



佳力會計師行

**GALA** *Certified Public Accountants*

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**HAVELLS EXIM LIMITED**  
**(Formerly known as QRG EXIM LIMITED)**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 21 JUNE 2010 (DATE OF  
INCORPORATION) TO 31 DECEMBER 2010**

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)

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(ALL AMOUNTS EXPRESSED IN UNITED STATES DOLLARS)

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)  
***DIRECTORS' REPORT***

The directors of Havells Exim Limited (Formerly known as QRG Exim Limited) (the "Company") submit herewith their report and the audited financial statements of the Company for the period from 21 June 2010 (date of incorporation) to 31 December 2010.

**INCORPORATION AND COMMENCEMENT**

The Company was incorporated in Hong Kong with limited liability on 21 June 2010 and commenced its business on 11 October 2010.

**CHANGE OF NAME**

By a special resolution passed on 25 September 2010, the name of the Company was changed from QRG Exim Limited to Havells Exim Limited with effect from 4 October 2010.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company are trading of lighting products.

**FINANCIAL STATEMENTS**

The results of the Company for the period from 21 June 2010 (date of incorporation) to 31 December 2010 and the state of the Company's affairs at 31 December 2010 are set out in the annexed financial statements.

The directors do not recommend the payment of any dividend in respect of the period ended 31 December 2010.

**SHARE CAPITAL**

Details of movements in the share capital of the Company during the period are set out in note 16 to the financial statements.

**RESERVES**

Movement in the reserves of the Company during the period are set out in the statement of changes in equity on page 7.

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)  
**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS**

The directors of the Company who held office during the period and up to the date of this report were:

Anil Gupta (First director on incorporation)  
Ameet Kumar Gupta (First director on incorporation)

In accordance with Article 6 of the Company's Articles of Association, all directors continue in office for the ensuing year.

**DIRECTORS' INTERESTS**

Save as disclosed in note 17 to the financial statements, no contracts of significance to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

At no time during the period was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.


**MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period.

**AUDITOR**

The financial statements have been audited by Messrs. GALA Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

  
Anil Gupta  
Chairman  
Hong Kong, 20 May 2011



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Unit 1005, 10/F., Tower B, Hunghom Commercial Centre  
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**INDEPENDENT AUDITOR'S REPORT**  
**TO THE SOLE SHAREHOLDER OF HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)  
(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Havells Exim Limited (the "Company") set out on pages 5 to 21, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 21 June 2010 (date of incorporation) to 31 December 2010, and a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the financial statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, 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.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we 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 of the financial statements that give a true and fair view 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 the directors, as well as evaluating the overall presentation of the financial statements.



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**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**  
**TO THE SOLE SHAREHOLDER OF HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)  
(incorporated in Hong Kong with limited liability)

**Auditor's responsibility (Continued)**

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its results and cash flows for the period from 21 June 2010 (date of incorporation) to 31 December 2010 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

GALA  
Certified Public Accountants  
Hong Kong, 20 May 2011

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD FROM 21 JUNE 2010 (DATE OF INCORPORATION) TO 31**  
**DECMEBER 2010**

	NOTE	US\$
Turnover	(7)	4,255,482
Cost of sales		<u>(4,161,841)</u>
Gross profit		93,641
Other income	(7)	8,750
Administrative expenses		<u>(20,676)</u>
Profit before income tax	(8)	81,715
Income tax	(10)	<u>-</u>
Profit for the period		<u>81,715</u>
Other comprehensive income for the period, net of tax		<u>-</u>
Total comprehensive income for the period attributable to the equity holders of the Company		<u><u>81,715</u></u>

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)

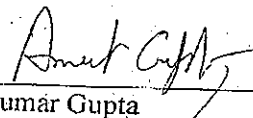
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

<b>ASSETS AND LIABILITIES</b>	<b>NOTE</b>	<b>US\$</b>
<b>Current assets</b>		
Inventories	(11)	368,812
Trade and other receivables	(12)	3,780,182
Bank balances	(13)	<u>75,282</u>
		4,224,276
<b>Less:</b>		
<b>Current liabilities</b>		
Trade and other payables	(14)	<u>4,142,433</u>
<b>NET ASSETS</b>		<u><u>81,843</u></u>
<b>EQUITY</b>		
Share capital	(16)	128
Retained earnings		<u>81,715</u>
<b>TOTAL EQUITY</b>		<u><u>81,843</u></u>

Approved and authorised for issue by the Board of Directors on 20 May 2011.



\_\_\_\_\_  
Anil Gupta  
Director



\_\_\_\_\_  
Ameet Kumar Gupta  
Director

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD FROM 21 JUNE 2010 (DATE OF INCORPORATION) TO 31**  
**DECMEBER 2010**

	<u>Share</u> <u>capital</u> US\$	<u>Retained</u> <u>earnings</u> US\$	<u>Total</u> US\$
Issue of shares on incorporation	128	-	128
Total comprehensive income for the period	<u>-</u>	<u>81,715</u>	<u>81,715</u>
At 31 December 2010	<u>128</u>	<u>81,715</u>	<u>81,843</u>

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)

**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM 21 JUNE 2010 (DATE OF INCORPORATION) TO 31**  
**DECMEBER 2010**

	Note	US\$
<b>OPERATING ACTIVITIES</b>		
Profit before income tax and operating cash flows		81,715
before changes in working capital		(368,812)
Increase in inventories		(3,780,182)
Increase in trade and other receivables		4,142,433
Increase in trade and other payables		<u>4,142,433</u>
Cash generated from operations and net cash from		
operating activities		<u>75,154</u>
<b>INVESTING ACTIVITIES</b>		
Net cash from investing activities		<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Issue of shares		<u>128</u>
Net cash from financing activities		<u>128</u>
<b>NET INCREASE IN CASH AND CASH</b>		
<b>EQUIVALENTS</b>		<u>75,282</u>
Cash and cash equivalents at beginning of period		<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT END</b>		
<b>OF PERIOD</b>		<u><u>75,282</u></u>
<b>ANALYSIS OF THE BALANCES OF CASH</b>		
<b>AND CASH EQUIVALENTS</b>		
Bank balances	(13)	<u><u>75,282</u></u>

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS**

**1. REPORTING ENTITY**

Havells Exim Limited (Formerly known as QRG Exim Limited) (the "Company") is a company incorporated and domiciled in Hong Kong with limited liability and has its registered office situated at Unit 1005, 10/F., Tower B, Hunghom Commercial Centre, 37 Ma Tau Wai Road, Kowloon, Hong Kong. The directors consider the Company's immediate parent and ultimate holding company to be Havells India Limited, a company incorporated and listed in India, which has produced financial statements available for public use.

By a special resolution passed on 25 September 2010, the name of the Company was changed from QRG Exim Limited to Havells Exim Limited with effect from 4 October 2010.

The Company commenced its business on 11 October 2010 and its principal activities are trading of lighting products.

**2. BASIS OF PREPARATION**

(a) Basis of accounting

These financial statements are the first set of financial statements of the Company covering a period from 21 June 2010 (date of incorporation) to 31 December 2010 and have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

All financial figures are expressed in United States dollars and all values are rounded up to the nearest dollar unless otherwise indicated. The measurement basis used in the preparation of these financial statements is historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS**

**2. BASIS OF PREPARATION (CONTINUED)**

- (b) Hong Kong Financial Reporting Standards issued but not yet effective for the period HKFRSs that have been issued but are not yet effective for the period include the following HKFRSs which may be relevant to the Company's operations and financial statements:

		<u>Effective date for annual periods</u>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010	Beginning on or after 1 July 2010 and 1 January 2011, as appropriate
HKAS 24 (Revised)	Related Party Disclosures	Beginning on or after 1 January 2011
HKFRS 9	Financial Instruments	Beginning on or after 1 January 2013

The Company has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the Company's financial statements in the year of initial application. The Company will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.

**3. PRINCIPAL ACCOUNTING POLICIES**

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and bank balances) are initially recognised at fair value and thereafter at each reporting date are carried at amortised cost using the effective interest method, less any identified impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS**

**3. PRINCIPAL ACCOUNTING POLICIES**

(b) Financial liabilities at amortised cost

Financial liabilities (including trade and other payables) are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(c) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(d) Share capital

Shares issued are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

(e) Impairment of assets

Loans and receivables are reviewed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Company about one or more of the following losses events:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

**HAVELLS EXIM LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

**(e) Impairment of assets (continued)**

If any such evidence exists, impairment loss on loans and receivables carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

**(f) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**(g) Provisions and contingent liabilities**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the period in which the expenditures are incurred. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS**

**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

(g) Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(h) Income tax

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit (or loss) nor taxable profit (or tax loss), it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilized.

(i) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in United States dollars, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS**

**3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

(j) Revenue recognition

Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

Income from sales of goods is recognised when the goods are delivered to customers.

(k) Related parties

An individual is related to the Company if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Company, or (ii) is a member of the key management personnel of the Company, or (iii) if the individual is a close member of the family of the individuals in (i) or (ii).

An entity is related to the Company if the entity (i) has, directly or indirectly, control or joint control or significant influence over the Company, or (ii) is controlled by or under common control with the Company, or (iii) is an associate or jointly controlled entity of the Company, or (iv) is controlled, jointly-controlled or significantly influenced by an individual related to the Company.

(l) Cost of incorporation

Cost of incorporation is wholly written off as incurred.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are currently evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates, assumptions and judgements concerning future. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment for the carrying amounts recognised in the financial statements are discussed below.

Income tax

The Company is not subject to Hong Kong Profits Tax. The tax treatment in connection with the Company's operations requires the use of judgement of the Company's management.

Impairment of assets

Loans and receivables

The Company's management determines impairment of loans and receivables on a regular basis. This estimate is based on the credit history of its borrowers and current market conditions. Management reassesses the impairment of loans and receivables at each reporting date.

Fair value of financial instruments

As described in note 6 to the financial statement, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation technique commonly used by market practitioners are applied.

**HAVELLS EXIM LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**5. CAPITAL RISK MANAGEMENT**

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern and to maintain a healthy capital structure in order to support its business and maximize the shareholder value.

The capital structure of the Company consists of the equity attributable to equity holders of the Company, comprising issued share capital and retained earnings.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risks associated with capital. The Company manages the capital structure by regularly monitoring its current and expected liquidity requirement and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may recommend payment of dividends, and issue new shares.

The Company is not subject to either internally or externally imposed capital requirements.

**6. FINANCIAL INSTRUMENTS**

**Categories of financial instruments**

	<i>Note</i>	US\$
<u>Financial assets</u>		
<i>Loans and receivables</i>		
- Trade and other receivables	(12)	3,780,182
- Bank balances	(13)	<u>75,282</u>
		<u>3,855,464</u>
<u>Financial liabilities</u>		
<i>Financial liabilities at amortised cost</i>		
- Trade and other payables	(14)	<u>4,142,433</u>

**Financial risk management objectives and policies**

Exposures to financial risks arise in the normal course of the Company's business. The risks associated with the Company's financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Interest rate risk**

As the Company has no significant interest-bearing assets and liabilities at 31 December 2010, the cash flow and fair value interest rate risks are considered to be low. The directors do not anticipate any significant impact resulting from the change in interest rates as there is no significant interest-bearing borrowing and the Company's cash at banks are kept at current accounts without interest income.

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS**

**6. FINANCIAL INSTRUMENTS (CONTINUED)**

**Financial risk management objectives and policies (Continued)**

Interest rate risk (continued)

Sensitivity analysis is not presented as the Company's exposure to the interest rate risk is limited.

Foreign currency risk

The Company has foreign currency sales and purchases, which expose the Company to foreign currency risk. The Company also has trade receivables and trade and other payables in foreign currency. The Company has not implemented or entered into any type of instruments or arrangements to hedge against currency exchange fluctuations for the period under review. As at 31 December 2010, the Company did not have any outstanding hedging instruments. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<u>Assets</u>	<u>Liabilities</u>
	US\$	US\$
Items denominated in Euro:		
Trade receivables/ Trade payables	466,827	311,124

Foreign currency sensitivity:

The Company is mainly exposed to the currency of Euro.

The following table indicates the approximate change in the Company's profit for the period in response to reasonable possible changes in the foreign exchange rates to which the Company has significant exposure at the reporting date.

	Increase / (Decrease) in profit for <u>the period</u> HK\$
Euro - US\$ weakened by 5% against Euro	7,785
- US\$ strengthened by 5% against Euro	<u>(7,785)</u>

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the reporting date and had been applied to the Company's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS**

**6. FINANCIAL INSTRUMENTS (CONTINUED)**  
*Financial risk management objectives and policies (Continued)*

Credit risk

The credit risk of the Company's financial assets arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments in the statement of financial position. The carrying amounts of financial assets as at 31 December 2010, which represented the amounts of maximum exposure to credit risks, were as follows:

	NOTE	US\$
Trade and other receivables	(12)	3,780,182
Bank balances	(13)	<u>75,282</u>
		<u><u>3,855,464</u></u>

The credit risk on bank balances is limited because the counter-party is a reputable bank with high credit rating assigned by international credit-rating agencies.

During the period, the Company only traded with its parent and ultimate holding company and a fellow subsidiary. In spite of this, in order to minimise risk, the management has a credit policy in trading with the parent and ultimate holding company and the fellow subsidiary allowing them a credit period of 150 days from date of invoice and the exposures to these credit risks are monitored on an ongoing basis. At the reporting date, all of the trade receivables of the Company were neither past due nor impaired.

Liquidity risk

In the management of liquidity risk, the Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and meet its liquidity requirements in the short and long term. The Company has maintained a tight treasury control.

*Maturity analysis:*

The following table details the remaining contractual maturities at the reporting date of the Company's financial liabilities which are based on contractual undiscounted cash flows and the earliest date of the Company to be required to pay. Balances due within 12 months equal to their carrying amounts, as the impact of discounting is not significant.

	NOTE	US\$
Non-derivative financial liabilities:		
Trade and other payables	(14)	<u>4,142,433</u>
Amounts repayable as follows:		
Within one year or on demand		<u><u>4,142,433</u></u>

**HAVELLS EXIM LIMITED**  
(Formerly known as QRG EXIM LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS**

**6. FINANCIAL INSTRUMENTS (CONTINUED)**  
**Financial risk management objectives and policies (Continued)**

**Estimation of fair values**

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of bank balances, trade and other receivables and trade and other payables approximate fair values because of the short maturities of these instruments.

**7. TURNOVER AND OTHER INCOME**

	US\$
<b>Turnover</b>	
Sales of goods	<u>4,255,482</u>
<b>Other income</b>	
Exchange gain, net	8,749
Sundry income	<u>1</u>
	<u>8,750</u>
	<u><u>4,264,232</u></u>

**8. PROFIT BEFORE INCOME TAX**

	US\$
Profit before income tax is arrived at after charging:	
Auditor's remuneration	1,667
Cost of inventories sold	4,161,841
Cost of incorporation	865
Staff costs	-
Finance costs	<u>-</u>

**9. DIRECTORS' REMUNERATION**

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	US\$
Directors' emoluments	
Fees	-
Other emoluments	
- Salaries and other allowances	-
- Employer's contributions to Mandatory Provident Fund	-
- Pensions	-
- Compensation for loss of office	<u>-</u>
	<u><u>-</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**10. INCOME TAX**

No Hong Kong Profits Tax has been provided as the Company did not earn profits arising in, or derived from, Hong Kong and therefore the Company is not subject to Hong Kong Profits Tax. In the opinion of the directors, the Company is not subject to taxation in any other jurisdictions in which the Company operates.

*Reconciliation of tax expense:*

	US\$
Profit before income tax	<u>81,715</u>
Tax at Hong Kong Profits Tax rate of 16.5%	13,483
Tax effect of non-taxable offshore profit	<u>(13,483)</u>
Income tax charge for the year	<u>-</u>

**11. INVENTORIES**

	US\$
Goods in transit	<u>368,812</u>

**12. TRADE AND OTHER RECEIVABLES**

	US\$
Trade receivables:	
From parent and ultimate holding company	164,134
From a fellow subsidiary	<u>3,591,348</u>
	3,755,482
Other receivables:	
Deposits paid	<u>24,700</u>
	<u>3,780,182</u>

All trade receivables are neither past due nor impaired. The directors consider that the carrying amount of trade receivables approximates their fair value.

Trade receivables from parent and ultimate holding company and a fellow subsidiary are unsecured, interest free and a credit period of 150 days from date of invoice are allowed.

**HAVELLS EXIM LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**12. TRADE AND OTHER RECEIVABLES (CONTINUED)**

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the Company to which they relate:

	US\$
Euros	<u>466,827</u>

Trade receivables that were neither past due nor impaired relate to parent and ultimate holding company and a fellow subsidiary for whom there was no recent history of default.

**13. BANK BALANCES**

	US\$
Bank balances in the statement of financial position and cash and cash equivalents in the statement of cash flows	<u>75,282</u>

The carrying amounts of the bank balances approximate to their fair values.

Included in bank balances in the statement of financial position are the following amounts denominated in a currency other than the functional currency of the Company to which they relate:

	US\$
Hong Kong dollars	<u>113</u>

**14. TRADE AND OTHER PAYABLES**

	Note	US\$
<b>Trade payables</b>		
- Amounts due to third parties		<u>4,138,907</u>
<b>Other payables</b>		
- Amount due to a fellow subsidiary	(15)	1,603
- Accrued charges		<u>1,923</u>
		<u>3,526</u>
		<u>4,142,433</u>

**HAVELLS EXIM LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**15. AMOUNT DUE TO A FELLOW SUBSIDIARY**

Amount due to the fellow subsidiary is unsecured, non-interest bearing and has no fixed repayment terms.

**16. SHARE CAPITAL**

	<u>No. of shares</u>	HK\$	US\$
Authorised:			
Ordinary shares of HK\$1 each	<u>100,000</u>	<u>100,000</u>	<u>12,820</u>
	<u>No. of shares</u>	HK\$	US\$
Issued and fully paid:			
Ordinary shares of HK\$1 each	<u>1,000</u>	<u>1,000</u>	<u>128</u>

The Company was incorporated in Hong Kong on 21 June 2010 with an authorised share capital of HK\$100,000 divided into 100,000 ordinary shares of HK\$1 each. On incorporation, one thousand subscriber shares of HK\$1 each were issued at par for cash to provide initial capital base for the Company.

The holder of an ordinary share is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

**17. RELATED PARTY TRANSACTIONS**

In addition to the transactions/ information disclosed elsewhere in these financial statements, during the period, the Company had the following material transactions with its related parties:

<u>Nature of transactions</u>	<u>Parties involved</u>	<u>Note</u>	US\$
Sales of goods	Havells India Limited.	(a)	664,134
Sales of goods	Havells Sylvania Europe Limited	(b)	<u>3,591,348</u>

(a) Havells India Limited is the parent and ultimate holding company of the Company.

(b) Havells Sylvania Europe Limited is a fellow subsidiary of the Company.

**18. BANKING FACILITIES**

At the reporting date, general banking facilities to the extent of US\$15,000,000 granted by a bank in Hong Kong to the Company were secured by a standby documentary credit of an Indian bank which in turn is secured by the corporate guarantee of a related company together with its land and building and personal guarantees given by the directors of the Company.