

Havells Holdings Limited

Financial Statements

31 March 2018

HAVELLS HOLDINGS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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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 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 2018**

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 2018.

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 8.

The directors do not recommend the payment of a dividend (2017: 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 Eстера 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 2018

Auditor

Ernst & Young LLC as auditor have expressed their willingness to be appointed for the ensuing year.

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

Signed by order of the directors



DIRECTOR

Approved by the directors on 9/5/18

HAVELLS HOLDINGS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAVELLS HOLDINGS LIMITED
FOR THE YEAR ENDED 31 MARCH 2018

Opinion

We have audited the financial statements of Havells Holdings Limited for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, Statement of Changes in Equity and related notes 1 to 10. 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.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2018 and of its profit for the year then ended;'
- have been properly prepared in accordance with United Kingdom Accounting Standards

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Isle of Man, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 4 and 5, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

HAVELLS HOLDINGS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAVELLS HOLDINGS LIMITED
FOR THE YEAR ENDED 31 MARCH 2018

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors


As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.


Ernst & Young LLC
Chartered Accountants
Isle of Man
Date 9 May 2018

HAVELLS HOLDINGS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

		<u>2018</u>	<u>2017</u>
	Note	EUR	EUR
Income			
Interest income		33,693	8,831
Gain on sale of investments		6,248,397	-
		<u>6,282,090</u>	<u>8,831</u>
Expenses			
Interest expense		-	(28,311)
Movement in provision for commitment to subsidiaries		2,365,092	162,000
Write back of previously written off loans to subsidiaries		81,513	-
Provision for claims of Feilo Group		(1,125,000)	-
Write off of loan to subsidiary	5	-	(1,241,876)
Impairment of investment in subsidiaries	8	(6,181,292)	(4,154,000)
Administration expenses		(54,876)	(51,920)
Audit fees		(15,224)	(16,342)
Legal fees		(71,785)	-
Professional fees		(9,587)	(84,100)
Other professional fees		(2,228)	(8,771)
Bank charges and interest		(608)	(217)
Foreign exchange		(320,885)	515,578
Movement in escrow account		-	(3,241,600)
		<u>(5,334,881)</u>	<u>(8,149,559)</u>
Total Expenses		(5,334,881)	(8,149,559)
Gain/(loss) for the year		<u>947,210</u>	<u>(8,140,728)</u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u><u>947,210</u></u>	<u><u>(8,140,728)</u></u>

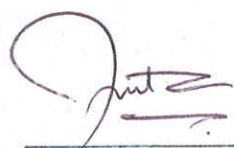
HAVELLS HOLDINGS LIMITED
BALANCE SHEET
AS AT 31 MARCH 2018

	Note	2018 EUR	2017 EUR
Fixed assets			
Investments	8	-	28,251,603
		-	28,251,603
Current assets			
Amount owed re sale of investments	4	2,500,000	-
Prepayments		8,913	11,142
Cash at bank and in hand		3,775,737	4,526,028
Total current assets		6,284,650	4,537,171
Creditors: Amounts falling due within one year			
Trade Creditors	5	(35,633)	(13,129)
Provisions	5	(5,964,163)	(7,438,001)
		(5,999,796)	(7,451,130)
Net Assets		284,854	25,337,644
Capital and reserves			
Called-up equity share capital	9	1,850,815	33,835,135
Reserves		(1,565,961)	(8,497,491)
Shareholders' funds		284,854	25,337,644

These financial statements were approved by the directors and authorised for issue on 9 May 2018, and are signed on their behalf by:



DIRECTOR



DIRECTOR

HAVELLS HOLDINGS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Share Capital EUR	Retained Earnings EUR	Total EUR
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
At 1 April 2017	33,835,135	(8,497,491)	25,337,644
Total comprehensive income for the year	-	947,210	947,210
Shares redeemed	(31,984,320)	5,984,320	(26,000,000)
At 31 March 2018	1,850,815	(1,565,961)	284,854

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.

Share Capital

The issuance, acquisition and cancellation of shares are accounted for as equity transactions.

Upon the issuance of shares, the consideration is included in equity.

Own equity shares that are reacquired (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. The company's policy is not to keep shares in treasury, but, rather, to cancel them once repurchased. No gain or loss is recognised in the statement of comprehensive income on the purchase, issuance or cancellation of the company's own shares.

**HAVELLS HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2 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 5 and 8.

3 Other operating income

Operating loss is stated after charging/(crediting):

	2018 EUR	2017 EUR
Auditor's fees	15,224	16,342
Net loss/(profit) on foreign currency translation	320,885	(515,578)
	336,109	(499,236)

4 Debtors

	2018 EUR	2017 EUR
Amount owed re sale of Feilo Malta Ltd (previously Havells Malta Ltd)	2,500,000	-
	2,500,000	-

5 Creditors: Amounts falling due within one year

	2018 EUR	2017 EUR
Trade creditors	35,633	13,129
Provision for liabilities of subsidiaries (€)	-	7,438,001
Provision for claims of Feilo Group (\$)	1,125,000	-
Provision for intercompany liabilities (\$)	2,030,713	-
Provision for liabilities of subsidiaries (\$)	2,808,449	-
	5,999,796	7,451,130

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 Feilo Malta Limited (previously 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 decreased during the year by €2,598,839, and has now been disclosed separately for liabilities of subsidiaries and intercompany liabilities.

A provision of €1,125,000 has been made in relation to a claim that has been made against the Company. The claim relates to an intercompany loan balance that was not allegedly included as part of this Share Purchase Agreement entered into between INESA UK Limited and the Company, in December 2015. Details of the claim have been disclosed in note 10.

5 Creditors: Amounts falling due within one year (continued)

During the year the Company agreed to transfer its shareholding in Havells Sylvania Brasil Iluminacao Ltda (see note 8). As part of this transaction Havells International Limited, a subsidiary of the company, was assigned the liabilities of Havells Sylvania Brasil Iluminacao Ltda. This has resulted in an additional provision of US\$ 3,457,467, disclosed separately as detailed in note 10. In addition under the SPA in respect of Feilo Malta Limited (formerly Havells Malta Limited) the company has provided for the balance of the intercompany liabilities due of USD 2,500,000.

6 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.

7 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 €54,876 (2017:€51,920) during the year ended 31 March 2018 for the provision of administration and registered agent services. At the balance sheet date Estera was owed €23,675 (2017: €4,777).

8 Investments

Investment in Havells Malta Limited

	Ordinary Shares EUR	Total EUR
Cost/fair value		
Balance brought forward	28,251,603	28,251,603
Disposals	(28,251,603)	(28,251,603)
	<hr/>	<hr/>
Balance carried forward	-	-
	<hr/>	<hr/>
Net book value		
Balance carried forward	-	-
	<hr/>	<hr/>

Investment in Havells International Limited

	'A' Class Shares EUR	Total EUR
Cost/fair value		
Balance brought forward	11,955,300	11,955,300
Impairment brought forward	(11,955,300)	(11,955,300)
Additions in year	6,181,292	6,181,292
Impairment in year	(6,181,292)	(6,181,292)
	<hr/>	<hr/>
Net book value		
Balance carried forward	-	-
	<hr/>	<hr/>

Investment in Havells USA Inc.

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

Investment in Havells Sylvania Illuminacion Chile Limited

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

Investment in Havells Sylvania Brazil Iluminacao Limitada

	'A' Class Shares EUR	Total EUR
Cost/fair value		
Balance brought forward	1	1
Disposal	(1)	(1)
	<hr/>	<hr/>
Net book value		
HHL FS 31.03.18	-	-
	<hr/>	<hr/>

Total Investments Held

	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

8 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	-
Havells International Limited		IoM	A	100
Havells USA Inc.		USA	A	-
Havells Sylvania Iluminacao Chile Limited		Chile	A	100
Havells Brazil		Brazil	A	-

On 18 September 2017, the company entered into a transfer agreement in respect of its shareholding in Havells Sylvania Brasil Iluminacao Ltda. The terms of this agreement amount to a management buyout, with the consideration of US\$ 4,000,000 being invested into Havells Sylvania Brasil Iluminacao Ltda by the transferees. The stake held was transferred on the 31 March 2018.

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 5) all monies invested in Havells International Limited, Havells USA inc, Havells Sylvania Brazil Iluminacao Limitada and Havells Sylvania Iluminacao Chile Limited have been fully provided for in this year's financial statements.

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. This option was exercised during the year and the remaining 20% shareholding was sold for €34,500,000. There is a balance of €2,500,000 owed to the company at the year end (see note 4).

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

HAVELLS HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

9 Share capital

Ordinary share of £1 each	2018 EUR	2017 EUR
31,761,072 shares brought forward	33,835,135	33,835,135
30,023,710 shares redeemed	(31,984,320)	-
1,737,362 shares carried forward	<u>1,850,815</u>	<u>33,835,135</u>

During the year 30,023,710 shares were redeemed at a price of €1.065 per share following the sale of the final 20% holding of Feilo Malta Limited (previously Havells Malta Limited). The total redemption payment was €26,000,000. The difference between the proceeds paid and the present value of the shares redeemed has been taken directly to retained earnings.

10 Claims made against the company

On the 25 September 2017 a claim was made by INESA UK Limited against the Company in respect of an alleged environmental claim that was not disclosed as part of the Share Purchase Agreement entered into between INESA and the Company, in December 2015. Management and the directors are robustly defending this claim on the grounds that it is not an environmental claim together with the belief that the time period set out in the Share Purchase Agreement for raising a claim against the Company, has passed. No monetary amount has been assigned to this claim and therefore no actual provision can be made estimated or included within these financial statements.

On the 2 February 2018 a formal claim was filed by INESA UK Limited against the Company in relation to an intercompany loan that was allegedly not disclosed as part of the Share Purchase Agreement entered into between INESA and the Company, in December 2015. The amount in respect of the claim is \$2,628,000. The directors and management have defended this claim but envisage that the claim will be settled by way of a payment representing 50% of the claim amount. Therefore, a provision of €1,125,000 has been made in respect of this claim and included within the year end provision balance, as disclosed in note 5.