

Havells Holdings Limited

Financial Statements

31 March 2017

**HAVELLS HOLDINGS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Contents	Page
Officers and Professional Advisers	3
The Directors' Report	4-5
The Independent Auditors' Report	6
Statement of Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10-16

HAVELLS HOLDINGS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	Sean Kevin Dowling Ameet Kumar Gupta Anil Rai Gupta Yogesh Bansal Ella Christabel Pinnock (Alternate director to Sean Kevin Dowling)
Registered office	33-37 Athol Street Douglas Isle of Man IM1 1LB
Accountants	Estera Trust (Isle of Man) Limited (formerly Appleby Trust (Isle of Man) Limited) 33-37 Athol Street Douglas Isle of Man IM1 1LB
Bankers	Standard Chartered Bank 1 Basinghall Avenue London EC2V 5DD
Auditors	Ernst & Young LLC Rose House 51-59 Circular Road Douglas Isle of Man IM1 1AZ
Registered Number	000475V

HAVELLS HOLDINGS LIMITED
THE DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 2017.

Principal activities and business review

The principal activity of the company during the year was that of an investment holding company.

Results and dividends

The results of the company for the year are set out in the Statement of Comprehensive Income on page

The directors do not recommend the payment of a dividend (2016: nil).

Directors

The directors who served the company during the year were as follows:

Sean Kevin Dowling
Ameet Kumar Gupta
Anil Rai Gupta
Yogesh Bansal
Ella Christabel Pinnock
(Alternate director to Sean Kevin Dowling)

Registered Agent

The Registered Agent of the company is Estera Trust (Isle of Man) Limited.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for the preparation of the financial statements. The directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them on a consistent basis;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping reliable accounting records which correctly explain the transactions of the company, and which enable the financial position of the company to be determined with reasonable accuracy. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**HAVELLS HOLDINGS LIMITED
THE DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2017**

Auditor

A resolution to re-appoint Ernst & Young LLC as auditor for the ensuing year will be proposed at the annual general meeting.

Registered office:
33-37 Athol Street
Douglas
Isle of Man IM1 1LB

Signed by order of the directors



DIRECTOR

Approved by the directors on

10th may 2017

**HAVELLS HOLDINGS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAVELLS HOLDINGS LIMITED
FOR THE YEAR ENDED 31 MARCH 2017**

We have audited the financial statements of Havells Holdings Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, Statement of Changes in Equity and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards - FRS 102 Section 1A - Small Entities.

This report is made solely to the Company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom accounting standards.

Ernst & Young UK
Ernst & Young LLC
Chartered Accountants
Isle of Man
Date 10 May 2017

HAVELLS HOLDINGS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

		<u>2017</u>	<u>2016</u>
	Note	EUR	EUR
Income			
Interest income		8,831	-
Gain on sale of investments		-	25,393,588
		<u>8,831</u>	<u>25,393,588</u>
Expenses			
Interest expense		(28,311)	(8,727)
Provision for commitment to subsidi	6	162,000	(7,600,000)
Write off of loan to subsidiary		(1,241,876)	-
Impairment of investment in subsidi	9	(4,154,000)	(7,812,179)
Administration expenses		(51,920)	(78,739)
Audit fees		(16,342)	(16,066)
Legal fees		-	(3,158)
Professional fees		(84,100)	(194,175)
Other professional fees		(8,771)	-
Valuation fees		-	(4,888)
Bank charges and interest		(217)	(171)
Foreign exchange		515,578	950
Movement in escrow account		(3,241,600)	-
		<u>(8,149,559)</u>	<u>(15,717,153)</u>
Total Expenses		(8,149,559)	(15,717,153)
(Loss)/gain for the year		(8,140,728)	9,676,435
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(8,140,728)	9,676,435

HAVELLS HOLDINGS LIMITED
BALANCE SHEET
AS AT 31 MARCH 2017

		<u>2017</u>	<u>2016</u>
	Note	EUR	EUR
Fixed assets			
Investments	9	28,251,603	28,251,603
		28,251,603	28,251,603
Current assets			
Escrow Account		-	5,000,000
Amounts owed to Group Companies	5	-	8,087
Prepayments		11,142	-
Cash at bank and in hand		4,526,028	7,825,600
Total current assets		4,537,171	12,833,687
Creditors: Amounts falling due within one year			
Trade Creditors	6	(13,129)	(6,917)
Provision for Liabilities for Subsidiaries	6	(7,438,001)	(7,600,001)
		(7,451,130)	(7,606,918)
Net Assets		25,337,644	33,478,372
Capital and reserves			
Called-up equity share capital	10	33,835,135	33,835,135
Reserves		(8,497,491)	(356,763)
Shareholders' funds		25,337,644	33,478,372

These financial statements were approved by the directors and authorised for issue on [10/5/17], and are signed on their behalf by:

 DIRECTOR

 DIRECTOR

HAVELLS HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Share Capital EUR	Retained Earnings EUR	Total EUR
At 1 April 2015	147,098,298	(5,816,361)	141,281,937
Total comprehensive income for the year	-	9,676,435	9,676,435
Reserves transfer	4,216,837	(4,216,837)	-
Shares issued	20,000	-	20,000
Shares redeemed	(117,500,000)	-	(117,500,000)
At 31 March 2016	33,835,135	(356,763)	33,478,372
At 1 April 2016	33,835,135	(356,763)	33,478,372
Total comprehensive loss for the year	-	(8,140,728)	(8,140,728)
At 31 March 2017	33,835,135	(8,497,491)	25,337,644

1 Accounting policies

Basis of accounting and statement of compliance

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard 102 Section 1A - Smaller Entities 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'). These financial statements have been prepared on the going concern basis on the understanding that the parent will provide quarterly capital contributions in order to enable the company to meet its liabilities as they fall due.

Income & Expenses

Income and expenses are accounted for under the accruals concept.

Foreign currencies

Items included in the company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Euro, which reflects the primary economic environment of the company's subsidiaries.

The Company has adopted the Euro as its presentation currency.

Monetary assets and liabilities denominated in currencies other than the Euro are translated into Euros at the closing rates at each period end. Transactions during the period are translated at the rate prevailing on the date of the transaction. Gains and losses on translation are taken to the statement of comprehensive income.

Investments

Investments in subsidiaries are held at cost, less a provision for any permanent diminution in value.

Group Accounts

The Company has not prepared consolidated financial statements as permissible under FRS 102 Section 1A.

Cash Flow Statement

The Company has not prepared a cash flow statement as permissible under FRS 102 Section 1A.

Cash at bank and in hand

Cash is defined as cash in hand, demand deposits and short term, highly liquid investments which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

2 Transition to FRS 102

This is the first year in which the financial statements have been prepared under FRS 102. Note 12 gives an explanation of the effects of the transition.

The date of the transition was 1 April 2015, with the previous financial statements being prepared under United Kingdom accounting statements - Financial Reporting Standard for Smaller Entities (FRSSE) effective January 2015.

No changes in accounting policies have occurred as a result of the transition to FRS 102 Section 1A.

HAVELLS HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3 Critical Accounting Estimates and Judgements

No significant judgements have had to be made by the directors in preparing these financial statements.

The directors have made key assumptions in the determination of the fair value of the investment in subsidiaries as noted in notes 6 and 9.

4 Other operating income

Operating loss is stated after charging/(crediting):

	2017 EUR	2016 EUR
Auditor's fees	16,342	16,066
Net profit on foreign currency translation	(515,578)	(950)
	(499,236)	15,116

5 Debtors

	2017 EUR	2016 EUR
Amount held in escrow re sale of Havells Malta Ltd	-	5,000,000
Amounts owed by group companies	-	8,087
	-	5,008,087

6 Creditors: Amounts falling due within one year

	2017 EUR	2016 EUR
Trade creditors	13,129	6,917
Provision for liabilities of subsidiaries	7,438,001	7,600,001
	7,451,130	7,606,918

At the 2016 year end a provision was made against various liabilities of the subsidiaries acquired in that year as part of the sale of Havells Malta Limited. The subsidiaries had certain external liabilities which they would not be able to settle from internal sources because of retained losses. The company, as the parent, committed to give the subsidiaries financial support however as no return on capital is expected for this support a provision has been made. The provision has reduced by €4,154,000 in the year being the amount invested into the subsidiaries, and then increased to €7.4m to cover termination expenses for the Company's Brazil subsidiary.

7 Income Tax

The standard rate of corporate income tax in the Isle of Man is 0%, except where profits are derived from banking business, or in certain circumstances retail businesses which are subject to corporate income tax at a rate of 10%. With effect from 6 April 2015, profits derived from Isle of Man land and property are subject to tax at a rate of 20%, which were previously subject to tax at a rate of 10%.

As the Company does not derive its income from banking business, retail business or Isle of Man land and property, its profits are subject to the standard rate of 0% corporate income tax.

8 Related Party Transactions

The ultimate parent Company is Havells India Limited, a company incorporated in India and listed on the Bombay Stock Exchange. The directors consider Havells India Limited to be the ultimate 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 that are publicly available which incorporate the results of the company. Copies of the Havells India Limited financial statements can be obtained from Havells India Limited, 1 Raj Narain Marg, Civil Lines, Dehli 110054, India.

Mr Sean Dowling, a director of the Company, is also a director of Estera Trust (Isle of Man) Limited (Estera). Estera has charged the Company €51,920 (2016:€78,739) during the year ended 31 March 2017 for the provision of administration and registered agent services. At the balance sheet date Estera was owed €4,777 (2016: €nil). During the year, Appleby Trust (Isle of Man) Limited changed its name to Estera Trust (Isle of Man) Limited and Ella Pinnock, alternate director for Sean Dowling, was appointed as a director of Estera.

Mr Sean Dowling, a director of the Company, was also a partner in Appleby (Isle of Man) LLC ('Appleby Law') up to 31 December 2016. Appleby law charged the company €nil during the year ended 31 March 2017 (2016: €3,158) for the provision of legal fees. At the balance sheet date no legal fees were outstanding (2016: \$nil).

HAVELLS HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

9 Investments

Investment in Havells Maita Limited

	Ordinary Shares EUR	Total EUR
Cost/fair value		
Balance brought forward	28,251,603	28,251,603
Balance carried forward	<u>28,251,603</u>	<u>28,251,603</u>
Net book value		
Balance carried forward	<u>28,251,603</u>	<u>28,251,603</u>

Investment in Havells International Limited

	'A' Class Shares EUR	Total EUR
Cost/fair value		
Balance brought forward	7,801,300	7,801,300
Transfer from advance	9,000	9,000
Advance written off	(9,000)	(9,000)
Impairment brought forward	(7,801,300)	(7,801,300)
Additions in year	4,154,000	4,154,000
Impairment in year	(4,154,000)	(4,154,000)
Net book value		
Balance carried forward	<u>-</u>	<u>-</u>

Investment in Havells USA Inc.

	'A' Class Shares EUR	Total EUR
Cost/fair value		
Balance brought forward	939	939
Impairment brought forward	(939)	(939)
Net book value		
Balance carried forward	<u>-</u>	<u>-</u>

Investment in Havells Sylvania Iluminacion Chile Limited

	'A' Class Shares EUR	Total EUR
Cost/fair value		
Balance brought forward	939	939
Impairment brought forward	(939)	(939)
Net book value		
Balance carried forward	<u>-</u>	<u>-</u>

Investment in Havells Sylvania Brazil Iluminacao Limitada

	'A' Class Shares EUR	Total EUR
Cost/fair value		
Balance brought forward	1	1
Impairment brought forward	(1)	(1)
Net book value		
Balance carried forward	<u>-</u>	<u>-</u>

Total Investments Held		<u>28,251,603</u>
-------------------------------	--	-------------------

HAVELLS HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

9 Investments (continued)

Subsidiary	Principal Activity	Domicile	Share Class	Holding %
Havells Malta Limited	Investment Holding Lighting Production	Malta	A B Non cumulative redeemable 4% preference shares	20 - -
Havells International Limited		IoM	A	100
Havells USA Inc.		USA	A	100
Havells Sylvania Iluminacion Chile Limited		Chile	A	100

The holder of the 'A' class shares in Havells Malta Limited has the right to receive notice of and to attend all general meetings of Havells Malta Limited (the Company) and to vote on all Ordinary Resolutions and Extraordinary Resolutions. They also have the right to receive dividends and to participate in the profits of the Company.

The holder of the 'B' class share has the right to receive notice of and to attend all general meetings of the Company and the right to vote on Extraordinary resolutions but shall not have the right to vote on Ordinary Resolutions. They do not have the right to receive any dividends or to participate in the profits of the Company.

The holder of the 'B' share shall have no right to participate in any surplus assets and profits of the Company upon the dissolution of said Company other than the return of the nominal value of the shares invested thereby.

The preference shares have the right to receive a dividend of 4% per annum if the dividend is declared by General Meeting, but no right to participate in any surplus upon the dissolution of the Company other than the return of the nominal value of the shares. No dividends have been declared to date. During 2016 all of Havells Malta Limited's 4% preference shares were converted into Ordinary Shares.

During the 2016 year end the Company entered into a Share Purchase Agreement (SPA) (dated 10th December 2015) with INESA UK Limited, a Subsidiary of Shanghai Feilo Acoustics Co. Ltd (Feilo), a company incorporated in the People's Republic of China with a listing on the Shanghai Stock Exchange. The agreement was for the sale of 80% of the Company's stake in its wholly owned subsidiary, Havells Malta Ltd. The purchase consideration was EURO 138.4million.

On 12 January 2016, prior to the sale and as part of the restructuring, the company acquired the whole share capital of 3 group companies, Havells USA Inc., Havells Sylvania Iluminacion Chile Limited and Havells International Limited. The company also acquired a stake in Havells Sylvania Brasil Iluminacao Ltda, being 6 millionths of a share.

As part of that restructuring, the company pledged 10% of the share capital of Havells Malta Limited to Havells Sylvania Limited, a company owned by Havells Malta, as security for various intercompany debts owed by subsidiaries that were carved out prior to the sale to Feilo. The amounts owing total €8.1m and are due within 24 months of the sale date.

In February 2016 further shares with a value of €7,800,000 were subscribed for in Havells International Limited in order to meet external liabilities of that company's subsidiaries. During the 2017 year end a further €4,154,000 was subscribed for on the same basis and, as no return on investment is expected (see note 6) all monies invested in Havells International Limited, Havells USA Inc, Havells Sylvania Brazil Iluminacao Limitada and Havells Sylvania Iluminacion Chile Limited have been fully provided for in this year's financial statements.

In addition to the above, in March 2016 €9,000 was sent to Havells International Limited as share application monies and was written off in that year, the note above reflects this.

It has also been agreed that with respect to the balance 20% stake, the Company has an option (put option) to the sell shares to FEILO or its associates from the period commencing from end of 18 months from the closing date of the transaction and until the end of 5 years from the closing date and FEILO or its associates have the option (call option) to acquire these shares from period commencing from the closing date until the 5th anniversary of the closing date.

Under the same agreement Havells Holdings Limited will continue to hold 100% stake in subsidiaries based in USA, Brazil, Chile and Thailand.

During the year, various clauses under the SPA with Feilo were called in and the monies in the escrow account were re paid to Feilo under that agreement. This has resulted in an amount of €3,241,600 being taken to the statement of comprehensive income in the year and has been separately disclosed. The remaining balance on the escrow account was received by the company.

**HAVELLS HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

10 Share capital

Ordinary share of £1 each	2017 EUR	2016 EUR
124,811,912 shares brought forward	33,835,135	147,098,298
93,065,499 shares redeemed	-	(117,500,000)
14,659 shares issued at par	-	20,000
Reserves transfer	-	4,216,837
31,761,072 shares carried forward	33,835,135	33,835,135

Throughout the year additional capital of €Nil (2016: €20,000) was made available from the company's sole shareholder in respect of the issuance of the above shares.

During the previous year 93,065,499 shares were redeemed following the sale of 80% of Havells Malta Limited.

Prior to 2010 the issue of certain shares was translated at an incorrect rate of exchange. The reserve adjustment in 2016 represents the transfer from retained earnings to share capital that was necessary to record the issue of those shares at the correct rates. As the adjustment does not impact on net assets or amounts distributable to shareholders, it is therefore not considered fundamental.

11 Subsequent events

The company is in the process of finalising the sale of the remaining stake in Havells Malta Limited with an agreed price of €34.5m. This is expected to be finalised in June 2017.

HAVELLS HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

12 Reconciliations on adoption of FRS 102

Profit and loss for the year ended 31 March 2016	EUR
Profit under former UK GAAP	9,676,435
No adjustments on transition	-
Restated profit under FRS 102	<u>9,676,435</u>
Balance sheet as at 31 March 2016	EUR
Equity under former UK GAAP	33,478,372
No adjustments on transition	-
Restated equity under FRS 102	<u>33,478,372</u>