	4
Consolidated income statements for the year ended 31 December 2014	5
Company income statement for the year ended 31 December 2014	6
Consolidated statements of comprehensive income for the year ended 31 December 2014	7
Company statement of comprehensive income for the year ended 31 December 2014	8
Consolidated statements of financial position as at 31 December 2014	9
Company statement of financial position as at 31 December 2014	10
Consolidated cash flow statements for the year ended 31 December 2014	11
Company cash flow statement for the year ended 31 December 2014	12
Consolidated statements of changes in equity for the year ended 31 December 2014	13
Company statement of changes in equity for the year ended 31 December 2014	14
The notes on pages 15 to 36 are an integral part of these financial statements.	15 - 36
Independent auditor's report	37 - 38

**Directors and advisors**

**Directors**

Mr Anil Rai Gupta  
Mr Ameet Kumar Gupta  
Mr Bernard Zammit

**Company secretary**

Mr Bernard Zammit

**Auditors**

Ernst & Young Malta Limited  
Regional Business Centre  
Achille Ferris Street  
Msida MSD 1751  
Malta

**Registered office**

Level 2 West, Mercury Tower  
Exchange Financial & Business Centre  
Ella Zammit Street, St. Julian's, STJ 3155  
Malta

**Bankers**

HSBC Bank Malta plc  
Operations Centre  
Qormi  
Malta

**Havells Malta Limited**  
**Report and consolidated financial statements for the year ended 31 December 2014**

**Directors' report**

The directors present their report on the audited consolidated financial statements of Havells Malta Limited (hereafter the 'Company') and the entities it controlled (hereafter the 'Group') at the end of, or during, the year from 1 January 2014 to 31 December 2014 (hereafter the 'year'). The comparatives in these financial statements are for the year from 1 January 2013 to 31 December 2013.

The Company was incorporated on 19 February 2007 as a limited liability company domiciled in the Republic of Malta. The Company's registration number is C40825.

**Principal activities**

The principal activities of the Group are the design, manufacture and distribution of lighting products, which include modular components, lamps and fixtures. The Group is a manufacturer of a wide variety of lamps and fixtures including incandescent, fluorescent, compact fluorescent, HID (high intensity discharge), halogen, LED and special lamps. A light fixture or luminaire is an electrical device used to create artificial light. A complete lighting fixture unit consists of the lamp, the reflector for directing the light, an aperture (with or without a lens), the outer shell or housing for lamp alignment, protection and design, a ballast, if required, and connection to a power source. The Group serves a diverse international customer base and has seven manufacturing plants in seven countries.

**Review of business:**

**Main events in the year**

2014 was dedicated to focus on consolidation and preparing the Group for higher profitability and growth. The group launched innovative products in LED applications while winning several industry and critic awards.

In Latin America, the focus was on growth, mainly through expansion of product portfolio under LED and fixtures product.

**Consolidated Sales and Results**

Sales for the continuing operations for the year ended 31 December 2014 were € 436,934 (year ended 31 December 2013: €429,641). The profit for the financial year of € 940 (year ended 31 December 2013: Profit of €1,982) will be transferred to reserves. The directors do not recommend the payment of a dividend (2013: Nil).

**Key performance indicators**

Various KPIs are monitored at regional management level. The directors consider the key KPIs for the Group to be turnover, gross margin, net debt position and working capital.

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Turnover (€ '000s)	436,934	429,641
Gross margin	32.2%	32.4%
Net debt (€ '000s)	43,716	61,671
Working capital (€'000)	70,143	83,526

The decrease in working capital versus 2013 is primarily the result of an optimization of inventory level and increase in trade and other payables due to improved credit terms with the supplier.

The reduction in net debt level is driven by the repayment of half yearly installment under term loan facility of € 77,500.

**Research and development**

The main focus of the research and development activity is to provide significant new products in lamps and fixtures and enhancing existing products to maintain the Group's position as a leader in optimum lighting solutions. The research and development costs charged to the income statement in the year amounted to € 6,192 (2013: €6,091).

**Future developments**

Despite the directors remaining cautious about the sustainability of the economic recovery in some countries, the directors expect demand in the main markets and in emerging markets to recover during 2015. To increase profitability, the Group continually seeks to drive product costs lower through introducing innovative higher margin products and a number of cost reduction initiatives.

The directors expect that the introduction of new products (particularly in LED and fixtures product range) should add to the overall sales growth and profitability of the group.

**Personnel and Organisation**

The Group participates in various local and one pan-European works council and through these forums provide relevant information to the employees. Through these forums the Group has regular consultation with the employees and their representatives to allow the views of the employees to be expressed on issues that are likely to affect their interests.

The Group encourages diversity in its hiring and promoting process and does not discriminate based on race, religion, sexual orientation, gender, age or disability or any other quality except performance and success.

The management of Havells Malta Limited would like to thank its staff for their commitment and effort during the year.

**Insurance of directors**

The Group maintains insurance for directors and officers for general liabilities in respect of their duties as directors and officers of the Group.

**Directors**

At the date of this report the directors are Mr Anil Rai Gupta, Mr Ameet Kumar Gupta and Mr Bernard Zammit. There were no changes in directors during the year.

**Post balance sheet events**

The details of the post balance sheet events are provided in Note 27.

**Auditors and disclosure of information to auditors**

As far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, Ernst & Young Malta Limited, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

### Statement of directors' responsibilities

The directors are required by the Companies Act, Cap. 386 of the Laws of Malta to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of each reporting period and of the profit or loss for that period.


In preparing the financial statements, the directors are responsible for :

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business as a going concern.

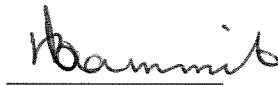
The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, Cap. 386 of the Laws of Malta. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board, 12<sup>th</sup> March 2015.



Anil Rai Gupta



Bernard Zammit

**Consolidated income statements**

For the year ended 31 December 2014

	Notes	2014	2013
		€ '000	Reclassified* € '000
<b>Revenue</b>			
Sale of goods		436,934	429,641
<b>Cost of sales</b>	17, 18	<u>(296,450)</u>	<u>(290,254)</u>
<b>Gross profit</b>		<b>140,484</b>	<b>139,387</b>
Distribution expenses	18	(14,129)	(14,432)
Research and development		(6,192)	(6,091)
Selling expenses	17, 18	(73,617)	(74,663)
General and administrative expenses	17, 18	(28,025)	(27,724)
Net foreign exchange losses		(4,577)	(3,944)
Hyperinflation adjustment		(75)	(576)
Other income		1,246	3,000
Other expense		<u>(3,569)</u>	<u>(276)</u>
<b>Total selling, general and administrative expenses</b>		<b><u>(128,938)</u></b>	<b><u>(124,706)</u></b>
<b>Operating Profit</b>		<b>11,546</b>	<b>14,681</b>
Finance income	20	81	73
Finance costs	20	<u>(7,030)</u>	<u>(6,192)</u>
<b>Profit/(Loss) before tax</b>		<b>4,597</b>	<b>8,562</b>
Income tax income/(expense)	15	<u>(3,657)</u>	<u>(6,580)</u>
<b>Profit/(Loss) for the year</b>		<b><u>940</u></b>	<b><u>1,982</u></b>
Attributable to :			
Owners of the parent		940	1,982
Non-controlling interest#		-	-
		<b><u>940</u></b>	<b><u>1,982</u></b>

#The current year loss attributable to non-controlling interest is € 0.3577(2013: € 0.015), therefore rounded off in the consolidated income statement.

\* Certain numbers shown here do not correspond to 2013 financial statements and reflect adjustment made as detailed in note no 26

The notes on pages 15 to 36 are an integral part of these financial statements.

**Company income statement**  
for the year ended 31 December 2014

	Notes	<u>2014</u> € '000	<u>2013</u> € '000
General and administrative expenses		(13)	(12)
Other expenses		-	(33)
<b>Operating Loss</b>		<u>(13)</u>	<u>(45)</u>
Income Tax		-	-
<b>Loss after tax</b>		<u>(13)</u>	<u>(45)</u>
<b>Loss for the year</b>		<u>(13)</u>	<u>(45)</u>

All amounts are attributable to the owners of the parent.

The notes on pages 15 to 36 are an integral part of these financial statements.

**Consolidated statements of comprehensive income**

for the year ended 31 December 2014

	Notes	<u>2014</u> € '000	<u>2013</u> € '000
Profit/(Loss) for the year		940	1,982
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>			
Actuarial losses and gains on retirement benefit obligations	14	(12,480)	559
Income tax effect	5	<u>2,650</u> (9,830)	<u>(145)</u> 414
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>			
Mark to Market on Interest rate swap		(15)	213
Income tax effect	5	<u>3</u> (12)	<u>(50)</u> 163
Currency translation differences		1,374	(6,699)
Income tax effect		<u>-</u>	<u>-</u>
		1,374	(6,699)
<b>Other comprehensive income for the year, net of tax</b>		<b>(8,468)</b>	<b>(6,122)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b><u>(7,528)</u></b>	<b><u>(4,140)</u></b>
Attributable to :			
Owners of the parent		(7,528)	(4,140)
Non-controlling interest		<u>-</u>	<u>-</u>
		<b><u>(7,528)</u></b>	<b><u>(4,140)</u></b>

The notes on pages 15 to 36 are an integral part of these financial statements.



**Company statement of comprehensive income**  
for the year ended 31 December 2014

	<u>2014</u> €000	<u>2013</u> €000
Loss for the year	(13)	(45)
Other comprehensive income, net of tax	-	-
Total comprehensive income, net of tax	<u>(13)</u>	<u>(45)</u>

All amounts are attributable to the owners of the parent.

The notes on pages 15 to 36 are an integral part of these financial statements.

**Consolidated statements of financial position**  
as at 31 December 2014

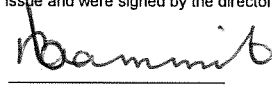
		2014	2013 Reclassified*
	Notes	€ '000	€ '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property plant and equipment	3	40,355	41,645
Intangible assets	4	32,145	32,283
Prepayments		1,314	5,120
Deferred tax assets	5	9,920	3,225
		<u>83,734</u>	<u>82,273</u>
<b>Current assets</b>			
Inventories	8	91,969	98,362
Trade and other receivables	6	110,104	107,150
Derivative financial assets	7	571	407
Prepayments		6,405	9,887
Cash and cash equivalents	9	28,416	19,786
		<u>237,465</u>	<u>235,592</u>
<b>Total assets</b>		<u><b>321,199</b></u>	<u><b>317,865</b></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Called up issued share capital	10	141,258	141,258
Cash flow hedge reserve		(331)	(319)
Currency translation reserve		(9,405)	(10,779)
Other reserves		(20,113)	(10,283)
Hyperinflationary reserve		1,372	1,372
Accumulated losses		(59,881)	(60,821)
Equity attributable to owners of the parent		<u>52,900</u>	<u>60,428</u>
Non controlling Interest		13	13
<b>Total equity</b>		<u><b>52,913</b></u>	<u><b>60,441</b></u>
<b>Non-current liabilities</b>			
Borrowings	12	45,177	57,339
Derivative financial liabilities	7	445	430
Retirement benefit obligations	14	52,007	40,758
Provisions for other liabilities and charges	13	3,895	2,500
Deferred tax liabilities	5	901	-
		<u>102,425</u>	<u>101,027</u>
<b>Current liabilities</b>			
Trade and other payables	11	128,655	123,959
Current income tax liabilities		2,880	-
Borrowings	12	26,955	24,118
Provisions for other liabilities and charges	13	7,371	8,320
		<u>165,861</u>	<u>156,397</u>
<b>Total liabilities</b>		<u><b>268,286</b></u>	<u><b>257,424</b></u>
<b>Total equity and liabilities</b>		<u><b>321,199</b></u>	<u><b>317,865</b></u>

The notes on pages 15 to 36 are an integral part of these financial statements.

\* Certain numbers shown here do not correspond to 2013 financial statements and reflect adjustment made as detailed in note no 26.

The financial statements were approved and authorised for issue and were signed by the directors on 12<sup>th</sup> March 2015.

  
Anil Rai Gupta

  
Bernard Zammit

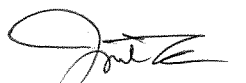
**Company statement of financial position**

as at 31 December 2014


	Notes	2014 € '000	2013 € '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiary	23	141,041	141,041
		<u>141,041</u>	<u>141,041</u>
<b>Current assets</b>			
Cash and cash equivalents	9	46	59
<b>Total assets</b>		<u>141,087</u>	<u>141,100</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Called up issued share capital	10	141,258	141,258
Retained earnings		(180)	(167)
<b>Total equity</b>		<u>141,078</u>	<u>141,091</u>
<b>Current liabilities</b>			
Trade and other payables	11	9	9
<b>Total liabilities</b>		<u>9</u>	<u>9</u>
<b>Total equity and liabilities</b>		<u>141,087</u>	<u>141,100</u>

The notes on pages 15 to 36 are an integral part of these financial statements.

The financial statements were approved and authorised for issue and were signed by the directors on 12<sup>th</sup> March 2015.



Anil Rai Gupta



Bernard Zammit

**Consolidated cash flow statements**

for the year ended 31 December 2014

	2014	2013
	€ '000	€ '000
<b>Operating activities</b>		
Profit before tax	4,597	8,562
<i>Non cash adjustments to reconcile profit before tax to net cash flows:</i>		
Depreciation	5,684	5,217
Impairments	1,577	38
Amortisation	372	374
(Profit)/Loss on disposal of property, plant and equipment	40	2
Finance costs	6,949	6,119
Reversal of provisions	-	(1,200)
Foreign exchange loss on operating activities	(1,374)	3,944
Hyperinflationary adjustment	15	576
Working capital adjustments		
(Increase)/decrease in inventories	8,519	(6,971)
(Increase)/decrease in trade and other receivables and prepayments	4,494	(3,666)
Increase/(decrease) in trade and other payables	948	13,380
<b>Cash flow from operating activities</b>	<b>31,821</b>	<b>26,375</b>
Interest paid	(6,539)	(4,777)
Interest received	81	73
Income taxes paid	(2,602)	(4,275)
<b>Net cash flows from operating activities</b>	<b>22,761</b>	<b>17,396</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(4,983)	(5,144)
Proceeds from sale of property, plant and equipment	27	140
Purchase of intangible assets	(228)	(59)
<b>Net cash flows used in investing activities</b>	<b>(5,184)</b>	<b>(5,063)</b>
<b>Financing activities</b>		
Proceeds from issuance of redeemable preference shares	-	20
Proceeds from borrowings from banks	5,989	12,000
Repayment of borrowings to banks	(13,930)	(17,037)
Finance lease capital payments	(492)	(481)
<b>Net cash flows used in from financing activities</b>	<b>(8,433)</b>	<b>(5,498)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9,144</b>	<b>6,835</b>
Net foreign exchange differences	(667)	(787)
Cash and cash equivalents at 1 January 2014	19,784	13,736
<b>Cash and cash equivalents at 31 December 2014</b>	<b>28,261</b>	<b>19,784</b>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents (Note 9)	28,416	19,786
Bank overdrafts (Note 12)	(155)	(2)
	<b>28,261</b>	<b>19,784</b>

Cash and cash equivalents at the end of the period include deposits with banks amounting to € 618 held by Havells Sylvania Venezuela a subsidiary which are not freely remissible because of currency exchange restrictions.

The notes on pages 15 to 36 are an integral part of these financial statements.

**Company cash flow statement**

For the year ended 31 December 2014

	<u>2014</u>	<u>2013</u>
	€ '000	€ '000
<b>Operating activities</b>		
Loss before tax	(13)	(45)
<i>Working capital adjustments</i>		
Trade and other payables	-	(3)
<b>Net Cash flows used in operating activities</b>	<u>(13)</u>	<u>(48)</u>
<b>Net cash (used in)/generated from operating activities</b>	<u>(13)</u>	<u>(48)</u>
<b>Investing activities</b>		
Additional investment in subsidiaries	-	83
<b>Net cash flows used in investing activities</b>	<u>-</u>	<u>83</u>
<b>Financing activities</b>		
Proceeds from issuance of redeemable preference shares	-	20
<b>Net cash flows from financing activities</b>	<u>-</u>	<u>20</u>
Net increase/(decrease) in cash and cash equivalents	(13)	55
Cash and cash equivalents at 1 January 2014	59	4
<b>Cash and cash equivalents at 31 December 2014 (note 9)</b>	<u><u>46</u></u>	<u><u>59</u></u>

The notes on pages 15 to 36 are an integral part of these financial statements.

**Consolidated statements of changes in equity**  
for the year ended 31 December 2014

	Attributable to the owners of the parent						Total	Non-controlling Interest	Total equity
	Share capital	Accumulated losses	Currency translation reserve	Other reserves#	Cash Flow Hedge Reserve	Hyper inflationary reserve			
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	
As at 1 January 2013	141,238	(62,803)	(4,080)	(10,697)	(482)	658	63,834	13	63,847
Profit/(Loss) for the year	-	1,982	-	-	-	-	1,982	-	1,982
Other comprehensive income	-	-	(6,699)	414	163	-	(6,122)	-	(6,122)
Hyper inflation adjustment	-	-	-	-	-	714	714	-	714
Total comprehensive income	141,238	(60,821)	(10,779)	(10,283)	(319)	1,372	60,408	13	60,421
Issue of preference shares	20	-	-	-	-	-	20	-	20
As at 31 December 2013	141,258	(60,821)	(10,779)	(10,283)	(319)	1,372	60,428	13	60,441
Profit/(Loss) for the year	-	940	-	-	-	-	940	-	940
Other comprehensive income	-	-	1,374	(9,830)	(12)	-	(8,468)	-	(8,468)
Hyper inflation adjustment	-	-	-	-	-	-	-	-	-
Total comprehensive income	141,258	(59,881)	(9,405)	(20,113)	(331)	1,372	52,900	13	52,913
Issue of preference shares	-	-	-	-	-	-	-	-	-
As at 31 December 2014	141,258	(59,881)	(9,405)	(20,113)	(331)	1,372	52,900	13	52,913

**Other reserves**

# Other reserves constitute of actuarial gains/(losses) on increase/decrease in present value of pension obligation and fair value of plan assets due to change in actuarial assumptions on year on year basis.

The notes on pages 15 to 36 are an integral part of these financial statements.

Havells Malta Limited

Report and consolidated financial statements for the year ended 31 December 2014

**Company statement of changes in equity**  
For the year ended 31 December 2014

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
	€ '000	€ '000	€ '000
As at 1 January 2013	141,238	(122)	141,116
Loss for the year	-	(45)	(45)
Total comprehensive income	141,238	(167)	141,071
Issue of preference shares	20	-	20
As at 31 December 2013	141,258	(167)	141,091
Loss for the year	-	(13)	(13)
Total comprehensive income	141,258	(180)	141,078
As at 31 December 2014	141,258	(180)	141,078

The notes on pages 15 to 36 are an integral part of these financial statements.

## Notes to the consolidated financial statements

### 1. Corporate information

The consolidated financial statements of the Havells Malta Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 12 March 2015. Havells Malta Limited (the Company) is a limited company incorporated and domiciled in Malta and whose shares are not publicly traded. The registered office is located at Level 2 West, Mercury Tower, Exchange Financial & Business Centre, Elia Zammit Street, St. Julian's, STJ 3155, Malta.

The principal activities of the Group are the design, manufacture and distribution of lighting products, which include modular components, lamps and fixtures. Information on the Groups ultimate parent is presented in Note 25.

### 2.1 Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the requirements of the Companies Act 1995. The financial statements are prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments.

The consolidated financial statements comprise the financial information of Havells Malta Limited and of its subsidiaries in which it exercises a controlling interest and are presented in Euros and all values are rounded to the nearest thousand (€000) except where otherwise indicated.

The preparation of financial statements in conformity with IFRS as adopted by the EU require the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement, or assumptions and estimates significant to the consolidated financial statements are disclosed in Note 2.5.

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014. A list of the companies included in the consolidation is shown in Note 23. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 2.3 Summary of Significant Accounting Policies

#### A. Revenue recognition

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

#### a) Sales of goods

Revenue comprises the fair value of the consideration received or receivable from the supply of goods in the ordinary course of the Group's activities. Revenue is shown inclusive of the WEEE (Waste Electrical and Electronic Equipment's) levy to customers and net of value added tax, returns, rebates and discounts and after eliminating sales within the Group. Income from the supply of goods is recognised as soon as all substantial risks and rewards relating to the title of the goods has been transferred to the customer.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### b) Interest income

Interest income is recognised when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount can be measured reliably, using the effective interest method.

#### B. Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euros, which is also the parent company's functional and presentation currency, being the currency in which the company's share capital is denominated.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or foreign currency differences on long-term loans relating to the financing of participating interests.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as:

- a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions) and
- c) all resulting exchange differences are recognised as a separate component of equity.
- d) the results and financial position of Havells Sylvania Venezuela C.A. are translated at the market rate rather than the official rate due to the hyper-inflationary economy. The change from the official rate to the market rate for translation was reflected in the currency translation adjustment of other comprehensive income in equity.

#### C. Property plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met.

Depreciation is based on acquisition cost. Land is not depreciated. Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values from their acquisition date over the estimated useful economic lives as follows:

Buildings	20-39 years
Machinery	5-15 years
Other assets	3-5 years



The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation on assets under construction is not charged until the asset is ready to put to use.

Assets disposed of in the year are depreciated to the date of disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other expenses' in the income statement.

Interest expenses are capitalised for the period of production of qualifying assets. Capitalised interest is calculated on the basis of an average interest rate, taking payments and the period of manufacture into consideration.

**D. Non-current assets held for sale**

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

**E. Intangible assets**

**a) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment (see Note 4) and carried at cost less accumulated impairment losses. Impairment is determined by assessing the recoverable amount of each cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount an impairment loss is recognised. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**b) Brands**

Brands were acquired as part of the Sylvania Group and are stated at fair value. The fair values of acquired identifiable intangibles are based on an assessment of future cash flows. The various Brands have been in existence for periods up to 100 years, and there is every intention to continue supporting them. Consequently it is believed that the Brands have an indefinite life and are not amortised. Instead impairment testing is performed annually and whenever a triggering event has occurred to determine whether the carrying value exceeds the recoverable amount (see Note 4).

**c) Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that are more than likely to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three to five years).

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

**F. Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment and when circumstances indicate the carrying value may be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

**G. Research and development**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

**H. Inventories**

Inventories are valued at the lower of cost or net realisable value.

Cost incurred in bringing each product to its present location and condition are accounted for as follows:

Raw Material - Purchase cost on a first in, first out basis.

Finished goods and Work in progress: Cost of direct materials and labour, plus attributable overheads based on normal levels of activity, but excluding borrowing cost.

Realisable value represents the estimated selling price less directly attributable selling expenses, net of allowance for obsolescence of inventories where applicable.

Provisions are made for slow moving and obsolete stock of the direct costs plus the appropriate overhead less any expected net revenue from disposal.

**I. Financial Instruments**

**(a) Financial Assets**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group's financial assets include cash and short-term deposits (Note 9) and trade and other receivables (Note 6) and derivative financial instruments (Note 7).

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired

The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**(b) Financial Liabilities**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings and derivative financial instruments. The Group has designated derivative financial instruments as financial liabilities at fair value through profit or loss (Note 7). Trade and other payables (Note 11), bank overdraft (Note 12), loans and borrowings (Note 12) are designated as loans and borrowings.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification as described below:

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

**Loans and borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

**(c) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**J. Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and, for the purpose of the consolidated statement of cash flows, bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**K. Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific assets or assets or the arrangement conveys a right to use the assets, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January, 2005 in accordance with the transition requirement of IFRIC 4.

**Finance Leases**

The Group leases some assets where the risks and rewards incidental to ownership are largely transferred to the Group. These assets are capitalised and recognised in the balance sheet at the lower of the fair value of the asset and the discounted value of the minimum lease instalments. The lease instalments payable are broken down into repayment and interest components, based on a fixed interest rate and equal instalments. The lease commitments are carried under liabilities exclusive of interest. The interest component is recognised in the income statement in accordance with the lease instalments. The relevant assets are depreciated over the remaining useful lives or the lease term, if this is shorter.

**Operating leases**

Lease contracts for which a significant part of the risks and rewards incidental to ownership of the assets does not lie with the Group, are recognised as operating leases. Obligations under operating leases are recognised on a straight-line basis in the income statement over the term of the contract. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

**L. Borrowing cost**

Borrowing cost directly attributable to the acquisition, construction or production of an assets that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as a part of cost of the assets. All other borrowing costs are expenses in the period in which they occur. Borrowing cost consisted of interest, other cost that an entity incur in connection with the borrowing of funds.

**M. Provisions**

**General**

Provisions are formed for legally enforceable or constructive obligations existing on the balance sheet date, the settlement of which is likely to require outflow of resources and the extent of which can be reliably estimated. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, the provisions are discounted over the life of their expected cash flows, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**Restructuring provisions**

The provision for restructuring relates to the estimated costs of initiated reorganizations that have been approved by the Board of Management, and which involve the realignment of certain parts of the manufacturing, selling and administration organization. When such reorganizations require discontinuance and/or closure of lines of activities, the anticipated costs of closure or discontinuance are included in restructuring provisions. A liability is recognized for those costs only when the Company has a detailed formal plan for the restructuring and has raised a valid expectation with those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

**Waste Electrical and Electronic Equipment (WEEE)**

The Group is a provider of electrical equipment that falls under the EU Directive on Waste Electrical and Electronic Equipment. The directive distinguishes between waste management of equipment sold to private households prior to a date as determined by each Member State (historical waste) and waste management of equipment sold to private households after that date (new waste). A provision for the expected costs of management of historical waste is recognised when the Group participates in the market during the measurement period as determined by each Member State, and the costs can be reliably measured. These costs are recognised as other operating costs in the income statement.

**N. Employee benefits**

**(a) Pension obligations**

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(b) Other post employment obligations**

Some Group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee completing a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

**(c) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

**(d) Profit-sharing and bonus plans**

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**O. Current and deferred income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on carry forward of unused tax losses and on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**P. Derivative instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 7. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Group utilises derivative financial instruments to reduce fluctuation in interest rates. The fair value of financial instruments is based on information available and provided by financial institutions to management. Financial instruments are not used for trading purposes.

Changes in fair value of those instruments will be reported in the operating result or equity depending on whether the financial instrument qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative and the effect on the consolidated financial statements will depend on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of cash flows of the asset or liability hedged.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the ineffective portion is recognised in the income statement within 'Finance Cost'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

**Cash flow hedges**

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement as other operating expenses.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

**2.4 Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2014:

The adoption of the standards or interpretations is described below:

**IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**

The Group adopted IFRS 10 in the current year. The application of IFRS 10 has no impact on the group's financial position or performance. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

**IFRS 11 Joint Arrangements**

The Group adopted IFRS 11 in the current year. As there are no joint arrangements therefore the application of IFRS 11 has not impact on the group's financial position or performance. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

**IFRS 12 Disclosure of Interests in Other Entities**

The Group adopted IFRS 12 in the current year. The application of IFRS 12 has no impact on the group's financial position or performance. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

**Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

**Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32**

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

**IAS 39 Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39**

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

**Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets**

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. These amendments has no impact on the group's financial position or performance.

**IAS 19 Defined Benefit Plans: Employee Contributions**

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 April 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties. These amendments has no impact on the group's financial position or performance, since none of the entities within the group has defined benefit plans with contribution from employees or third parties.

**IFRIC 21 Levies**

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

**IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)**

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013 and has no impact on Group's financial position or performance.

**Annual Improvements 2010-2012 and 2011-2013 Cycle**

In December 2013, the IASB issued two cycles of annual improvements to IFRS that contain changes to eleven standards. The amendments are generally effective from 1 July 2014 either prospectively or retrospectively. The management is in the process of evaluating the impact of these changes.

**Havells Malta Limited**  
**Report and consolidated financial statements for the year ended 31 December 2014**

**Standards and interpretations issued not yet effective and not yet endorsed by the EU**

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

**IFRS 14 Regulatory Deferral Accounts**

IFRS 14 was issued to provide first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed. This is not relevant to the Group, since the Group is not a first-time adopter.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

**2.5 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Group made significant judgements in applying its accounting policies in the following areas:

**Impairment of non financial assets**

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are further explained in Note 4. See Note 3 for details of impairment in property plant and equipment.

The carrying value of intangible assets are assessed based on projections of future cash flows. See Note 4 for details of the impairment exercise performed by management.

**Tax**

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has tax loss carry forwards amounting to € 235 million. (2013: €251 million). These losses relates to subsidiaries that have history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward. If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by € 71 million (2013: €74). Further details on taxes are disclosed in Note 5.

**Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

**Pension**

The Group has various pension plans covering eligible employees. The cost of defined benefit pension plans and other post employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Details of the accounting estimate and judgements relating to these pension plans are included in Note 14.

**Plant, Property & Equipment**

The group charge the depreciation on assets using the straight-line method to allocate their cost to their residual values from their acquisition date over the estimated useful economic lives. At every year end, the estimated useful life of assets are assessed.

**Provisions**

The Group has various provisions the final outcome of which is uncertain, details of which are included in Note 13.

**2.6 Risk management**

The Group's multi-national operations have a number of financial risks associated with them. The Group has detailed policies and procedures in place to mitigate these risks.

The following risks are considered by the Directors to be associated with the operation of the Group:

**Strategic risks**

The Group operates in very competitive market conditions. The Group competes in markets in which there are large global companies who compete vigorously on price, service, innovation and other factors. Increasingly Asian competitors are competing on price within Europe and other key markets. The Group's competitors are well financed and aggressively seeking market share.

The Group depends on a number of key customers for a significant portion of the business and a change in a customer relationship or customer performance could harm the Group's business. To mitigate these risks, the Group actively monitors the market to ensure that our products are as competitive as possible.

**Supply Chain risks**

The Group relies on a variety of third parties to supply a proportion of finished products and components. The failure of one or more suppliers to meet its commitments could adversely affect the Group's ability to meet demand for products. Similarly, unanticipated increases in prices from suppliers could affect the Group's performance. To mitigate this risk, the supply chain maintains close relationships with each of our suppliers and has more than one supplier for almost all products.

**Legal risks**

The Group is subject to numerous risks in legal proceedings in which the Group are currently participants or could become so in the future. The Group is or has been subject to lawsuits, claims or proceedings involving contracts, environmental issues, intellectual property, product liability and personal injury. The Group records a provision when (1) a present obligation as a result of a past event exists; (2) it is probable that a payment of some type will need to be made to settle the obligation and (3) a reliable estimate can be made of the amount of the obligation. The Group actively monitors its compliance with the regulatory framework, in which it operates and tries through a variety of programs, policies and contractual provision to avoid situations that could result in legal proceedings.

**Regulatory risk**

The Group is subject to a variety of regulatory requirements including those related to tariffs and trade barriers (such as anti-dumping duties), health and safety, environmental protection, tax, and employment practices. Each country has a different and constantly changing regulatory regime. Changes in either the enforcement or structure of any of these regulations could adversely affect the Group's business. The Group monitors these risks through participation in various industry forums, and through constant interaction with professional advisors and government agencies.

The Group uses various raw materials in its manufacturing processes that are subject to environmental regulations on use and disposal. All of the Group's manufacturing facilities use environmental management systems that meet governmental requirements and industry standards (such as ISO 9001 and 14001). Operations in Europe are also required to comply with the WEEE directive (Waste Electrical and Electronic Equipment) and all products sold in Europe are RoHS (Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment) compliant.

**Financial risks**

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign exchange risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments and natural hedges to hedge certain risk exposures.

Risk management is carried out by the central treasury department guided by the treasury policy. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating companies.

**Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments

**Trade receivables**

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored. Trade receivables amount to € 110,104 (2013: €107,150) at 31 December 2014. Details on overdues and impairment are included in Note 6.

The requirement for impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 7.

The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

**Liquidity risk**

The Group requires efficient and cost effective financing in order to operate profitably. A negative development in the capital markets (such as the recent sub-prime mortgage problems in the United States) could increase our cost of capital or limit our financial flexibility. In 2012, the Group entered into new loan agreement of €77,500 at Euribor + 3.50% pa interest rate with banking group HSBC, ICICI and Standard Chartered Bank which will be paid in six half yearly instalments and a bullet payment on May 2016. This funding was primarily used to repay its term loan borrowing with Barclays Bank which was to be expired in 2013. In 2013 the Group has availed fresh loan amounting to € 12,000 from Standard Chartered Bank at Euribor + 3.75% pa which will be paid in six half yearly instalments starting from March 2016. The Group is, on an ongoing basis, monitoring the compliance with the associated covenants of this facility. The covenants primarily relates to EBITDA and net debt related financial ratios for the quarter and year-end period. In addition the Group has a number of other committed and uncommitted facilities, primarily comprising of bank overdrafts and working capital loans.

To ensure payment ability and financial flexibility, a liquidity reserve in the form of credit lines as well as cash resources are maintained.

As per December 31, 2014 the undrawn facilities amounts to € 24 million (2013: € 29 million).

**Havells Malta Limited**

**Report and consolidated financial statements for the year ended 31 December 2014**

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Particulars	Aging As at Dec 2014				Aging As at Dec 2013			
	Within 1 Year	1-5 Year	> 5 years	Total	Within 1 Year	1-5 Year	> 5 years	Total
€ '000								
Trade and other payables	128,655	-	-	128,655	123,959	-	-	123,959
Derivative financial liabilities	-	445	-	445	-	430	-	430
Interest bearing loans and borrowings	29,085	46,067	-	75,152	26,803	60,360	-	87,163
<b>Total</b>	<b>157,740</b>	<b>46,512</b>	<b>-</b>	<b>204,252</b>	<b>150,762</b>	<b>60,790</b>	<b>-</b>	<b>211,552</b>

**Foreign exchange risk**

The global operations expose the Group to foreign currency exchange risk in the ordinary course of business. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The main foreign exchange risk for the Group is the Euro against the US Dollar and Pound Sterling. Exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility due to the fact that a large number of the companies in the Group have a different functional currency than the Company. The treasury department has a number of policies and mechanisms that it employs to mitigate the risk of a shift in foreign exchange rates impacting the profitability of the Group.

The Group's main foreign exchange exposures are against the US Dollar and the Pound Sterling. If the US Dollar had strengthened by 10% against the Euro at the end of 2014, with all other variables held constant, the Net Assets of the Group would have decreased by € 2,257 (2013: € 395) on translation into Euro. A similar strengthening of the Pound Sterling against the Euro would lead to an increase in Net Assets of € 609 (2013: € 445). Upon translation into Euro, the operating profit for the year would have increased by € 641 (2013: € 456) as a result of the US Dollar strengthening by 10% against the Euro over the year whereas the impact of a similar strengthening of the Pound Sterling would have been an increase in the operating profit by € 271 (2013: € 242).

**Interest rate risk**

The Group's interest rate risk arises from long term borrowings as the Group has no significant interest-bearing assets. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During the period the Group's borrowings at variable rate were mainly denominated in Euro.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

The Group has hedged the interest exposure on approximately 65% (2013: 76%) of its borrowings. For details on the interest rate hedge see Note 7. For the unhedged portion of the borrowings, a change in EURIBOR of 1% would have led to a increase/decrease in income before tax of € 247 (2013: € 196) for the year.

**Capital risk**

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing as at 31 December 2014 was as follows:

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Total borrowings (Note 12)	72,132	81,457
Less: cash and cash equivalents (Note 9)	<u>(28,416)</u>	<u>(19,786)</u>
Net Debt	43,716	61,671
Total equity	<u>52,900</u>	<u>60,428</u>
Total capital	<u>96,616</u>	<u>122,099</u>
Gearing ratio	45%	51%
Total Equity before Exceptional expenses	98,447	105,975
Total Capital before Exceptional expenses	142,163	167,646
Gearing ratio before Exceptional expenses	31%	37%

**Financial Instruments**

The Group engages in treasury transactions to mitigate the risks listed above. This is primarily covered through interest rate swap options. No speculative instruments are allowed by the Group's Treasury Policy.

Havells Malta Limited  
Report and consolidated financial statements for the year ended 31 December 2014

3 Property plant and equipment

€ '000s	Land and buildings	Machinery and equipment	Other fixed assets	Assets under construction	Total
<b>Cost</b>					
At 1st January 2013	79,381	182,493	13,182	1,679	276,735
Additions	1,295	1,574	766	1,509	5,144
Exchange Differences	(808)	(4,972)	(453)	(40)	(6,273)
Disposals	(195)	(15,838)	(550)	-	(16,583)
Capitalized during the year	133	1,663	(3)	(1,793)	-
<b>As at 31st December 2013</b>	<b>79,806</b>	<b>164,920</b>	<b>12,942</b>	<b>1,355</b>	<b>259,023</b>
Additions	424	1,500	1,120	2,116	5,160
Exchange differences	957	(2,455)	219	(11)	(1,290)
Disposals	(64)	(2,617)	(361)	-	(3,042)
Capitalized during the year	212	1,143	15	(1,370)	-
<b>As at 31st December 2014</b>	<b>81,335</b>	<b>162,491</b>	<b>13,935</b>	<b>2,090</b>	<b>259,851</b>
<b>Accumulated depreciation</b>					
At 1 January 2013	(51,172)	(172,333)	(10,286)	-	(233,791)
Depreciation charge	(974)	(3,183)	(1,060)	-	(5,217)
Impairment	-	(38)	-	-	(38)
Exchange difference	144	4,710	370	-	5,224
Disposals	175	15,725	544	-	16,444
<b>As at 31st December 2013</b>	<b>(51,827)</b>	<b>(155,119)</b>	<b>(10,432)</b>	<b>-</b>	<b>(217,378)</b>
Depreciation charge	(1,901)	(2,792)	(991)	-	(5,684)
Impairment	-	(1,577)	-	-	(1,577)
Exchange difference	(262)	2,582	(152)	-	2,168
Disposals	64	2,573	338	-	2,975
<b>As 31st December 2014</b>	<b>(53,926)</b>	<b>(154,333)</b>	<b>(11,237)</b>	<b>-</b>	<b>(219,496)</b>
<b>Net book value</b>					
At 31 December 2014	27,409	8,158	2,698	2,090	40,355
As at 31st December 2013	27,978	9,801	2,510	1,355	41,645

In the year, depreciation expense of € 3,003 (2013: €2,738) has been charged in cost of sales, € 1,170 (2013: €1,195) in distribution expenses, € 300 (2013: €357) in selling expenses and € 1,211 (2013: €927) in general and administrative expenses.

During the year, impairments of plant and machinery and other assets were recognised due to changes in economic conditions and phasing out of the products because of change in legal environment in which the entity operates, resulting in recoverable values being less than the carrying value. The impairment of € 1,577 relates to Plant & Machinery in Tienen and Colombia. (PY 2013 € 38 relates to plant and machinery in Concord, UK).

Property, plant and equipment amounting to € 17,463 (2013: € 19,006) are specifically pledged in respect of term loan from HSBC Bank, Standard Chartered Bank and ICICI Bank (see Note 12). Further property, plant and equipment amounting to € 15,121 (2013 € 16,105) were specifically pledged in respect of loan from Standard Chartered Bank (see Note 12).



## 4 Intangible assets

€ '000s	Goodwill	Brands	Software	Total
<b>Cost</b>				
At 1, January 2013	10,306	21,536	7,670	39,512
Additions	-	-	59	59
Disposals	-	-	(28)	(28)
Exchange differences	-	-	(42)	(42)
<b>At 31, December 2013</b>	<b>10,306</b>	<b>21,536</b>	<b>7,659</b>	<b>39,501</b>
Additions	-	-	228	228
Disposals	-	-	-	-
Exchange differences	-	-	48	48
<b>At 31, December 2014</b>	<b>10,306</b>	<b>21,536</b>	<b>7,935</b>	<b>39,777</b>
<b>Accumulated depreciation</b>				
At 1, January 2013	-	-	(6,902)	(6,902)
Disposals	-	-	23	23
Exchange difference	-	-	35	35
Amortisation charge	-	-	(374)	(374)
<b>At 31, December 2013</b>	<b>-</b>	<b>-</b>	<b>(7,218)</b>	<b>(7,218)</b>
Disposals	-	-	-	-
Exchange difference	-	-	(42)	(42)
Amortisation charge	-	-	(372)	(372)
<b>At 31, December 2014</b>	<b>-</b>	<b>-</b>	<b>[7,632]</b>	<b>[7,632]</b>
<b>Net book value</b>				
At 31 December 2014	10,306	21,536	303	32,145
At 31, December 2013	10,306	21,536	441	32,283

Amortisation expense of € 372 (2013: €374) has been charged to general and administrative expenses in the year.

**Impairment tests for goodwill**

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to geographical area of operations.

A segment-level summary of the goodwill allocation is presented below:

	31-Dec-14	31-Dec-13
Europe	7,340	7,340
Americas	2,466	2,466
Asia	500	500
	<b>10,306</b>	<b>10,306</b>

The recoverable amount is determined based on value-in-use calculations and is higher by € 111,207, € 119,004 and € 16,174 (2013: € 81,257, € 108,132 and € 31,699) than the carrying amount for Europe, America and Asia CGU respectively. These calculations use pre-tax cash flow projections based on financial budgets and projections approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the lighting business in which the CGU operates.

The key assumptions for goodwill impairment testing and for each of the above CGU value in use calculations are a terminal growth rate of 1% (2013: 1%) and an average discount rate of 7.43% (2013: 7.50%). The pre tax average discount rates amounted to 8.11% in 2014 (2013: 8.69%). The calculations performed indicate that there is no impairment of goodwill.

**Key assumptions used in value in use calculations**

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect the specific risks relating to the business and is determined using weighted average cost of capital and market premium

**Sensitivity to changes in assumptions**

With regard to the assessment of value in use of the goodwill, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

**Impairment tests for brands**

The key assumptions used for brands impairment testing are a terminal growth rate of 1% (2013: 1%), a royalty rate between 0.25% and 2.0% (2013: 0.25% and 2.0%) and an average discount rate of 13.6% (2013: 13.28%). The pre tax average discount rates amounted to 13.6% in 2014 (2013: 13.28%). The calculations performed indicate that there is no impairment of brands.

The closing net carrying amount for brands relates entirely to the Sylvania brand. The recoverable value is higher by € 5,499 (2013: € 5,995) than its carrying amount.

**Key assumptions used in value in use calculations**

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect the specific risks relating to the business and is based on weighted average cost of capital and market premium. The royalty rates used are based on management's expectations considering the market premium of "Sylvania" brand in the market.

**Sensitivity to changes in assumptions**

With regard to the assessment of value in use of brands, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Havells Malta Limited

Report and consolidated financial statements for the year ended 31 December 2014

5 **Deferred income tax assets and liabilities**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts are as follows:

	31-Dec-14	31-Dec-13
<b>Deferred tax assets</b>		
€ '000s		
Deferred tax asset to be recovered after more than 12 months	16,976	12,870
Deferred tax asset to be recovered within 12 months	2,362	2,143
	<u>19,338</u>	<u>15,013</u>
<b>Deferred tax liabilities</b>		
Deferred tax liability to be recovered after more than 12 months	10,279	11,634
Deferred tax liability to be recovered within 12 months	40	154
	<u>10,319</u>	<u>11,788</u>
<b>Deferred tax assets [net]</b>	<u>9,019</u>	<u>3,225</u>
<b>Deferred tax assets after setoff</b>	9,920	3,225
<b>Deferred tax liabilities after setoff</b>	901	-

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

€ '000s	Inventory	Plant, Property & Equipment	Accruals	Pensions	Tax losses	Others	Total
<b>Deferred tax assets</b>							
At 31 December 2012	214	1,465	1,448	3,513	7,555	2,976	17,171
(Charged)/credited to income statement	71	(1,077)	(717)	1,288	363	(1,799)	(1,871)
Credited to equity	-	-	-	(237)	-	(50)	(287)
At 31 December 2013	<u>285</u>	<u>388</u>	<u>731</u>	<u>4,564</u>	<u>7,918</u>	<u>1,127</u>	<u>15,013</u>
(Charged)/credited to income statement	(15)	230	125	(403)	1,629	106	1,672
Credited/(debited) to equity	-	-	-	2,650	-	3	2,653
At 31 December 2014	<u>270</u>	<u>618</u>	<u>856</u>	<u>6,811</u>	<u>9,547</u>	<u>1,236</u>	<u>19,338</u>

€ '000s	Inventory	Plant, Property & Equipment	Intangible assets	Pensions	Others	Total
<b>Deferred tax liabilities</b>						
At 31 December 2012	666	3,720	5,599	-	250	10,235
Charged/(credited) to income statement	(666)	1,181	-	1,226	(96)	1,645
Credited/(debited) to equity	-	-	-	(92)	-	(92)
At 31 December 2013	<u>-</u>	<u>4,901</u>	<u>5,599</u>	<u>1,134</u>	<u>154</u>	<u>11,788</u>
Charged/(credited) to income statement	7	(291)	-	(1,064)	(121)	(1,469)
Credited/(debited) to equity	-	-	-	-	-	-
At 31 December 2014	<u>7</u>	<u>4,610</u>	<u>5,599</u>	<u>70</u>	<u>33</u>	<u>10,319</u>

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred tax assets in respect of losses amounting to € 234,752 (2013: €250,510). Of these losses carried forward € 55,655 (2013: €85,399) have a finite period of utilisation that expire as follows:

€ '000s	31-Dec-14	31-Dec-13
Until 2014	-	605
Until 2015	186	8,441
Until 2016	85	3,699
Until 2017	1,648	2,487
Until 2018	3,175	533
Until 2024	50,561	69,634
	<u>55,655</u>	<u>85,399</u>

Havells Malta Limited  
Report and consolidated financial statements for the year ended 31 December 2014

6 Trade and other receivables (Current)

€ '000s	31-Dec-14	31-Dec-13
Trade receivables	109,858	109,648
Less provision for impairment	(7,364)	(7,950)
<b>Trade receivables net</b>	<b>102,494</b>	<b>101,698</b>
Receivables from related parties (Note 21)	47	106
Other receivables	7,563	5,346
<b>Total current receivables</b>	<b>110,104</b>	<b>107,150</b>

For terms and conditions relating to related party receivables, refer Note 21.

Trade receivables are non-interest bearing and are generally on terms of 45 to 90 days.

Trade receivables that are pledged under the bank agreement total € 77,860 (2013: €78,772)

Trade receivables that are less than three months past due are not considered impaired based on the group experience of receivable collectability. A further analysis of trade receivables is provided below:

	Gross trade receivables € '000s	Doubtful debts provision € '000s	Net trade receivables € '000s
<b>At 31 December 2013</b>			
Not past due	83,309	-	83,309
Past due but not individually impaired:			
0 - 90 days overdue	16,702	815	15,887
Over 90 days overdue	8,938	6,468	2,470
Individually impaired amounts	699	667	32
<b>Trade receivables included in the balance sheet</b>	<b>109,648</b>	<b>7,950</b>	<b>101,698</b>

	Gross trade receivables € '000s	Doubtful debts provision € '000s	Net trade receivables € '000s
<b>At 31 December 2014</b>			
Not past due	83,433	-	83,433
Past due but not individually impaired:			
0 - 90 days overdue	17,564	937	16,627
Over 90 days overdue	8,468	6,049	2,419
Individually impaired amounts	392	378	14
<b>Trade receivables included in the balance sheet</b>	<b>109,858</b>	<b>7,364</b>	<b>102,494</b>

The individually impaired receivables mainly relate to wholesalers, which are in dispute or in unexpectedly difficult economic situations. It was assessed that a portion of the impaired receivables is expected to be recovered.

The amount of receivables that would be past due or impaired whose terms have been renegotiated is € 30 (2013: €57).

See Note 2.6 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	31-Dec-14	31-Dec-13
Euros	43,865	44,223
Sterling	12,853	12,857
US Dollars	15,027	16,061
Thai Baht	5,984	7,138
Brazilian Real	11,269	6,764
Other	21,106	20,107
<b>Total</b>	<b>110,104</b>	<b>107,150</b>

The movement on the Group's provision for impairments of trade receivables is as follows:

€ '000s	
<b>At 31 December 2012</b>	6,630
Current year provision	1,998
Current year reduction	48
Write offs	(520)
Recovery of bad debts	(85)
Currency translation adjustments	(115)
Other	(6)
<b>At 31 December 2013</b>	<b>7,950</b>
Current year provision	754
Current year reduction	(393)
Write offs	(1,318)
Recovery of bad debts	(56)
Currency translation adjustments	348
Other	79
<b>At 31 December 2014</b>	<b>7,364</b>

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

**Havells Malta Limited**  
**Report and consolidated financial statements for the year ended 31 December 2014**

**7 Financial instruments**

As at December 31, 2014, the Group had an interest rate swap agreement in place with an amount of € 46,589 (2013: €60,519). The contract fix the floating rate (EURIBOR) to fixed rate 0.84%. The contracts will expire on May, 2016.

Interest risk exposure is mainly related to long term loans. The Group seeks to limit this risk through the use of derivative instruments which allow it to hedge cash flow changes by swapping floating rates to fixed rates. Changes in the fair value of effective interest rate swap contracts are recognised directly in the comprehensive income statement. The currency of the derivative is Euros.

The mark to market value recorded in the balance sheet as of December 31, 2014 was a liability of € 445 (2013: € 430). The value is based on an external valuation obtained from HSBC, Standard Chartered and ICICI bank. The change in the fair value has been recorded in the statement of other comprehensive income in the current year.

The terms of the interest rate swap contracts match with the repayment schedule. As a result, no hedge ineffectiveness arises requiring recognition through profit or loss. Notional amounts are as provided in Note 2.6

The cash flow hedges were assessed to be highly effective and a net unrealised loss of € 15 (2013: unrealised gain € 213), with a deferred tax asset of € 3 (2013: Deferred tax liability € 50) relating to the hedging instruments, is included in other comprehensive income.

The amount retained in other comprehensive income at December 31, 2014 are expected to mature and affect the income statement in 2016.

**Fair values**

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

€ '000s	Carrying Value		Fair Value	
	2014	2013	2014	2013
<b>Financial assets</b>				
Cash and short term deposits	28,416	19,786	28,416	19,786
Trade and other receivables	109,533	106,743	109,533	106,743
Derivative Financial Instruments at fair value through profit or loss	571	407	571	407
<b>Total</b>	<b>138,520</b>	<b>126,936</b>	<b>138,520</b>	<b>126,936</b>
<b>Financial liabilities</b>				
Trade and other payables	128,655	123,959	128,655	123,959
Derivatives in effective hedge	445	430	445	430
Borrowings	71,297	80,130	71,297	80,131
Finance lease	835	1,327	835	1,327
<b>Total</b>	<b>201,232</b>	<b>205,846</b>	<b>201,232</b>	<b>205,846</b>

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and short term deposits, trade and other receivable, trade payable and other payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long term fixed rate and variable rate borrowing are evaluated by the group based on parameters such as interest rates and specific country risk factors. Based on this evaluation, the carrying amounts of borrowings were not materially different from their calculated fair values.

The group enters into derivative financial instruments with various counterparties. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
  - Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
  - Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data
- As at 31 December 2014, the Group held the following financial instruments carried at fair value in the statement of financial position:

€ '000s	31-Dec-14	Level1	Level2	Level3
<b>Liabilities measured at fair value</b>				
Financial liabilities - recognised through OCI				
Interest rate swap	445	-	445	-
<b>Assets measured at fair value</b>				
Financial Assets - recognised through profit or loss				
Forward Cover	571	-	571	-

During the reporting period ended December 31, 2013, there were no transfers between Level 1 and Level 2 fair value measurement

€ '000s	31-Dec-13	Level1	Level2	Level3
<b>Liabilities measured at fair value</b>				
Financial liabilities - recognised through OCI				
Interest rate swap	430	-	430	-
<b>Assets measured at fair value</b>				
Financial assets - recognised through profit or loss				
Forward Cover	407	-	407	-

**Havells Malta Limited**

**Report and consolidated financial statements for the year ended 31 December 2014**

**8 Inventories**

€ '000s	31-Dec-14	31-Dec-13
Raw materials and consumables (at cost)	16,483	17,047
Work in progress (at cost)	1,324	1,466
Finished products and goods for resale (at cost or net realisable value)	80,746	85,406
Provisions	(6,584)	(5,557)
<b>Total net inventories</b>	<b>91,969</b>	<b>98,362</b>

The carrying amount of inventories pledged as security total to € 68,190 (2013: €73,327).

The cost of inventories recognised as expense and included in cost of sales amounted to € 234,735 (2013: €226,437). Write down of inventories recognised as expense in cost of sales for the year amounted to € 1,103 (2013: €1,894).

**9 Cash and cash equivalents**

**Group**

€ '000s	31-Dec-14	31-Dec-13
Cash at banks and on hand	27,302	19,147
Short term deposits	1,114	639
	<b>28,416</b>	<b>19,786</b>

**Company**

€ '000s	31-Dec-14	31-Dec-13
Cash at banks and on hand	46	59

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

At 31 December 2014, the Group had available € 24 million (2013: € 29 million) of undrawn committed borrowing facilities.

Cash and cash equivalents in the Group are split into the following currencies:

Currency € '000s	31-Dec-14	31-Dec-13
Euros	7,791	9,765
Sterling	4,414	363
US Dollars	10,081	4,916
Thai Baht	-	240
Brazilian Real	1,083	793
Other	5,047	3,709
	<b>28,416</b>	<b>19,786</b>

**10 Equity attributable to equity holders of the parent**

€ '000s	31-Dec-14	31-Dec-13
<b>Authorised shares:-</b>		
Ordinary shares (A class) of € 1 each	46	46
Ordinary shares (B class) of € 1 each	-	-
4% non-cumulative redeemable preference shares of € 1 each	170,000	170,000
	<b>170,046</b>	<b>170,046</b>
<b>Issued and paid up</b>		
Ordinary shares (A class) of € 1 each	46	46
Ordinary shares (B class) of € 1 each	-	-
4% non-cumulative redeemable preference shares of € 1 each	141,212	141,212
	<b>141,258</b>	<b>141,258</b>

As at 31 December 2014, the authorised share capital of the Company was 170,046,000 shares of a nominal value of €1 each, comprised of 45,999 "A" ordinary shares (all issued and fully paid up), 1 "B" ordinary share ( issued and fully paid up) and 170,000,000 non-cumulative redeemable 4% preference shares (issued and fully paid up 141,212,000; 2013: 141,212,000). The preference shares have the right to receive a dividend of 4% p.a. if dividend is declared by the General Meeting, but no right to participate in any surplus upon the dissolution of the Company other than the return of nominal value. Preference shares may be redeemed on behalf of the board at any time at nominal value. The holder of the preference shares have no right to demand redemption of their shares.

The board of directors have proposed not to distribute any dividend (2013: € Nil)

**Havells Malta Limited**  
**Report and consolidated financial statements for the year ended 31 December 2014**

**11 Trade and other payables**

<b>Group</b> <b>€ '000s</b>	<b>31-Dec-14</b>	<b>31-12-2013</b> <b>Reclassified*</b>
Trade payables	54,838	51,331
Amounts due to related parties (Note 21)	26,733	27,065
Social security and other taxes	14,353	7,992
Other payables	8,074	9,291
Interest accrual	475	475
Other accrued expenses	24,182	27,806
	<b>128,655</b>	<b>123,959</b>

<b>Company</b> <b>€ '000s</b>	<b>31-Dec-14</b>	<b>31-Dec-13</b>
Other accrued expenses	9	9

\* Certain numbers shown here do not correspond to 2013 financial statements and reflect adjustment made as detailed in note no 26

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on average 60-day terms.
- Other payables are non-interest bearing and have an average term of six months.
- Interest payable is normally settled quarterly throughout the financial year.

For terms and conditions with related parties, refer to Note 21 and For explanations on the Group's credit risk management processes, refer to Note 2.6.

All current payables are due for payment within one year.

Trade and other payables in the Group are split into the following currencies:

<b>Currency € '000s</b>	<b>31-Dec-14</b>	<b>31-Dec-13</b>
Euros	40,554	43,607
Sterling	16,349	11,083
US Dollars	58,216	56,707
Thai Baht	3,802	858
Brazilian Real	2,134	2,575
Other	7,601	9,331
	<b>128,655</b>	<b>124,160</b>

**12 Borrowings**

<b>€ '000s</b>	<b>31-Dec-14</b>	<b>31-Dec-13</b>
<b>Current</b>		
Bank overdrafts	155	2
Interest bearing loans	26,439	23,773
Obligations under finance leases	361	343
	<b>26,955</b>	<b>24,118</b>
<b>Non current</b>		
Interest bearing loans	44,703	56,355
Obligations under finance leases	474	984
	<b>45,177</b>	<b>57,339</b>

Borrowings are stated after deduction of € 2,227 (2013: € 3,694) of deferred financing costs. Total issue costs are amortised in the income statement at a constant rate to correspond with the period associated with the borrowings to which they relate.

Bank overdrafts attract interest of between 4-8% for various currencies. The overdrafts and loans are secured against various assets of the Group as described below.

A term loan facility from HSBC, Standard Chartered and ICICI bank of €77,500 at EURIBOR + 3.50% p.a (linked with group leverage ratio) as a term loan repayable by instalments ending on May 2016. Mortgages on plant and property and pledge on trade receivable and inventories in France, Germany, Belgium, UK, Netherlands, Argentina, Ecuador, Dubai, Greece, Thailand, Mexico, Brazil and Colombia as security.

The group also entered into loan agreement on 14 March , 2013 with Standard Chartered bank for €12,000 at the rate of Euribor + 3.7511% p.a. which is payable in four years. Central warehouse building located in France is pledged under this agreement.

In addition the Group has a number of committed and uncommitted facilities which it utilises for short term working capital requirements.

Borrowings are split into the following currencies:

<b>Currency € '000s</b>	<b>31-Dec-14</b>	<b>31-Dec-13</b>
Euros	57,346	70,219
US Dollars	7,726	8,767
Other	7,060	2,471
Total	<b>72,132</b>	<b>81,457</b>

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessee in the event of a default.

<b>Finance leases € '000s</b>	<b>31-Dec-14</b>	<b>31-Dec-13</b>
Total minimum lease payments	919	1,501
less: amounts representing interest	(84)	(174)
Present value of future minimum lease payments	<b>835</b>	<b>1,327</b>
Current portion of minimum lease payments	361	343
Non-current portion of capitalised lease obligation	474	984

The Group also has lease on building & other fixed assets in Germany. The total amount outstanding on this lease is € 835 (€ 361 current, € 474 non-current) and in 2013 € 1,327 (€ 343 current, 984 € non-current) ).

€ 835 of the finance leases are denominated in Euros (2013 €1,327).

## 13 Provisions for other liabilities and charges

Movements in total provisions are specified as follows:

€ '000s	Onerous leases	Restructuring	Environmental	Legal claims	Warranties	Tax	Total
<b>At 1 January 2013 Reclassified*</b>	51	230	3,667	3,124	1,119	4,015	12,206
Exchange differences	(1)	(2)	(9)	(210)	(14)	(30)	(266)
Additional provisions	15	116	-	201	515	33	880
Amounts utilised	(48)	(144)	(172)	(71)	(229)	-	(664)
Unwinding of discount	-	-	53	-	-	-	53
Unused amount reversed	-	-	(1,100)	(100)	(189)	-	(1,389)
<b>At 31 December 2013 Reclassified*</b>	<b>17</b>	<b>200</b>	<b>2,439</b>	<b>2,944</b>	<b>1,202</b>	<b>4,018</b>	<b>10,820</b>
<b>Current portion</b>	<b>17</b>	<b>200</b>	<b>100</b>	<b>2,944</b>	<b>1,202</b>	<b>3,857</b>	<b>8,320</b>
<b>Non Current portion</b>	<b>-</b>	<b>-</b>	<b>2,339</b>	<b>-</b>	<b>-</b>	<b>161</b>	<b>2,500</b>
<b>At 1 January 2014 Reclassified*</b>	<b>17</b>	<b>200</b>	<b>2,439</b>	<b>2,944</b>	<b>1,202</b>	<b>4,018</b>	<b>10,820</b>
Exchange differences	-	(8)	22	206	24	(3)	241
Additional provisions	-	1,831	-	256	1,874	59	4,020
Amounts utilised	(17)	(1,410)	(153)	(1,155)	(136)	(953)	(3,824)
Unwinding of discount	-	-	146	-	(137)	-	9
Unused amount reversed	-	-	-	-	-	-	-
<b>At 31 December 2014</b>	<b>-</b>	<b>613</b>	<b>2,454</b>	<b>2,251</b>	<b>2,827</b>	<b>3,121</b>	<b>11,266</b>
<b>Current portion</b>	<b>-</b>	<b>613</b>	<b>139</b>	<b>2,251</b>	<b>1,247</b>	<b>3,121</b>	<b>7,371</b>
<b>Non Current portion</b>	<b>-</b>	<b>-</b>	<b>2,315</b>	<b>-</b>	<b>1,580</b>	<b>-</b>	<b>3,895</b>

\* Certain numbers shown here do not correspond to 2013 financial statements and reflect adjustment made as detailed in note no 26

The onerous lease provision relates to various sites in the UK that are no longer required by the Group. This is for a partly empty office in Manchester. The same has been expired during the current year.

The restructuring provision relates to the remodelling of the business to ensure as to remain competitive in the current economic scenario in Europe and expected to be settled in 2015.

The environmental provision relates to remediation costs at a number of manufacturing sites owned by the Group. € 1,289 (2013 €1,255) of the environmental provisions relates to water contamination at our factory in Belgium. They are expected to be settled by 2023.

The tax provisions mainly relate to amounts against prior period tax claims relating to sales taxes in Brazil. They are expected to be settled by 2015.

Provision for warranty is recognised for expected warranty claims on products sold, based on past experience of the level of repairs and returns. It is expected that significant portion of these cost will be incurred in the subsequent years.

Legal claims provision are related to labour claim disputes in Belgium, Labour claims in Brazil, Colombia, Argentina & Costa Rica which are expected to be settled in 2015.

Provisions arise in the following currencies:

Currency € '000s	31-Dec-14	31-Dec-13
Euros	3,178	3,947
Sterling	1,625	1,219
US Dollars	168	193
Brazilian Real	4,110	5,076
Others	2,185	385
	<b>11,266</b>	<b>10,820</b>

**Havells Malta Limited**  
**Report and consolidated financial statements for the year ended 31 December 2014**

**14 Retirement benefit obligations**

The Group has various defined benefit pension plans covering eligible employees in Germany, Thailand, France, Italy and the UK. Benefits are based on number of years of service and the employee's compensation. The Group's funding policy is consistent with the funding requirements of law and regulations in the various jurisdictions. The Group also has a post retirement medical benefit plan in Switzerland and an early retirement plan in Belgium, which are unfunded.

The UK plan is governed by the UK employment laws, which require final salary payments to be adjusted for the consumer price index upon payment during retirement. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the legal form of a foundation and it is governed by the Board of Trustees which consists of an equal number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

The measurement date for the Group's defined benefit pension, defined contribution plan and post retirement medical benefit plan is 31 December of each year.

The amounts recognised in the statement of financial position are:

€ '000s	31-Dec-14	31-12-2013 Reclassified*
Pension benefits and early retirement plan	51,342	40,078
Post retirement medical plan	665	680
	<b>52,007</b>	<b>40,758</b>

The amounts recognised in the income statement are (Note 17):

€ '000s	31-Dec-14	31-Dec-13
Pension benefits and early retirement plan	2,264	2,045
Post retirement medical plan	57	31
	<b>2,321</b>	<b>2,076</b>

The amounts recognised in the statement of financial position are determined:

€ '000s	31-Dec-14	31-12-2013 Reclassified*
Present value of defined benefits plans		
- Funded obligations	116,827	92,210
- Unfunded obligations	4,160	3,493
Total defined benefit obligation	120,987	95,703
Fair value of plan assets	(72,699)	(59,279)
	48,288	36,424
Present value of other unfunded obligations	3,719	4,334
	<b>52,007</b>	<b>40,758</b>

The expense/(income) recognised in the income statement are determined:

€ '000s	Defined benefit plans 31-Dec-14	Post retirement medical plan 31-Dec-14	Total 31-Dec-14
Current service cost	666	-	666
Interest cost	1,598	57	1,655
<b>Total included in staff costs (Note 17)</b>	<b>2,264</b>	<b>57</b>	<b>2,321</b>
	<b>31-Dec-13</b>	<b>31-Dec-13</b>	<b>31-Dec-13</b>
Current service cost	506	-	506
Interest cost	1,539	31	1,570
<b>Total included in staff costs</b>	<b>2,045</b>	<b>31</b>	<b>2,076</b>

The actual return on plan assets is a profit of € 10,365 (2013 Profit of €7,328)

The movement in obligations are as follows:

€ '000s	Defined benefit plans 31-Dec-13	Early retirement plans 31-Dec-13	Post retirement medical plan 31-Dec-13	Total 31-Dec-13
At 1 January 2013	91,798	4,189	743	96,730
Exchange differences	(1,125)	-	(11)	(1,137)
Current service cost	506	-	-	506
Interest cost	3,751	141	31	3,923
Remeasurements (gains)/losses in other comprehensive income	4,308	-	-	4,308
Benefits payment	(3,535)	(676)	(83)	(4,294)
At 31 December 2013 Reclassified*	95,703	3,654	680	100,037
	<b>31-Dec-14</b>	<b>31-Dec-14</b>	<b>31-Dec-14</b>	<b>31-Dec-14</b>
At 1 January 2014	95,703	3,654	680	100,037
Exchange differences	4,488	-	12	4,500
Current service cost	666	-	-	666
Interest cost	4,154	293	57	4,504
Remeasurements (gains)/losses in other comprehensive income	19,632	-	-	19,632
Benefits payment	(3,656)	(892)	(85)	(4,633)
At 31 December 2014	120,987	3,055	664	124,706



**Havells Malta Limited**  
**Report and consolidated financial statements for the year ended 31 December 2014**

The movement in the fair value of plan assets over the year is as follows:  
€ '000s

	Defined benefit plans 31-Dec-14	Defined benefit plans 31-Dec-13
At 1 January 2014	59,279	53,734
Exchange differences	4,234	(978)
Interest Income	2,849	2,353
Remeasurements (gains)/losses in other comprehensive income	7,152	4,866
Employer contributions	1,490	1,418
Benefits paid	(2,305)	(2,114)
At 31 December 2014	<b>72,699</b>	<b>59,279</b>

Asset holdings in the plan as at 31 December 2014 are as follows:

€ '000s	UK	Germany	Total	% Total plan assets
Equities	25,096	-	25,096	35%
Diversified growth assets	3,065	-	3,065	4%
Corporate bonds	3,066	-	3,066	4%
Property	3,576	-	3,576	5%
Gilts	35,712	-	35,712	49%
Insurance contracts	-	2,071	2,071	3%
Other	113	-	113	0%
<b>Total market value of assets</b>	<b>70,628</b>	<b>2,071</b>	<b>72,699</b>	<b>100%</b>

Asset holdings in the plan as at 31 December 2013 are as follows:

€ '000s	UK	Germany	Total	% Total plan assets
Equities	21,912	-	21,912	37%
Diversified growth assets	2,817	-	2,817	5%
Corporate bonds	2,753	-	2,753	5%
Property	2,886	-	2,886	5%
Gilts	26,537	-	26,537	45%
Insurance contracts	-	2,172	2,172	3%
Other	202	-	202	0%
<b>Total market value of assets</b>	<b>57,107</b>	<b>2,172</b>	<b>59,279</b>	<b>100%</b>

Where relevant and available the principal actuarial assumptions used on the defined benefit plans were as follows:

2014	UK	France	Germany	Thailand
Discount rate	3.60%	2.15%	2.15%	3.80%
Future salary increases	-	2.50%	2.50%	5.00%
Inflation rate	1.90%	-	1.75%	-
Future pension increases	1.90%	-	1.75%	-
Actual return on plan assets	4.70%	-	3.75%	-

Assumptions regarding the future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for the most significant country, the UK, are based on SAPS S1 pensioner mortality table with multiplier of 110% and projected with medium cohort mortality improvements in line with each individual's year of birth.

	UK	France	Germany	Thailand
Life expectancy rates as at balance sheet date				
Male	21.2	-	18.5	-
Female	23.4	-	22.6	-
Life expectancy rates 20 years after the balance sheet date				
Male	22.6	-	21.2	-
Female	24.9	-	25.1	-
Overall withdrawal rates (%)	-	2.6	8.3	-

2013	UK	France	Germany	Thailand
Discount rate	4.70%	3.75%	3.75%	4.50%
Future salary increases	-	2.50%	2.50%	5.00%
Inflation rate	2.20%	-	1.75%	-
Future pension increases	2.20%	-	1.75%	-
Actual return on plan assets	4.60%	-	3.75%	-
Life expectancy rates as at balance sheet date				
Male	21.2	-	18.5	-
Female	23.4	-	22.6	-
Life expectancy rates 20 years after the balance sheet date				
Male	22.5	-	21.2	-
Female	24.9	-	25.1	-
Overall withdrawal rates (%)	-	2.6	8.3	-

A quantitative sensitivity analysis for significant assumptions as at 31st December, 2014 as shown below:

Assumptions	Discount rate	Inflation rate	Salary Increase	Mortality rate
Sensitivity level	Decrease of 0.25% pa	Increase of 0.25% pa	Increase of 0.25% pa	Increase in life expectancy by 1 year
Increase in defined benefit obligation due to change in principal assumptions	5,276	4,058	291	3,876

The sensitivity analysis above have been determined based on a methods that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

**Havells Malta Limited**  
**Report and consolidated financial statements for the year ended 31 December 2014**

The average duration of the defined benefit plan obligation at the end of the reporting period is 18 years.

The expected contribution to be made in 2015 is € 1,535.(2014: € 1,435)

\* Certain numbers shown here do not correspond to 2013 financial statements and reflect adjustment made as detailed in note no 26.

**15 Income tax expense**

€ '000s	31-Dec-14	31-Dec-13
Current tax	6,808	3,121
Deferred tax: (Note 5)	(3,141)	3,516
Origination and reversal of timing differences	(10)	(57)
<b>Total</b>	<b>3,657</b>	<b>6,580</b>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	31-Dec-14	31-Dec-13
Profit/(Loss) before tax	4,597	8,562
<i>Tax calculated at domestic tax rates applicable to:</i>		
Havells Malta Limited (35%)	1,609	2,997
Income not subject to tax	(10,865)	(6,511)
Differences in tax rates	(2,520)	1,768
Expenses not deductible for tax purposes	12,889	4,852
Utilisation of previously unrecognised losses	(6,097)	(2,240)
Current year unrecognised tax losses	4,136	6,190
Other	4,505	(475)
<b>Tax charge</b>	<b>3,657</b>	<b>6,580</b>

No provision for Maltese income tax has been made in these financial statements in view of the loss incurred during the year.

**16 Research and Development**

Research costs recognised as an expense in the income statement during the year amount to € 6,192 (2013: €6,091)

**17 Employee benefit expense**

The cost of sales, selling and administration expenses include wages and salaries, and social security costs. These can be broken down as follows:

€ '000s	31-Dec-14	31-Dec-13
<b>Included in Cost of Sales</b>		
Wages and salaries (including termination costs of € 80 (2013: € 21))	21,324	23,359
Other social security costs and other employee benefits	8,465	3,917
Pension costs - defined contribution plans	299	235
Pension costs - defined benefit plans	556	420
Other post retirement benefits	45	84
	<b>30,689</b>	<b>28,015</b>
<b>€ '000s</b>	<b>31-Dec-14</b>	<b>31-Dec-13</b>
<b>Included in Selling &amp; Distribution Expenses</b>		
Wages and salaries (including termination costs of € 940 (2013: € 458))	29,333	29,914
Other social security costs and other employee benefits	7,985	7,357
Pension costs - defined contribution plans	361	322
Pension costs - defined benefit plans	204	171
Other post retirement benefits	143	217
	<b>38,026</b>	<b>37,981</b>
<b>€ '000s</b>	<b>31-Dec-14</b>	<b>31-Dec-13</b>
<b>Included in Administrative Expenses</b>		
Wages and salaries (including termination costs of € 546 (2013: €1,218))	16,854	20,572
Other social security costs and other employee benefits	5,358	7,642
Pension costs - defined contribution plans	272	260
Pension costs - defined benefit plans	381	312
Other post retirement benefits	60	55
	<b>22,925</b>	<b>28,841</b>
<b>Total Employee benefit expenses</b>	<b>91,640</b>	<b>94,837</b>

The termination cost includes the severance payment to the employees. For key management compensations details see Note 21. During the year ended 31 December 2014 an average of 2,162 employees were employed by the Group (year ended 31 December 2013: 2,354).

The Company had no employees in the year (2013: Nil).

Havells Malta Limited

Report and consolidated financial statements for the year ended 31 December 2014

18 Expenses by nature

€ '000s	31-Dec-14	31-Dec-13
Changes in inventories of finished goods & work in progress	5,077	159
Raw materials and consumables used( including packing material)	71,753	66,323
Purchase of traded goods	157,905	159,955
Employee benefit expense (Note 17)	91,640	94,837
Depreciation, amortisation & impairment charges	7,633	5,629
Transportation expenses	11,678	13,711
Advertising costs	13,694	10,231
Operating lease payments	4,631	2,705
Other expenses	54,402	59,614
<b>Total cost of sales, selling, distribution costs, administrative expenses and exceptional expenses</b>	<b>418,413</b>	<b>413,164</b>

19 Contingencies

(a) Operating leases

Annual amounts due under operating leases are as follows:

€ '000s	31-Dec-14	31-Dec-13
Term < 1 Year	3,702	2,674
Term 2-5 years	6,553	5,692
Term > 5 years	7,195	6,855
	<b>17,450</b>	<b>15,221</b>

Of the operating leases, € 11,481 ( 2013 €10,514) relates to land and buildings, out of which the largest amount is for € 8,318 ( 2013 € 7,522) relates to the sites in UK and of € 1,659 (2013 € 1,840) relates to the site in Germany.

(b) Sub leases receivables

During the current year, the empty warehouse in Germany is further subleased. The sub lease will expire on February 28, 2016.

Annual amounts receivable under sub lease are as follows:

€ '000s	31-Dec-14	31-Dec-13
Term < 1 Year	247	247
Term 2-5 years	41	288
Term > 5 years	-	-
	<b>288</b>	<b>535</b>

Amount recognised in income statement for the year ended December 31, 2014 € 247 (2013: € 247)

Operating leases are split into the following currencies:

Currency € '000s	31-Dec-14	31-Dec-13
Euros	7,571	5,578
Sterling	9,573	9,093
US Dollars	89	45
Other	217	505
	<b>17,450</b>	<b>15,221</b>

(C) The Group's guarantees and securities total € 729 (2013 €1,762).

20 Finance income and expenses

€ '000s	31-Dec-14	31-Dec-13
Interest income - 3rd party	81	73
<b>Finance income</b>	<b>81</b>	<b>73</b>
Interest expenses - bank borrowings	(5,563)	(4,801)
Interest expenses - deferred finance amortisation	(1,467)	(1,391)
<b>Finance expenses</b>	<b>(7,030)</b>	<b>(6,192)</b>

## Havells Malta Limited

### Report and consolidated financial statements for the year ended 31 December 2014

#### 21 Related party transactions

##### A) Name of related parties

###### The ultimate parent

The ultimate parent of the group is Havells India limited and is based and listed in India.

###### Holding company

Havells Holdings Limited, Isle of Man

###### Entity under common control

Havells Exim Limited, a 100% subsidiary of the ultimate parent company.

###### Joint Venture in which ultimate parent is venturer

Jiangsu Havells Sylvania Lighting Co Ltd

##### B) Transactions with related parties :

€ '000s

	31-Dec-14	31-Dec-13
(i) Capital contributed by holding company	-	20
(ii) Sales (net of returns) of goods to the ultimate parent	0	(55)
(iii) Purchase of goods from the ultimate parent	662	451
(iv) Purchase of goods from entity under common control	111,093	99,697
(v) Purchase of goods from Joint Venture in which ultimate parent is venturer	2,463	1,712

##### (vi) Key management compensation:

Short-term employee benefits (including salaries)	65	395
Termination benefits	1,075	641
<b>Total key management compensation:</b>	<b>1,140</b>	<b>1,036</b>

The above figures include compensation paid to the key management personnel either by the Company, a subsidiary or a parent. Key management is defined as the Management Board and Supervisory Board.

The company has not paid any director fees in 2014 (2013: € Nil).

##### (C) Year end balances:

€ '000s

	31-Dec-14	31-Dec-13
Receivables from ultimate parent	47	106
Payables to ultimate parent	(178)	(341)
Payables to Havells Exim Ltd.	(25,382)	(25,853)
Payables to Jiangsu Havells Sylvania Lighting Co Ltd	(1,174)	(871)

##### (D) Terms and conditions

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31, December 2014, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2013: € Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

#### 22 Auditor remuneration

##### Group

€ '000s

	31-Dec-14	31-Dec-13
Fees payable to the company's auditor for the audit of parent company it's subsidiaries and consolidated accounts:	921	921
Fees payable to the group's auditors for tax services:	57	21
Fees payable to the other auditors, accounting firms and its associates for other services:	419	48

#### 23 Group companies

Legal name	Country of incorporation	Control held	Share in equity	Nature of activity
Havells Netherlands Holdings B.V.	Netherlands	Direct	100%	Holding
Havells Netherlands B.V.	Netherlands	Indirect	100%	Holding
SLI Europe B.V.	Netherlands	Indirect	100%	Holding
Sylvania Lighting International B.V.	Netherlands	Indirect	100%	Holding
Flowit International Lighting (Holding) B.V.	Netherlands	Indirect	100%	Holding
Havells Sylvania (Thailand) Limited S	Thailand	Indirect	100%	Trading
Guangzhou Havells Sylvania Enterprise Limited	China	Indirect	100%	Trading
Havells Sylvania (Shanghai) Ltd	China	Indirect	100%	Trading
Havells Sylvania Asia Pacific Limited	Hong Kong	Indirect	100%	Trading
Havells Sylvania (Malaysia) Sdn Bhd	Malaysia	Indirect	100%	Trading
Havells Sylvania Sweden A.B.	Sweden	Indirect	100%	Trading
Havells Sylvania Finland OY	Finland	Indirect	100%	Trading
Havells Sylvania Norway A.S.	Norway	Indirect	100%	Trading
Havells Sylvania Fixtures Netherlands B.V.	Netherlands	Indirect	100%	Trading
Havells Sylvania Lighting Belgium N.V.	Belgium	Indirect	100%	Manufacturing
Havells Sylvania Belgium B.V.B.A.	Belgium	Indirect	100%	Trading
Havells Sylvania Lighting France S.A.S.	France	Indirect	100%	Manufacturing
Havells Sylvania France S.A.S.	France	Indirect	100%	Trading
Havells Sylvania Italy S.p.A.	Italy	Indirect	100%	Trading
Havells Sylvania Portugal Lda.	Portugal	Indirect	100%	Trading
Havells Sylvania Greece A.E.E.E.	Greece	Indirect	100%	Trading
Havells Sylvania Spain S.A.U.	Spain	Indirect	100%	Trading
Havells Sylvania Germany GmbH	Germany	Indirect	100%	Manufacturing & Trading
Havells Sylvania Switzerland AG	Switzerland	Indirect	100%	Trading
Havells Sylvania Tunisia S.A.R.L.	Tunisia	Indirect	100%	Manufacturing
Havells Sylvania Poland S.p. Z.o.o	Poland	Indirect	100%	Trading
Havells Sylvania Dubai FZCO	United Arab Emirates	Indirect	100%	Trading
Havells Sylvania Brasil Iluminacao Ltda.	Brazil	Indirect	100%	Trading
Havells Sylvania Argentina S.A.	Argentina	Indirect	100%	Trading
Havells Sylvania Export N.V.	Dutch Antilles	Indirect	100%	Holding
Havells Sylvania Colombia S.A.	Colombia	Indirect	100%	Manufacturing & Trading

## Havells Malta Limited

### Report and consolidated financial statements for the year ended 31 December 2014

Havells Mexico S.A. de C.V.	Mexico	Indirect	100%	Trading
Havells Mexico Servicios Generales S.A. de C.V.	Mexico	Indirect	100%	Service
Havells Sylvania El Salvador S.A. de C.V.	El Salvador	Indirect	100%	Trading
Havells Sylvania Guatemala S.A.	Guatemala	Indirect	100%	Trading
Havells Sylvania Costa Rica S.A.	Costa Rica	Indirect	100%	Manufacturing & Trading
Havells Sylvania Panama S.A.	Panama	Indirect	100%	Trading
Havells Sylvania Venezuela C.A.	Venezuela	Indirect	100%	Trading
Havells Sylvania Iluminacion (Chile) Ltda.	Chile	Indirect	100%	Trading
Havells Sylvania Peru SAC	Peru	Indirect	100%	Trading
Havells Sylvania N.V.	Ecuador	Indirect	100%	Trading
Havells Sylvania Europe Limited	United Kingdom	Indirect	100%	Trading
Havells Sylvania UK Limited	United Kingdom	Indirect	100%	Trading
Havells Sylvania Fixtures UK Limited	United Kingdom	Indirect	100%	Manufacturing
Havells Sylvania Holdings (BVI-1) Ltd	British Virgin Islands	Indirect	100%	Holding
Havells Sylvania Holdings (BVI-2) Ltd	British Virgin Islands	Indirect	100%	Holding
Havells USA Inc.	USA	Indirect	100%	Trading
Panama Americas Trading Hub SA	Panama	Indirect	100%	Trading
PT Havells Sylvania Indonesia	Indonesia	Indirect	100%	Trading
Thai Lighting Assets Co Ltd #	Thailand	Indirect	49%	Holding
Havells Sylvania South Africa	South Africa	Indirect	100%	Trading
Havells Sylvania TR Eelktrik Ürünleri Ticaret Limited Şirketi	Turkey	Indirect	100%	Trading

#The Group holds 49% equity interest in "Thai Lighting Assets Co Ltd". However the Group has majority representation on the entities board of directors and the Group's approval is required for all major operational decisions and the operations are solely carried out for the benefit of the Group. Based on these facts and circumstances, management determined that in substance the Group controls this entity and therefore has consolidated this entity in its financial statement.

- 24 The Group has one of its subsidiary in Venezuela i.e. Havells Sylvania Venezuela which is in hyper inflationary economy environment. The financial statements of Havells Sylvania Venezuela is prepared in Venezuelan Bolivars (local currency) under historical cost convention. As per the requirements of IAS 29 'Financial Reporting in Hyperinflationary Economies', the financial statements of Havells Sylvania Venezuela have been reinstated considering the current consumer price index based on 'National Consumer Price Index (CPI)'. The level of the price index as at December 31, 2014 is 819.40 which is 64.5% higher as compared to previous year closing price index of 498.10

#### 25 Statutory Information

The ultimate parent Company is Havells India Limited, a Company incorporated in India and listed on the National and Bombay stock exchange. The directors consider Havells India Limited to be the controlling party by virtue of its controlling interest in the Company's share capital. The consolidated financial statements of Havells India Limited are the largest financial statements which incorporate the results of the Company that are publicly available. Copies of the Havells India Limited financial statements can be obtained from Havells India Limited, 1 Raj Narain Marg, Civil Lines, Delhi 110054, India.

The Company's immediate parent undertaking is Havells Holdings Limited, a Company incorporated in the Isle of Man.

#### 26 Reclassification

Following items of financial statements that have been reclassified and does not have any impact on current and corresponding period Income statement, Cash flows, Equity and financial position and performance of the Company

S.No	Particulars	Reclassification
1	Consolidated income statement	During the current year for better presentation, the group has reclassified the Management fees to Other Income which in previous year were netted off with General and administrative expenses. Accordingly the group has reclassified previous year figure amounting to K EUR 544 to confirm to current year classification.
2	Consolidated income statement	During the current year for better presentation, the group has reclassified Other Income which in previous year were netted off with Other expenses. Accordingly the group has reclassified previous year figure amounting to K EUR 2,456 to confirm to current year classification.
3	Notes to financial statement- Note no.11 and 13	During the current year for better presentation, the group has reclassified the warranty provision to provision for other liabilities and charges which in previous year were included in Trade and Other Payables. Accordingly the group has reclassified previous year figure amounting to K EUR 1,202 to confirm to current year classification.
4	Notes to financial statement- Note no. 14	In previous year, the group has wrongly classified Pension accrual amounting to K EUR 201 under head Trade and Other Payable and during the current year the same has been rectified and accordingly reclassified to Retirement Benefit Obligation.
5	Consolidated income statement	During the current year for better presentation, the group has reclassified reserch and development expenses which in previous year were included under selling expenses. Accordingly the group has reclassified previous year figure amounting to K EUR 6,091 to confirm to current year classification.

#### 27 Events after the balance sheet date

No significant events occurred after the balance sheet date.



Ernst & Young Malta Limited  
Regional Business Centre  
Achille Ferris Street  
Msida MSD 1751, Malta

Tel: +356 2134 2134  
Fax: +356 2133 0280  
ey.malta@mt.ey.com  
ey.com

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HAVELLS MALTA LIMITED**

We have audited the consolidated financial statements of Havells Malta Limited (“the Company”) and its subsidiaries (“the Group”) set on pages 5 to 36 which comprise the consolidated statements of financial position as at 31 December 2014, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors Responsibility for the Consolidated Financial Statements**

As described in the statement of directors’ responsibility on page 4, the directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Companies Act, Cap. 386 of the Laws of Malta and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors’ Responsibility**

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements:

- give a true and fair view of the Company’s and the Group’s financial position as of 31 December 2014, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 of the Laws of Malta.



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HAVELLS MALTA LIMITED - continued**

### **Report on Other Legal and Regulatory Requirements**

We also have responsibilities under the Companies Act, Cap. 386 of the Laws of Malta to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the consolidated financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The consolidated financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the consolidated financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

*This copy of the audit report has been signed by  
Anthony Doublet for and on behalf of*

Ernst & Young Malta Limited  
Certified Public Accountants

12 March 2015