

Havells Sylvania (Thailand) Ltd.
Report and financial statements
31 December 2014



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Independent Auditor's Report

To the Shareholders of Havells Sylvania (Thailand) Ltd.

I have audited the accompanying financial statements of Havells Sylvania (Thailand) Ltd. which comprise the statement of financial position as at 31 December 2014, and the related statements of income and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards applicable to non-publicly accountable entities, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Thai Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Havells Sylvania (Thailand) Ltd. as at 31 December 2014, and its financial performance for the year then ended in accordance with Thai Financial Reporting Standards applicable to non-publicly accountable entities.

Sophon Permsirivallop

Certified Public Accountant (Thailand) No. 3182

EY Office Limited

Bangkok: 27 March 2015

Havells Sylvania (Thailand) Ltd.

Statement of financial position

As at 31 December 2014

		(Unit: Baht)	
	Note	2014	2013
Assets			
Current assets			
Cash and cash equivalents		1,027,807	9,336,859
Trade and other receivables	5	279,290,119	399,556,363
Inventories	6	236,637,930	215,733,008
Short-term loans to associates	7	10,164,239	8,506,913
Other current assets		13,470,544	11,335,283
Total current assets		<u>540,590,639</u>	<u>644,468,426</u>
Non-current assets			
Restricted bank deposit	8	1,213,197	1,197,647
Investment in associates	9	706,283	1,492,719
Equipment	10	6,003,144	8,479,103
Intangible assets	11	109,763	80,918
Deposits		4,971,814	4,972,834
Deferred tax assets	18	9,639,712	10,118,518
Total non-current assets		<u>22,643,913</u>	<u>26,341,739</u>
Total assets		<u><u>563,234,552</u></u>	<u><u>670,810,165</u></u>

The accompanying notes are an integral part of the financial statements.

Havells Sylvania (Thailand) Ltd.
 Statement of financial position (continued)
 As at 31 December 2014

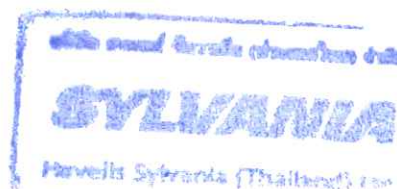
(Unit: Baht)

	Note	2014	2013
Liabilities and shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans from financial institutions	12	204,475,572	177,350,480
Trade and other payables	13	250,233,946	242,362,992
Other current liabilities		14,267,378	14,740,011
Total current liabilities		468,976,896	434,453,483
Non-current liabilities			
Provision for long-term employee benefits	14	25,272,000	20,881,000
Total non-current liabilities		25,272,000	20,881,000
Total liabilities		494,248,896	455,334,483
Shareholders' equity			
Share capital	15		
Registered			
10,200 ordinary shares of Baht 100 each (31 December 2013: 5,100 ordinary shares of Baht 100 each)		1,020,000	510,000
9,800 preference shares of Baht 100 each (31 December 2013: 4,900 preference shares of Baht 100 each)	16	980,000	490,000
		<u>2,000,000</u>	<u>1,000,000</u>
Issued and paid-up			
10,200 ordinary shares of Baht 100 each (31 December 2013: 5,100 ordinary shares of Baht 100 each)		1,020,000	510,000
9,800 preference shares of Baht 100 each (31 December 2013: 4,900 preference shares of Baht 100 each)		980,000	490,000
Deduct: Share subscription		(1,000,000)	-
Retained earnings			
Appropriated - statutory reserve	17	576,659	576,659
Unappropriated		67,408,997	213,899,023
Total shareholders' equity		68,985,656	215,475,682
Total liabilities and shareholders' equity		563,234,552	670,810,165

The accompanying notes are an integral part of the financial statements.



Directors



Havells Sylvania (Thailand) Ltd.

Income statements

For the year ended 31 December 2014

		(Unit: Baht)	
	Note	2014	2013
Revenues			
Sales		568,482,924	752,718,738
Other income		1,377,898	1,128,155
Total revenues		<u>569,860,822</u>	<u>753,846,893</u>
Expenses			
Cost of sales		418,519,928	468,640,408
Selling expenses		122,584,630	130,554,051
Administrative expenses		165,154,673	158,561,166
Total expenses		<u>706,259,231</u>	<u>757,755,625</u>
Loss before finance cost and income tax expenses		(136,398,409)	(3,908,732)
Finance cost		(9,612,809)	(6,393,654)
Loss before income tax expenses		(146,011,218)	(10,302,386)
Income tax expenses	18	(478,806)	(622,229)
Net loss for the year		<u>(146,490,024)</u>	<u>(10,924,615)</u>

The accompanying notes are an integral part of the financial statements.

Havells Sylvania (Thailand) Ltd.
 Statement of changes in shareholders' equity
 For the year ended 31 December 2014

(Unit: Baht)

	Issued and paid-up share capital		Share subscription	Retained earnings		Total
	Ordinary shares	Preference shares		Appropriated	Unappropriated	
Balance as at 1 January 2013	510,000	490,000	-	576,659	224,823,638	226,400,297
Net loss for the year	-	-	-	-	(10,924,615)	(10,924,615)
Balance as at 31 December 2013	510,000	490,000	-	576,659	213,899,023	215,475,682
Balance as at 1 January 2014	510,000	490,000	-	576,659	213,899,023	215,475,682
Increase in share capital (Note 15)	510,000	490,000	(1,000,000)	-	-	-
Net loss for the year	-	-	-	-	(146,490,024)	(146,490,024)
Balance as at 31 December 2014	1,020,000	980,000	(1,000,000)	576,659	67,408,999	68,985,658

The accompanying notes are an integral part of the financial statements.

Havells Sylvania (Thailand) Ltd.

Notes to financial statements

For the years ended 31 December 2014

1. General information

Havells Sylvania (Thailand) Ltd. ("the Company") is a limited company incorporated and domiciled in Thailand. Its major shareholder is Flowil International Lighting Holding B.V., which was incorporated in the Netherlands. The Company is principally engaged in the trading of products relating to lamps and batteries. Its registered address is 2 Ploenchit Center Building, 19th Floor, Sukhumvit 2 Road, Klongtoey, Bangkok. The Company has one branch in Khonkaen province.

2. Basis of preparation

The financial statements have been prepared in accordance with Thai Financial Reporting Standards applicable to non-publicly accountable entities as issued by the Federation of Accounting Professions, and the Company has also adopted Thai Accounting Standard No.12 Income Taxes. Their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 28 September 2011, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3. Significant accounting policies

3.1 Revenues recognition

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

3.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

3.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

3.4 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by weighted average method.

3.5 Investment

Investment in associate are stated at cost net of allowance for loss on diminution in value (if any).

3.6 Equipment/Depreciation

Equipment is stated at cost less accumulated depreciation and allowance for diminution in value (if any).

Depreciation of equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives:-

Office equipment	3 and 5 years
Furniture and fixtures	3 and 5 years

Depreciation is included in determining income.

3.7 Intangible assets

Intangible assets are stated at cost less any accumulated amortisation and allowance for diminution in value (if any).

Intangible assets are amortised as expenses in the income statements on a straight-line basis over the economic useful life. Computer software has an economic useful life of 3 years.

3.8 Long-term leases

Leases of property, plant and equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, which interest element is charged to the income statements over the lease period.

Leases of property, plant and equipment which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

3.9 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the end of the reporting period.

Gains and losses on exchange are included in determining income.

3.10 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

For long-term employee benefits, the Company calculates its long-term employee benefits obligation on the basis of its best estimate of its payment obligations as at the end of the reporting period.

3.11 Income taxes

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognises deferred tax liabilities for all taxable temporary differences while it recognises deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets 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.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

4. Use of accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

5. Trade and other receivables

	(Unit: Thousand Baht)	
	2014	2013
Trade accounts receivable	291,593	415,130
Other receivables	-	3,406
Total	291,593	418,536
Less: Allowance for doubtful account	(12,303)	(18,980)
Trade and other receivables - net	279,290	399,556

As at 31 December 2014, approximately Baht 54 million of above trade receivable (2013: Nil) have been sold at a discount to financial institution, with recourse.

6. Inventories

(Unit: Thousand Baht)

	Cost		Allowance for diminution in value of inventories		Inventories - net	
	2014	2013	2014	2013	2014	2013
	Finished goods	237,717	212,815	(9,837)	(10,731)	227,880
Goods in transit	8,758	13,649	-	-	8,758	13,649
Total	246,475	226,464	(9,837)	(10,731)	236,638	215,733

7. Short-term loans to associated company

As at 31 December 2014, the Company had outstanding loans in US Dollar totaling Baht 10 million (2013: Baht 9 million) to its associated company, carrying interest at the rate of 8% per annum (2013: 8% per annum). The loans are unsecured.

8. Restricted bank deposit

This represents a fixed deposit pledged with a bank to secure letters of guarantee issued by the bank on behalf of the Company in the ordinary course of business.

9. Investment in associates

(Unit: Thousand Baht)

Company's name	Shareholding percentage		Cost		Allowance for diminution in value of investments		Carrying amounts - net	
	2014	2013	2014	2013	2014	2013	2014	2013
	(%)	(%)						
Havells Sylvania (Malaysia) SDN. BHD.	30	30	720	720	(360)	-	360	720
PT. Havells Sylvania Indonesia	26	26	773	773	(427)	-	346	773
			1,493	1,493	(787)	-	706	1,493

10. Equipment

(Unit: Thousand Baht)

	Office equipment	Furnitures and Fixtures	Total
Cost:			
1 January 2013	19,056	28,741	47,797
Additions	550	2,047	2,597
Transfer in (out)	(133)	133	-
31 December 2013	19,473	30,921	50,394
Additions	238	61	299
Disposal	(29)	-	(29)
31 December 2014	19,682	30,982	50,664
Accumulated depreciation:			
1 January 2013	13,557	25,107	38,664
Depreciation for the year	1,661	1,590	3,251
31 December 2013	15,218	26,697	41,915
Depreciation for the year	1,582	1,177	2,759
Depreciation on disposals	(13)	-	(13)
31 December 2014	16,787	27,874	44,661
Net book value			
31 December 2013	4,255	4,224	8,479
31 December 2014	2,895	3,108	6,003

As at 31 December 2014, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to Baht 31 million (2013: Baht 41 million).

11. Intangible assets

(Unit: Thousand Baht)

	2014	2013
Computer software - cost	4,900	4,814
Less: Accumulated amortisation	(4,790)	(4,733)
Net book value	110	81

	(Unit: Thousand Baht)	
	2014	2013
Net book value at beginning of year	81	200
Additions	86	42
Amortisation	(57)	(161)
Net book value at end of year	<u>110</u>	<u>81</u>

12. Bank overdrafts and short-term loans from financial institutions

(Unit: Thousand Baht)

	Interest rate			
	(percent per annum)			
	2014	2013	2014	2013
Bank overdrafts	7.50	-	2,673	-
Promissory notes	4.92 - 5.00	4.11 - 5.25	70,000	100,000
Trust receipts	2.76 - 2.79	2.84 - 3.15	88,743	77,350
Discount cheque	MOR-2.25	-	43,060	-
Total			<u>204,476</u>	<u>177,350</u>

13. Trade and other payables

(Unit: Thousand Baht)

	2014	2013
Trade accounts payables	154,732	156,342
Accrued expenses	8,551	8,248
Other payables	86,951	77,773
Total trade and other payables	<u>250,234</u>	<u>242,363</u>

14. Provision for long-term employee benefits

(Unit: Thousand Baht)

As at 1 January 2013	17,414
Increase during the year	6,459
Decrease from actual paid amount	<u>(2,992)</u>
As at 31 December 2013	20,881
Increase during the year	4,391
As at 31 December 2014	<u>25,272</u>

	(Unit: Thousand Baht)
2014	<u>25,272</u>
Long-term	<u>25,272</u>
2013	<u>20,881</u>
Long-term	<u>20,881</u>

The provisions represent the Company's obligations payable to its employees when they reach a retirement age. They are determined based on the employee's age, length of employment services and salary increase rate, among other things.

15. Share capital

On 10 October 2014, the Extraordinary Meeting of the Company's Shareholders No. 1/2557 passed a special resolution to increase its registered share capital from Baht 1 million (5,100 ordinary shares at the par value of Baht 100 each and 4,900 preference shares at the par value of Baht 100 each) to Baht 2 million (10,200 ordinary shares at the par value of Baht 100 each and 9,800 preference shares at the par value of Baht 100 each) by increasing the number of ordinary shares, from 5,100 shares to 10,200 shares at the par value of Baht 100 each and preference shares, from 4,900 shares to 9,800 shares with a par value of Baht 100 each. The Company registered its share capital increase with the Ministry of Commerce on 15 October 2014. As at 31 December 2014, the Company had share subscription of Baht 1 million.

16. Preference shares

The preference shareholders of the Company are entitled to receive dividend at the rate of ninety percents of the declared dividend. The remaining of ten percents will be allocated to preference and ordinary shareholders at nine-tenth and one-tenth respectively.

17. Statutory reserve

According to the Thai Civil and Commercial Code, the Company is required to set aside a statutory reserve equal to at least five percent of its net profit each time the Company pays out a dividend, until such reserve reaches ten percent of its registered share capital. The statutory reserve could not be used for dividend payment. At present, the statutory reserve has fully been set aside.

18. Income tax

Income tax expenses for the years ended 31 December 2014 and 2013 are made up as follows:

	(Unit: Thousand Baht)	
	2014	2013
Current income tax:		
Current income tax charge	-	2,175
Deferred tax:		
Relating to origination and reversal of temporary differences	479	(1,553)
Income tax expense reported in the statement of income	<u>479</u>	<u>622</u>

Reconciliation between income tax expenses and the product of accounting profit multiplied by the applicable tax rates for the years ended 31 December 2014 and 2013 is as follows:

	(Unit: Thousand Baht)	
	2014	2013
Accounting loss before tax	<u>(146,011)</u>	<u>(10,302)</u>
Applicable tax rate	20%	20%
Accounting loss before tax multiplied by income tax rate	(29,202)	(2,060)
Effects of:		
Non-deductible expenses	6,571	4,235
Additional allowable expenses	(131)	-
Unused tax loss	22,762	-
Total	-	4,235
Decrease (increase) in deferred tax assets	<u>479</u>	<u>(1,553)</u>
Income tax expenses reported in the statement of income	<u>479</u>	<u>622</u>

As of 31 December 2014 and 2013, the components of deferred tax assets are as follows:

	(Unit: Thousand Baht)	
	2014	2013
Deferred tax assets		
Allowance for diminution in value of inventories	1,968	2,146
Allowance for diminution in value of investment	157	-
Allowance for doubtful accounts	2,460	3,796
Provision for long-term employee benefits	5,054	4,176
Total	<u>9,639</u>	<u>10,118</u>

19. Commitment

19.1 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of office building space, warehouse, logistics services, and advertising and promotion. The terms of the agreements are generally between 1 and 5 years.

Future minimum lease payments required under these non-cancellable operating lease and service contracts were as follows.

	(Unit: Million Baht)	
	As at 31 December	
	2014	2013
Payable:		
in up to 1 year	24	18
In over 1 and up to 5 years	14	18

19.2 Long-term service commitments

- a) The Company has entered into management fee agreement with an overseas related company whereby it receives marketing and sales, finance and controlling, human resources and supply chain management services. Under the conditions of this agreement, the Company has to pay an annual management fee as stipulated in the agreement. The fee for the year 2014 amounted to approximately Baht 3 million. (2013: Baht 3 million)

- b) The Company has entered into product licensing agreement with an overseas related company for the right to use a trademark and the receipt of management know-how relating to distribution and marketing of products. Under the conditions of the license agreement, the Company is to pay an annual royalty fee as stipulated in the agreement. The fees for the year 2014 amounted to approximately Baht 17 million (2013: Baht 18 million).

19.3 Guarantees

As at 31 December 2014, there were outstanding bank guarantees of approximately Baht 1 million issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business (2013: Baht 1 million).

20. Approval of financial statements

These financial statements were authorised for issue by authorised directors of the Company on 27 March 2015.