

Havells Sylvania (Thailand) Ltd.
Report and financial statements
31 December 2015

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 2015, 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.

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 2015, 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: 20 January 2016

Havells Sylvania (Thailand) Ltd.
Statement of financial position
As at 31 December 2015

		(Unit: Baht)	
	Note	2015	2014
Assets			
Current assets			
Cash and cash equivalents		379,770	1,027,807
Trade and other receivables	5	104,322,623	279,290,119
Inventories	6	107,364,467	236,637,930
Short-term loans to associates	7	11,863,038	10,164,239
Other current assets		3,870,179	13,470,544
Total current assets		<u>227,800,077</u>	<u>540,590,639</u>
Non-current assets			
Restricted bank deposit	8	1,225,241	1,213,197
Investment in associates	9	-	706,283
Equipment	10	3,586,186	6,003,144
Intangible assets	11	88,405	109,763
Deposits		4,834,318	4,971,814
Deferred tax assets	18	-	9,639,712
Total non-current assets		<u>9,734,150</u>	<u>22,643,913</u>
Total assets		<u><u>237,534,227</u></u>	<u><u>563,234,552</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 2015

(Unit: Baht)

	Note	2015	2014
Liabilities and shareholders' equity			
Current liabilities			
Bank overdrafts and short-term loans from financial institutions	12	125,392,195	204,475,572
Trade and other payables	13	123,969,372	250,233,946
Other current liabilities		1,289,600	14,267,378
Total current liabilities		<u>250,651,167</u>	<u>468,976,896</u>
Non-current liabilities			
Provision for long-term employee benefits	14	28,822,000	25,272,000
Total non-current liabilities		<u>28,822,000</u>	<u>25,272,000</u>
Total liabilities		<u>279,473,167</u>	<u>494,248,896</u>
Shareholders' equity			
Share capital	15		
Registered			
10,200 ordinary shares of Baht 100 each		1,020,000	1,020,000
9,800 preference shares of Baht 100 each	16	980,000	980,000
Total registered share capital		<u>2,000,000</u>	<u>2,000,000</u>
Issued and paid-up			
10,200 ordinary shares of Baht 100 each		1,020,000	1,020,000
9,800 preference shares of Baht 100 each		980,000	980,000
Deduct: Share subscription		(155,000)	(1,000,000)
Retained earnings			
Appropriated - statutory reserve	17	576,659	576,659
Unappropriated - deficit		(44,360,599)	67,408,997
Total shareholders' equity		<u>(41,938,940)</u>	<u>68,985,656</u>
Total liabilities and shareholders' equity		<u>237,534,227</u>	<u>563,234,552</u>

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



Directors

Havells Sylvania (Thailand) Ltd.

Income statements

For the year ended 31 December 2015

		(Unit: Baht)	
	Note	2015	2014
Revenues			
Sales		381,779,591	568,482,924
Other income		108,212,205	1,377,898
Total revenues		<u>489,991,796</u>	<u>569,860,822</u>
Expenses			
Cost of sales		339,656,162	418,519,928
Selling expenses		68,477,358	122,584,630
Administrative expenses		174,587,821	165,154,673
Total expenses		<u>582,721,341</u>	<u>706,259,231</u>
Loss before finance cost and income tax expenses		(92,729,545)	(136,398,409)
Finance cost		(9,400,339)	(9,612,809)
Loss before income tax expenses		<u>(102,129,884)</u>	<u>(146,011,218)</u>
Income tax expenses	18	(9,639,712)	(478,806)
Net loss for the year		<u><u>(111,769,596)</u></u>	<u><u>(146,490,024)</u></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 2015

(Unit: Baht)

	Issued and paid-up share capital			Retained earnings		Total
	Ordinary shares	Preference shares	Share subscription	Appropriated	Unappropriated	
Balance as at 1 January 2014	510,000	490,000	-	576,659	213,899,021	215,475,680
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	67,408,997	68,985,656
Balance as at 1 January 2015	1,020,000	980,000	(1,000,000)	576,659	67,408,997	68,985,656
Receipt of share subscription in the year	-	-	845,000	-	-	845,000
Net loss for the year	-	-	-	-	(111,769,596)	(111,769,596)
Balance as at 31 December 2015	1,020,000	980,000	(155,000)	576,659	(44,360,599)	(41,938,940)

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 2015

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 two branches in Khonkaen and Chiang Mai 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 loss on impairment of assets (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 loss on impairment of assets (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)	
	2015	2014
Trade accounts receivable	165,534	291,593
Other receivables	-	-
Total	165,534	291,593
Less: Allowance for doubtful account	(61,211)	(12,303)
Trade and other receivables - net	<u>104,323</u>	<u>279,290</u>

As at 31 December 2014, the amount approximately Baht 54 million of above trade receivable (2015: Nil) has 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	
	2015	2014	2015	2014	2015	2014
Finished goods	169,141	237,717	(67,392)	(9,837)	101,749	227,880
Goods in transit	5,615	8,758	-	-	5,615	8,758
Total	174,756	246,475	(67,392)	(9,837)	107,364	236,638

7. Short-term loans to associated company

As at 31 December 2015, the Company had outstanding loans in US Dollar totaling Baht 12 million (2014: Baht 10 million) to its associated company, carrying interest at the rate of 8% per annum (2014: 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	
	2015	2014	2015	2014	2015	2014	2015	2014
	(%)	(%)						
Havells Sylvania (Malaysia)								
SDN. BHD.	30	30	720	720	(720)	(360)	-	360
PT. Havells Sylvania Indonesia	26	26	773	773	(773)	(427)	-	346
			<u>1,493</u>	<u>1,493</u>	<u>(1,493)</u>	<u>(787)</u>	<u>-</u>	<u>706</u>

10. Equipment

(Unit: Thousand Baht)

	Office equipment	Furnitures and Fixtures	Total
Cost:			
1 January 2014	19,473	30,921	50,394
Additions	238	61	299
Transfer out	(29)	-	(29)
31 December 2014	19,682	30,982	50,664
Additions	6	225	231
Disposal	(212)	(2,296)	(2,508)
31 December 2015	19,476	28,911	48,387
Accumulated depreciation:			
1 January 2014	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
Depreciation for the year	1,011	1,068	2,079
Depreciation on disposals	(172)	(1,767)	(1,939)
31 December 2015	17,626	27,175	44,801
Net book value			
31 December 2014	2,895	3,108	6,003
31 December 2015	1,850	1,736	3,586

As at 31 December 2015, certain equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to Baht 42 million (2014: Baht 31 million).

11. Intangible assets

(Unit: Thousand Baht)

	2015	2014
Computer software - cost	4,900	4,900
Less: Accumulated amortisation	(4,812)	(4,790)
Net book value	88	110

	(Unit: Thousand Baht)	
	2015	2014
Net book value at beginning of year	110	81
Additions	-	86
Amortisation	(22)	(57)
Net book value at end of year	<u>88</u>	<u>110</u>

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

(Unit: Thousand Baht)

	Interest rate			
	(percent per annum)			
	2015	2014	2015	2014
Bank overdrafts	MOR	MOR	3,049	2,673
Promissory notes	MLR	4.92 - 5.00	74,000	70,000
Trust receipts	2.76 - 6.50	2.76 - 2.79	48,343	88,743
Discount cheque	-	MOR - 2.25	-	43,060
Total			<u>125,392</u>	<u>204,476</u>

13. Trade and other payables

(Unit: Thousand Baht)

	2015	2014
Trade accounts payables	103,017	154,732
Accrued expenses	20,952	8,551
Other payables	-	86,951
Total trade and other payables	<u>123,969</u>	<u>250,234</u>

14. Provision for long-term employee benefits

(Unit: Thousand Baht)

As at 1 January 2014	20,881
Increase during the year	<u>4,391</u>
As at 31 December 2014	25,272
Increase during the year	6,971
Decrease from actual payment	<u>(3,421)</u>
As at 31 December 2015	<u>28,822</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. 1/2014 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 2015, the Company had share subscription of Baht 0.16 million (2014: Baht 1 million).

16. Preference shares

The preference shareholders of the Company are entitled to receive dividend at the rate of ninety percent of the declared dividend. The remaining of ten percent 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 2015 and 2014 are made up as follows:

	(Unit: Thousand Baht)	
	2015	2014
Current income tax:		
Current income tax charge	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	9,640	479
Income tax expense reported in the statement of income	<u>9,640</u>	<u>479</u>

Reconciliation between income tax expenses and the product of accounting loss multiplied by the applicable tax rates for the years ended 31 December 2015 and 2014 is as follows:

	(Unit: Thousand Baht)	
	2015	2014
Accounting loss before tax	<u>(102,130)</u>	<u>(146,011)</u>
Applicable tax rate	20%	20%
Accounting loss before tax multiplied by income tax rate	(20,426)	(29,202)
Effects of:		
Non-deductible expenses	22,593	6,571
Additional allowable expenses	(131)	(131)
Utilised tax losses	<u>2,036</u>	<u>22,762</u>
Total	-	-
Decrease in deferred tax assets	<u>9,640</u>	<u>479</u>
Income tax expenses reported in the statement of income	<u>9,640</u>	<u>479</u>

As of 31 December 2015 and 2014, the components of deferred tax assets are as follows:

	(Unit: Thousand Baht)	
	2015	2014
Deferred tax assets		
Allowance for diminution in value of inventories	-	1,968
Allowance for diminution in value of investment	-	157
Allowance for doubtful accounts	-	2,461
Provision for long-term employee benefits	-	5,054
Total	-	9,640

As at 31 December 2015, the Company has deductible temporary differences and unused tax losses totaling Baht 262 million (2014: Baht 114 million), on which deferred tax assets have not been recognised as the Company believes future taxable profits may not be sufficient to allow utilisation of the temporary differences and unused tax losses.

The unused tax losses amounting to Baht 104 million (2014: Baht 114 million) will expire by 2019.

19. Commitments and contingent liabilities

19.1 Operating lease commitments

The Company has entered into several lease and service 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	
	2015	2014
Payable:		
In up to 1 year	8	24
In over 1 and up to 5 years	6	14

19.2 Commitment in respect of purchase of goods and capital commitments

As at 31 December 2015, the Company had commitment in respect of purchase of finished goods by USD 38,169 (2014: USD 84,730).

19.3 Long-term service commitments

- a) As at 31 December 2007, the Company entered into management agreement with an overseas related company to receive services regarding marketing and sales, finance and controlling, human resources and supply chain management. Under the conditions of this agreement, the Company was required to pay an annual management fee as stipulated in the agreement. However, during the year 2015, the Company obtained the credit note from that related company granting an exemption from all remaining payables. The Company recognised this transaction as other income of Baht 3 million (2014: recognised the management fee under this agreement amounting to approximately Baht 3 million).
- b) As at 1 January 2008, the Company entered into a 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 agreement, the Company was required to pay an annual royalty fee as stipulated in the agreement. However, during the year 2015, the Company obtained the credit note from that related company granting an exemption from all remaining payables. The Company recognised this transaction as other income by Baht 41 million (2014: recognised royalty/licensing fee under this agreement amounting to approximately Baht 17 million).

19.4 Guarantees

As at 31 December 2015 and 2014, there were outstanding bank guarantees of approximately Baht ... million issued by banks on behalf of the Company in respect of certain performance bonds as required in the normal course of business.

20. Events after the reporting period

On 11 January 2016, the Company has registered the change in its major shareholder from Flowil International Lighting Holding B.V., which was incorporated in the Netherlands, to Havells International Co., Ltd., which was incorporated in the Republic of Malta because there is a change in the Company group's structure. This change has no impact to the Company's registered, issued and paid-up share capital.

21. Approval of financial statements

These financial statements were authorised for issue by authorised directors of the Company on 20 January 2016.