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Independent Auditor's Report
To the members of Preethi Kitchen Appliances Private Limited

Report on the financial statements

We have audited the accompanying financial statements of **Preethi Kitchen Appliances Private Limited** (the "Company"), which comprise the balance sheet as at 31 March 2015, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information (or "the financial statements").

Management's responsibility for the financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and 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. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 financial control relevant to the Company'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 whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2015, and its losses and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we enclose in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The balance sheet, the statement of profit and loss, and the cash flow statement dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

(e) On the basis of written representations received from the directors as on 31 March 2015, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164(2) of the Act; and

(f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   i The Company has disclosed the impact of the pending litigations in the financial statements – Refer note 40 to the financial statements.

   ii The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

   iii There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 101248W/W-100022

Vikram Advani
Partner
ICAI Membership No. 091765
Place: Gurgaon
Date: 18 August 2015

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in phased manner over a period three years, except for certain assets which are verified on the basis of third party confirmations. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(ii) (a) The inventory, except stocks lying with third parties and in transit, has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. For stocks lying with third parties at the year-end, written confirmations have been obtained.

(b) In our opinion, the procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) On the basis of our examination of the records of inventory, we are of the opinion that the Company has maintained proper records of inventory. The discrepancies noticed on verification between physical stocks and the book records were not material and have been properly dealt with in the books of account.

(iii) (a) The Company has not granted any secured or unsecured loans to Companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, paragraph 3(iii) of the Order is not applicable.

(iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets, and with regard to the sale of goods and services. In our opinion and according to the information and explanations given to us, we have not observed any major weakness in the internal control system during the course of audit.

(v) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under to the extent notified.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 148(1) of the Companies Act, 2013 in respect of products manufactured and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, income-tax, sales tax, service tax, duty of customs, duty of excise and other material statutory dues have generally been regularly deposited *except in case* of employees' state insurance were we have observed delays ranging from 1 to 281 days during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of wealth tax and cess.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise and other material statutory dues were in arrears as at 31 March 2015 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there were no dues of income tax, service tax, duty of customs, duty of excise and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute.

The below disputed amounts have been deposited with the appropriate authorities:

Name of the statue	**Nature of dues**	**Amount (in Rs.)**	**Period to which the amount relates**	**Forum where disputes is pending**
Individual State Sales Tax Act	Sales Tax including interest and penalty were applicable	132,770	2011-12	Inspector Intelligence, Squad II – Alappuzah
Individual State Sales Tax Act	Sales Tax including interest and penalty were applicable	183,106	2012-13	Inspector Intelligence, Squad II – Ernakulam

(c) According to the information and explanations given to us, the Company did not have any dues on account of investor education and protection fund.

(viii) The Company has registered for a period of less than five years. Accordingly, the provisions of Paragraph 3(viii) of the Order is not applicable.

(ix) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions.

(x) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xi) In our opinion and according to the information and explanations given to us and on the basis of our examination of the books of account, the term loans taken by the Company have been applied for the purpose for which such loans were obtained.

(xii) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 101248W/W-100022

Vikram Advani
Partner
ICAI Membership No. 091765
Place: Gurgaon
Date: 18 August 2015

Preethi Kitchen Appliances Private Limited

Balance Sheet as at 31 March 2015

(All amounts in Millions Indian rupees, except as share data or as stated)

		Notes	As at 31 March 2015		As at 31 March 2014	
I	**EQUITY AND LIABILITIES**					
	Shareholders' funds					
	(a) Share capital	3	143		143	
	(b) Reserves and surplus	4	(4,296)		(3,128)	
				(4,153)		(2,985)
	Non-current liabilities					
	(a) Long-term borrowings	5	5,404		5,404	
	(b) Long-term provisions	6	44		27	
				5,448		5,431
	Current liabilities					
	(a) Short-term borrowings	7	2,540		2,278	
	(b) Trade payables	8	485		429	
	(c) Other current liabilities	9	256		238	
	(d) Short-term provisions	6	34		27	
				3,315		2,972
	TOTAL			4,610		5,418
II	**ASSETS**					
	Non-current assets					
	(a) Fixed assets					
	(i) Tangible assets	10	596		454	
	(ii) Intangible assets	11	3,124		3,905	
	(iii) Capital work-in-progress		-		74	
				3,720		4,433
	(b) Long-term loans and advances	12		84		78
	(c) Other non- current assets	13		-		-
	Current assets					
	(a) Inventories	14	633		642	
	(b) Trade receivables	15	85		142	
	(c) Cash and bank balances	16	23		32	
	(d) Short-term loans and advances	17	65		90	
	(e) Other current assets	18	-		1	
				806		907
	TOTAL			4,610		5,418
	Significant accounting policies	2				

The notes referred to above 1-42 form an integral part of the Financial Statements

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022

VIKRAM ADVANI
Partner
ICAI Membership No: 091765
Place: Gurgaon
Date: 18-Aug-2015

for and on behalf of the Board of directors

Managing Director **Rupendra Yadav**

Director **A.D.A.Ratnam**

Company Secretary **Achuthan. R**
Place: Gurgaon
Date: 18-Aug-2015

Preethi Kitchen Appliances Private Limited

Statement of Profit and loss for the year ended 31 March 2015

(All amounts in Millions Indian rupees, except as share data or as stated)

		Notes	Year ended 31 March 2015		Year ended 31 March 2014	
I	**Income**					
	Revenue from operations (gross)	19	4,336		3,725	
	(Less) : Excise duty recovered		(126)		(174)	
				4,210		3,551
	Other income	20		5		24
	Total revenue			4,215		3,575
II	**Expenses**					
	Cost of materials consumed	21	1,923		1,945	
	Purchases of stock-in-trade	22	691		185	
	Changes in inventories of finished goods and stock-in-trade	23	(29)		79	
	Employee benefit expenses	24	366		303	
	Finance costs	25	757		717	
	Depreciation and amortisation	26	841		849	
	Other expenses	27	834		1,053	
	Total expeness			5,383		5,131
	Loss before tax			(1,168)		(1,556)
	Tax expenses					
	Current tax			-		-
	Deferred tax			-		-
	Loss for the year			(1,168)		(1,556)
	Basic and diluted earnings per equity share of ₹ 10 each (in ₹)	39		(81.74)		(108.89)
	Significant accounting policies	2				

The notes referred to above 1-42 form an integral part of the Financial Statements

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022

VIKRAM ADVANI
Partner
ICAI Membership No: 091765
Place: Gurgaon
Date: 18-Aug-2015

for and on behalf of the Board of directors

Managing Director **Rupendra Yadav**

Director **A.D.A.Ratnam**

Company Secretary **Achuthan. R**
Place: Gurgaon
Date: 18-Aug-2015

Preethi Kitchen Appliances Private Limited

Cash flow statement for the year 31 March 2015

(All amounts in Millions Indian rupees, except as share data or as stated)

		Year ended 31 March 2015		Year ended 31 March 2014	
A.	**Cash flow from operating activities**				
	Loss before tax		**(1,168)**		(1,556)
	Adjustments for				
	Loss on sale of fixed assets	**-**		6	
	Depreciation and amortisation	**841**		849	
	Unrealised foreign exchange (gain) and loss (net)	**-**		6	
	Provision for doubtful trade receivables and loans and advances	**2**		7	
	Provision no longer required written back	**(52)**		(23)	
	Interest income on fixed deposits	**-**		-	
	Cash discount on supplier financing	**(3)**		(2)	
	Finance costs	**757**		717	
			1,545		1,560
	Operating profit/(loss) before working capital changes		**377**		4
	Changes in				
	Trade receivables and other loans & advances	**84**		55	
	Inventories	**9**		80	
	Current liabilities & provisions	**135**		(214)	
			228		(79)
	Cash generated/(used) by operations		**605**		(75)
	Less: Income tax paid (net of refunds)		**(6)**		-
	Net cash generated/(used) by operating activities (A)		**599**		(75)
B.	**Cash flow from investing activities**				
	Purchase of fixed assets (Refer note a)		**(119)**		(139)
	Proceeds from sale of fixed assets		**-**		3
	Interest received		**-**		-
	Cash discount received on supplier financing		**3**		2
	Movement in other bank balances and bank deposits		**-**		-
	Net cash (used) by investing activities (B)		**(116)**		(134)

(All amounts in Millions Indian rupees, except as share data or as stated)

		Year ended 31 March 2015	Year ended 31 March 2014
C.	**Cash flow from financing activities**		
	Finance costs	**(756)**	(712)
	Loans obtained under finance lease	**2**	-
	Proceeds from short term borrowings	**2,904**	5,055
	Proceeds from export packing credit	**-**	238
	Repayment of export packing credit	**(241)**	(25)
	Repayment of other short term borrowings	**(2,401)**	(4,358)
	Net cash provided/(used) by financing activities (C)	**(492)**	198
	Net (decrease)in cash and cash equivalents (D = A + B +C)	**(9)**	(11)
	Effect of exchange differences on cash and cash equivalents held in foreign currency (E)	**-**	-
	Cash and cash equivalents at the beginning of year (F)	**32**	43
	Cash and cash equivalents at the end of year (refer to note 16) (G = D + E + F)	**23**	32
	(a) Includes repayment of finance lease obligations ₹ 1 (31 March 2014 - ₹ 0.5)		

Significant accounting policies **2**

The notes referred to above 1-42 form an integral part of the Financial Statements

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022

VIKRAM ADVANI
Partner
ICAI Membership No: 091765
Place: Gurgaon
Date:18-Aug-2015

for and on behalf of the Board of directors

Managing Director **Rupendra Yadav**

Director **A.D.A.Ratnam**

Company Secretary **Achuthan. R**

Place: Gurgaon
Date: 18-Aug-2015

(All amounts in Millions Indian rupees, except as share data or as stated)

1 Brief Background of the Company

Preethi Kitchen Appliances Private Limited (‘Preethi’ / ‘the Company’) was incorporated as on 21 February 2011. It is a wholly owned subsidiary of Philips India Limited (formerly known as “Philips Electronics India Limited”). The Company sells mixies, table top grinders, coffee makers, induction cookers, electric rice cookers, electric kettle, electric iron, electric pressure cooker and vessels for induction cooker.

2 Significant accounting policies

a Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting in accordance with the accounting principles generally accepted in India (‘Indian GAAP’) and comply with the Accounting Standards specified under section 133 of the Companies Act, 2013 read with the Rule 7 of the Companies (Accounts) Rules, 2014, and the relevant provisions of the Companies Act, 2013 and other pronouncement of Institute of Chartered Accountants of India.

Though the Company has a negative net worth of ₹ 4,153 as at 31 March 2015 (31 March 2014: ₹ 2,985), the Board of directors consider that it is appropriate to prepare the financial statements on a going concern basis. This is in view of the continued financial support as evinced by the compulsorily convertible debentures amounting to ₹ 5,400 (31 March 2014: ₹ 5,400) subscribed by the ultimate holding company and inter corporate deposits of ₹ 2,425 as at 31 March 2015 (31 March 2014: ₹ 1,950) from the holding company to ensure the Company’s continuous operation in the foreseeable future and payment of its obligations as they mature.

b Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods

c Revenue recognition

Sales are recorded net of trade discounts, rebates, returns and sales tax. Sales of goods / equipments are recognized on transfer of risks and rewards of ownership in the goods to the customers.

Interest income is recorded on a time proportion basis taking in to account the amounts invested and the rate of interest.

d Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and/or accumulated impairment loss, if any. The cost of an item of fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any trade discounts and rebates are deducted in arriving at the purchase price. Fixed Assets acquired as part of the business acquisition is recognized at fair value determined on the date of acquisition. Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Depreciation is provided on the original cost on a straight line method at the useful life given under Part C of the Schedule II of the Companies Act, 2013 except in case of jigs and dies, where a higher depreciation rate @ 33.33% on Straight Line Method is being used based on technical evaluation. In respect of jigs and dies, the management beleives that the useful lives as given above best represent the period over which the Management excepts to use the assets.

e Intangible assets

Intangible assets are being recognized if the Company is able to control the future economic benefits attributable to the assets which are excepted to flow to the Company, can restrict the access to others and also the cost of the same can be measured reliably. Intangible assets are amortized on the straight line basis based on the useful lives, which, in management's estimate represent the period during which economic benefit will be derived from their use. Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment loss.

Subsequent expenditure is capitalized only when it increases the future economic benefits from the specific asset to which it relates.

The period of amortization for Brands is 8 years which represents the economic useful life of Brands.

Goodwill that arises on the acquisition of a business is presented as an intangible asset. Goodwill arising on acquisition of a business is measured at cost less any accumulated amortisation and any accumulated impairment loss. Goodwill is amortised over a period of 8 years

f Research and development expenditure

Revenue expenditure is charged to the Statement of Profit and Loss in the year in which it is incurred and expenditure of a capital nature is capitalized as fixed assets.

g Leases

Operating lease payments are recognized as an expense in the Statement of profit and loss, on a straight line method over the period of lease.

Assets acquired under finance lease during the period, have been capitalized at the lower of their fair value and the present value of the minimum lease payments at the inception of lease. Assets obtained on finance lease are depreciated over the shorter of the lease term and their useful life (not being greater than the useful life envisaged under schedule II to the Companies Act, 2013) unless it is reasonably certain that the Company will obtain ownership by the end of the lease term, in which case the depreciation rates applicable for similar assets owned by the Company are applied.

h Impairment of assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired If any such indication exists, the Company estimates the recoverable amount (higher of net realizable value and value in use) of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of profit and loss. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

i Inventories

Inventories are valued at cost or net realizable value whichever is lower. For all items, cost is determined on the basis of the weighted average method. Finished goods and work-in-progress include appropriate proportion of costs of conversion. Obsolete, defective and unserviceable stocks, if any are being duly provided for during the period.

j Foreign currency transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. Exchange differences arising on foreign exchange transactions during the year and on restatement of monetary assets and liabilities are recognized in the Statement of profit and loss of the year.

The premium or discount arising at the inception of forward exchange contracts, which are not intended for trading or speculation purposes, are amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognized in Statement of Profit and Loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contracts is recognised as income or as expense for the period.

k Replacement guarantee

The Company periodically assesses and provides for the estimated liability on guarantees given on sale of its products based on past performance of such products.

l Retirement benefits

Liability of defined benefit plan is provided on the basis of actuarial valuation carried out by an independent actuary at period end using the Projected Unit Credit Method. Actuarial gains and losses are recognized immediately in the Statement of profit and loss. The Company's contributions to defined contribution plans are charged to Statement of profit and loss as incurred. The discount rate used for determining the present value of the obligation under defined benefit plans, is based on the market yield on government securities of a maturity period equivalent to the weighted average maturity profile of the related obligations at the Balance Sheet date.

Annual contributions are made to the employee's gratuity fund, established with the LIC based on an actuarial valuation carried out by the LIC as at 31 March each year. The fair value of plan assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis. Actuarial gains and losses are recognized immediately in the Statement of profit and loss. Gain or Losses on the curtailment or settlements of any defined benefit plan are recognized when curtailment or settlement occurs. Liability with respect to the Gratuity plan, determined on the basis of actuarial valuation as described above, and any difference between the fund amount and the liabilities as per actuarial valuation is recognized as an asset or liability. Termination benefits are recognized as and when incurred.

The Company's net obligation in respect of long-term employment benefits, other than gratuity, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated at the balance sheet date on the basis of an actuarial valuation done by an independent actuary using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the balance sheet date. The discount rates used for determining the present value of the obligation under long term employment benefits, are based on the market yields on Government securities as at the balance sheet date.

m Borrowing cost

Borrowing cost directly attributable to acquisition or construction of those fixed Assets which necessarily take a substantial period of time to get ready for the intended use are capitalized.

Other borrowing costs are accounted as an expense.

n Provisions and contingencies

A provision is recognized when:

a) The Company has a present obligation as a result of a past event;

b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation: and

c) A reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is possible obligation or a present obligation that may, but probably will not require outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

o Earnings per share

Basic earnings per share is computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are computed after adjusting the effects of all dilutive potential equity shares except where the results would be anti-dilutive. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential equity shares.

p Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). Income tax expense is recognized in profit or loss.

Current tax is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. Deferred tax is recognized in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

		As at 31 March 2015		As at 31 March 2014	
3	**Share capital**	**No. of shares (in Millions)**	**Amount**	No. of shares (in Millions)	Amount
	Authorised				
	Equity share of ` 10 each	**15**	**150**	15	150
			150		150
	Issued and subscribed				
	Equity share of ` 10 each, fully paid up	**14**	**143**	14	143
			143		143
(i)	**Equity shares held by holding company**				
	Philips India Limited (formerly known as "Philips Electronics India Limited")	**14**	**0**	14	143
	Number of equity shares held The number of shares includes beneficial ownership of 600 shares as at 31 March 2015 (31 March 2014: 600 shares)				
(ii)	**Reconciliation of the number of equity shares outstanding**				
	At the beginning and at the end of the reporting period	**14**	**143**	14	143
(iii)	**Details of shareholders holding more than 5% shares of the Company**				
			% holding		% holding
	Philips India Limited (formerly known as "Philips Electronics India Limited") includes beneficial ownership	**14**	**100%**	14	100%

(iv) Terms and rights attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid.

Failure to pay any amount called up on shares may lead to forfeiture of the shares.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

(All amounts in Millions Indian rupees, except as share data or as stated)

4 Reserves and surplus

		As at 31 March 2015		As at 31 March 2014
Securities premium account				
At the beginning and at the end of the year		**857**		857
Deficit in Statement of Profit and Loss				
At the beginning of the year	**(3,985)**		(2,429)	
Add: Loss for the year	**(1,168)**		(1,556)	
At the end of the year		**(5,153)**		(3,985)
		(4,296)		(3,128)

5 Long-term borrowings

	As at 31 March 2015	As at 31 March 2014
Secured		
From others - Finance Lease	4	4
Unsecured		
Compulsorily convertible debentures	5,400	5,400
	5,404	**5,404**

46,956,522 Compulsorily convertible debentures were allotted to Koninklijke Philips N.V, (the ultimate holding company), on 7 April 2011 carrying an interest rate of 10% per annum. The face value of these debentures was ₹ 115 aggregating to ₹ 5,400 (31 March 2014: 5,400). The Compulsorily convertible debentures are convertible into equal number of equity shares at the end of 5 years from the date of issue with a face value of ₹ 10 and a premium of ₹ 105.

Finance lease represents vehicles taken on lease. The finance lease obligations are secured by the underlying assets (leased vehicles). The legal title to these items vests with their lessors and the same is passed on to the lessee at the end of lease. The lease term for the vehicles ranges between 3-4 years with equated monthly payments commencing from the month subsequent to the commencement of the lease. The total future minimum lease payments at the balance sheet date amounts to ₹ 7 (Non -current and Current) (31 March 2014:₹ 5) which includes element of interest amounting to ₹ 1 (31 March 2014:₹ 0). The rate of interest implicit in the above is in the range of 13.00% to 16.00% and the maturity profile of finance lease obligations and their present values are as follows:

	As at 31 March 2015	As at 31 March 2014
Minimum lease payments		
Payable within 1 year	**3**	1
Payable between 1-5 years	**4**	4

	As at 31 March 2015	As at 31 March 2014
Present Value #		
Payable within 1 year	**2**	1
Payable between 1-5 years	**4**	4

Amount disclosed in other current liabilities (refer note 9)

(All amounts in Millions Indian rupees, except as share data or as stated)

6 Provisions

	Long-term		Short-term	
	As at 31 March 2015	As at 31 March 2014	**As at 31 March 2015**	As at 31 March 2014
Provision for employee benefits				
Gratuity (refer note 29)	**22**	12	**-**	-
Compensated absences (refer note 29)	**14**	8	**2**	1
Others				
Provision for replacement guarantee	**8**	7	**32**	26
	44	27	**34**	27

Disclosure relating to provisions (Long-term and short-term):

(a) Movement in Provision for replacement guarantee:

Particulars of disclosure	**As at 31 March 2015**	As at 31 March 2014
Opening balance	33	27
Accruals during the year	57	66
Utilisation	(50)	(60)
Closing balance	**40**	**33**

(b) Nature of provisions:

Replacement Guarantee

The Company provides for the estimated liability on guarantees given on sale of its products based on past performance of such products. The provision represents the expected cost of replacement and free of charge services. It is expected that the expenditure will be incurred over the contractual guarantee period which usually ranges from 12 months to 24 months.

(All amounts in Millions Indian rupees, except as share data or as stated)

	As at 31 March 2015	As at 31 March 2014
7 Short-term borrowings		
Inter corporate deposits (Unsecured)	**2,425**	1,950
Overdraft facilities from banks (Unsecured)	**15**	1
Other facilities from Bank of America (Unsecured)	**100**	327
	2,540	2,278

The Company has taken intercorporate deposits from Philips India Limited (formerly known as "Philips Electronics India Limited") carrying an average rate of 9.61% p.a. and are repayable over the period of next one year.

Other facilities from Bank of America represents supplier financing. Supplier financing is repayable over next two months from the end of the financial year and no interest is charged for the facility from the Company.

8 Trade payables

Trade payables	**485**	429
(For dues to micro, small and medium enterprises - refer note 30)		
	485	429

9 Other current liabilities

Current maturities of finance lease obligations (refer note 5)	**2**	1
Other payables:		-
Interest accured but not due	**135**	134
Payables for purchase of fixed assets	**8**	-
Advance received from customers	**18**	10
Employee related payable	**39**	45
Security deposits	**5**	5
Statutory dues (Sales tax, entry tax, TDS ,PF and ESI)	**49**	43
	256	238

(All amounts in Millions Indian rupees, except as share data or as stated)

	Gross block at cost				Accumulated depreciation / amortisation				Net block	
	As at beginning	Additions during the year	Disposals and adjustments	As at end (1+2-3)	As at beginning	For the year	On disposals and adjustments	As at end (5+6-7)	As at 31 March 2015 (4-8)	As at 31 March 2014 (1-5)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
10 Tangible fixed assets										
Freehold Land	138	-	-	**138**	-	-	-	-	**138**	138
Buildings	135	144	-	**279**	14	6	-	20	**259**	121
Plant and equipment	297	55	1	**351**	136	45	-	181	**170**	161
Computers	11	2	-	**13**	3	5	-	8	**5**	8
Vehicles		-	-	**-**		-				
Owned	15	2	1	**16**	5	2	-	7	**9**	10
Under Finance Lease	6	1	-	**7**	-	1	-	1	**6**	6
Furniture and fixtures	14	-	-	**14**	4	1	-	5	**9**	10
						-				
Total	**616**	**204**	**2**	**818**	**162**	**60**	**-**	**222**	**596**	**454**
11 Intangible fixed assets										
Goodwill *	2,845	-	-	**2,845**	812	406	-	1,219	**1,626**	2,033
Brands *	2,913	-	-	**2,913**	1,041	375	-	1,415	**1,498**	1,872
Total	**5,758**	-	-	**5,758**	**1,853**	**781**	-	**2,634**	**3,124**	**3,905**

* The remaining amortisation period of Brands and goodwill is 4 years

Preethi Kitchen Appliances Private Limited

Notes to financial statements for the year ended 31 March 2015

(All amounts in Millions Indian rupees, except as share data or as stated)

	Gross block at cost				Accumulated depreciation / amortisation				Net block	
	As at beginning	Additions during the year	Disposals and adjustments	As at end	As at beginning	For the year	On disposals and adjustments	As at end	As at 31 March 2014	As at 31 March 2013
				(1+2-3)				(5+6-7)	(4-8)	(1-5)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
10 Tangible fixed assets										
Freehold Land	138	-		138	-	-	-	-	138	138
Buildings	135	-	-	135	9	5	-	14	121	126
Plant and equipment	245	61	9	297	81	57	2	136	161	164
Computers	9	2	-	11	1	2	-	3	8	8
Vehicles	-	-	-	-	-	-	-			
Owned	19	-	4	15	4	2	1	5	10	15
Under Finance Lease	2	4	-	6	-	-	-	-	6	2
Furniture and fixtures	11	4	1	14	2	2	-	4	10	9
Total	559	71	14	616	97	68	3	162	454	462
11 Intangible fixed assets										
Goodwill *	2,845	-	-	2,845	406	406	-	812	2,033	2,439
Brands *	2,913	-	-	2,913	666	375	-	1,041	1,872	2,247
Total	5,758	-	-	5,758	1,072	781	-	1,853	3,905	4,686

* The remaining amortisation period of Brands and goodwill is 5 years

(All amounts in Millions Indian rupees, except as share data or as stated)

		As at 31 March 2015	As at 31 March 2014
12	**Long-term loans and advances**		
(a)	**Unsecured, considered good**		
	Sales tax/VAT receivable	**73**	71
	Capital advances	**4**	7
	Tax deducted at source (Net of provision: NIL)	**7**	-
		84	78
13	**Other non-current assets**		
	Bank deposits (due to mature after 12 months from the reporting date) (Refer Note 16)	**-**	-
		-	-
14	**Inventories**		
	(Valued at lower of cost and net realisable value)		
	Raw materials	**206**	244
	(includes goods in transit - ₹ 3 (31 March 2014: ₹ 3)		
	Semi finished goods	**-**	16
	Finished goods	**278**	346
	(includes goods in transit - ₹ 18 (31 March 2014: ₹ 2)		
	Stock in trade	**149**	36
	(includes goods in transit - ₹ 2 (31 March 2014: NIL)		
		633	642

Closing Stock includes excise duty value amounting to ₹ 5 (31 March 2014 : ₹ 9)

15	**Trade receivables**		
	Outstanding for a period exceeding six months from the due date for payment		
	Unsecured, considered good	**1**	6
	Less: Provision for doubtful receivables	**1**	6
		-	**-**
	Others		
	Unsecured, considered good	**85**	142
	Less: Provision for doubtful receivables	**-**	-
		85	142
		85	142

Trade receivables (considered good) include ₹ 34 (31 March 2014: ₹ 74) due from companies in which directors of the Company are interested. Also refer note 31.

(All amounts in Millions Indian rupees, except as share data or as stated)

16 Cash and bank balances

Cash and cash equivalents

Cash on hand	**2**	2
Balance with banks		
Current account	**5**	2
Cheque on hand	**16**	28
	23	32
Other bank balances (due to mature within 12 months from the reporting date)	**-**	-
	23	32

Details of Bank balances / Deposits

Bank deposits due to mature after 12 months of the reporting date included under other non-current assets (Refer Note 13)	**-**	-

17 Short-term loans and advances

To parties other than related parties		
(a) Unsecured, considered good		
Security deposits	**22**	22
Advance to suppliers	**17**	14
CENVAT/Service tax receivable	**13**	20
Balance with customs, port trust etc	**8**	2
Prepaid expenses	**2**	6
Advances to employees	**3**	2
	65	66
To related parties		
Advance to KPNV (Net)	**-**	24
	-	24
(b) Unsecured, considered doubtful		
Advance to suppliers	**1**	1
Less: Provision for doubtful advances	**1**	1
	-	-
	65	90

18 Other current assets

Forward contract receivable	**-**	1
Interest accrued	**-**	-
	-	1

(All amounts in Millions Indian rupees, except as share data or as stated)

19 Revenue from operations

	Year ended 31 March 2015	Year ended 31 March 2014
Sale of products (gross)	**4,189**	3,625
Sale of services	**87**	74
Other operating revenues	**60**	26
Revenue from operations (gross)	**4,336**	3,725

Break up revenue from sale of products (Gross)

	Year ended 31 March 2015	Year ended 31 March 2014
Mixies	**3,115**	2,902
Induction Cooktop	**296**	258
Wet Grinder	**158**	130
Gas Stove	**152**	-
Sandwich Maker	**50**	-
Juicer Mixer Grinder	**46**	-
Electric Cooker	**44**	28
Iron Box	**39**	37
Juicer	**33**	-
Chopper	**20**	-
Coffee Maker	**19**	21
Food Processor	**11**	-
Hand Blender	**4**	-
Electric Pressure Cooker	**1**	5
Electric Kettle	**-**	4
Acc/Vess/Others/Spares	**201**	240
	4,189	3,625

Break up revenue from sale of services

	Year ended 31 March 2015	Year ended 31 March 2014
GSA revenue	**11**	74
Revenue from research and development recharge	**76**	-
	87	74

Break up revenue from other operating revenue

	Year ended 31 March 2015	Year ended 31 March 2014
Liabilities no longer required written back	**52**	23
Duty drawback	**5**	3
Refund of Management support services	**3**	-
(Refer note 27 to other expenses)		
	60	26

a. Based on the arrangement with Philips India Limited, the Company during the year has raised invoices totalling to ` 82 (31 March 2014: Nil) and the amount stated in the above schedule represents net of service tax on the invoice.

20 Other income

	Year ended 31 March 2015	Year ended 31 March 2014
Interest income on fixed deposits	**-**	-
Cash discount received on supplier financing	**3**	2
Forex gain / (loss), net	**2**	22
	5	24

(All amounts in Millions Indian rupees, except as share data or as stated)

21 Cost of materials consumed

	Year ended 31 March 2015	Year ended 31 March 2014
Inventory of materials at the beginning of the year	**244**	248
Add:		
Purchases	**1,885**	1,941
Less:		
Inventory of materials at the end of the year (includes goods in transit - ₹ 3 (31 March 2014: ₹ 3)	**206**	244
	1,923	1,945
Break up of cost of materials consumed		
Stainless steel jar	**195**	144
Electric motor	**136**	311
Jar Assly	**117**	226
Enamelled copper wire	**85**	60
Sintered bush	**78**	62
Blade	**55**	44
ABS	**12**	13
Others *	**1,245**	1,085
	1,923	1,945
Break of stocks as at end		
Electric Motor	**20**	35
Jar Assly	**11**	7
S.S.Jar	**10**	14
ABS Materials	**-**	1
Enamelled Copper Wire	**4**	4
Blade	**4**	3
Sintered Bush	**3**	3
Others *	**154**	177
	206	244

* None of the other items individually account for more than 10% of the total value

(All amounts in Millions Indian rupees, except as share data or as stated)

22 Purchases of stock-in-trade

	Year ended 31 March 2015	Year ended 31 March 2014
Indicook	**372**	-
Wet grinders	**119**	84
Rice cooker	**55**	15
Juicer	**34**	1
Iron box	**31**	38
Gas stove	**30**	-
Turbo chopper	**21**	24
Food processor	**16**	-
Hand blender	**4**	1
Electric pressure cooker	**-**	1
Kettle	**-**	1
Others/vessels	**9**	20
	691	185

(All amounts in Millions Indian rupees, except as share data or as stated)

23 Changes in inventories of finished goods, stock-in-trade and semi finished goods:

	Year ended 31 March 2015			Year ended 31 March 2014		
	Opening inventory	**Closing inventory**	**(Increase)/ decrease in inventory**	**Opening inventory**	**Closing inventory**	**(Increase)/ decrease in inventory**
Finished goods						
Mixies	**286**	**272**	**14**	141	286	(145)
Wet grinder	**8**	**5**	**3**	16	8	8
Coffee Makers	**3**	**1**	**2**	-	3	(3)
Sandwich maker	**-**	**-**	**-**	-	-	-
Induction cooker	**-**	**-**	**-**	153	-	153
Others	**49**	**-**	**49**	28	49	(21)
	346	**278**	**68**	338	346	(8)
Stock-in-trade (goods purchased for resale)						
Induction cooker	**-**	**76**	**(76)**	-	-	-
Gas stove	**-**	**23**	**(23)**	-	-	-
Rice cooker	**3**	**14**	**(11)**	19	3	16
Wet grinder	**6**	**13**	**(7)**	-	6	(6)
Turbo chopper	**4**	**6**	**(2)**	-	4	(4)
Food processor	**-**	**4**	**(4)**	-	-	-
Iron box	**10**	**2**	**8**	9	10	(1)
Hand blender	**1**	**-**	**1**	-	1	(1)
Juicer	**-**	**-**	**-**	-	-	-
Electric pressure cooker	**1**	**-**	**1**	6	1	5
Kettle	**-**	**-**	**-**	4	-	4
Others/vessels	**11**	**11**	**-**	2	11	(9)
	36	**149**	**(113)**	40	36	4
Semi-finished goods						
Induction cooker	**16**	**-**	**16**	99	16	83
	16	**-**	**16**	99	16	83
	398	**427**	**(29)**	477	398	79

(All amounts in Millions Indian rupees, except as share data or as stated)

	Year ended 31 March 2015	Year ended 31 March 2014
24 Employee benefit expenses		
Salaries and wages	**296**	251
Contribution to provident and other funds	**36**	16
Staff welfare	**34**	36
	366	303
25 Finance costs		
Interest expenses	**757**	717
	757	717
26 Depreciation and amortisation		
Depreciation of tangible fixed assets	**60**	68
Amortisation of intangible fixed assets	**781**	781
	841	849
27 Other expenses		
Discounts and incentives	**129**	104
Management support services	**-**	290
IT Support services	**14**	-
Packing, freight and transport	**147**	121
Replacement guarantee	**57**	66
Travelling and conveyance	**50**	45
Rent	**37**	39
Research & Development services	**-**	15
Rates and taxes	**2**	31
Repairs and maintenance		
Repairs to machinery	**11**	9
Repairs to buildings	**7**	7
Business support services	**49**	-
Marketing & Selling expenses	**240**	213

(All amounts in Millions Indian rupees, except as share data or as stated)

	Year ended 31 March 2015	Year ended 31 March 2014
Power and fuel	**18**	21
Testing & Product development	**23**	27
Legal and professional (Refer Note 28)	**15**	16
Provision for doubtful trade receivables and loans and advances	**2**	7
Security charges	**10**	9
Communication and IT costs	**8**	8
Insurance	**6**	6
Printing & Stationery	**2**	2
Loss on sale of fixed assets	**-**	6
Excise duty	**5**	9
Miscellaneous	**2**	2
	834	1,053

a. Excise duty recovered through sales is disclosed as a reduction from sales and excise duty in opening and closing stock of finished goods is disclosed separately in note 14 to Statement of profit and loss. The excise duty not recovered from sales is disclosed as "excise duty" expense above.

b. Pursuant to the agreement entered into by the Company with Koninklijke Philips N.V.("KPNV"), the Company has received refund of ₹ 3 (for excess charge made during previous year) as against expense of ₹ 290 for the year ended 31 March 2014 towards the support services provided by KPNV and Nil (31 March 2014 - ₹ 15) for accessing the benefit resulting from common research and development programmes.

c. Pursuant to the agreement entered into by the Company with Koninklijke Philips N.V.("KPNV"), the Company has incurred ₹ 14 which is inclusive of the Tax deducttion remittance. Invoice value for the same ` 10 (31 March 2014 - NIL) towards the IT support services provided.

d. Based on the arrangement with Philips India Limited, the Company has incurred ₹ 49 (31 March 2014 - NIL) towards business support services, net of service tax input credit amounting to ₹ 3

	Year ended 31 March 2015	Year ended 31 March 2014
28 Legal and professional includes payments to auditors as given below:		
As auditor		
Statutory audit	**2**	2
Tax audit & Transfer pricing	**0**	0
Reimbursement of expenses	**0**	0
Total	**2**	2

(All amounts in Millions Indian rupees, except as share data or as stated)

29 Employee benefits

Defined contribution plans:

The Company makes contributions, determined as a specified percentage of employees salaries, in respect of qualfying employees towards provident fund, which is a defined contribution plan. The Company has no obligation other than to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. The amount charged to Statement of Profit and Loss for the year ended 31 March 2015 is ₹ 19 (Year ended 31 March 2014: ₹ 21)

Gratuity:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on death or resignation or retirement at:
(i) one month's salary (last drawn basic salary plus fixed dearness allowance for each completed year of service subject to a maximum of twenty months salary, or
(ii) 15 days salary for each completed year of service calculated as per the Payment of Gratuity Act, 1972, whichever is higher.
(iii) Maximum ceiling of ₹ 1

The employees Gratuity Fund scheme managed by the Life Insurance Corporation of India (LIC) is a defined benefit plan. The present value of obligation is determined by the LIC based on actuarial valuation. The principal assumptions are the discount rate and salary growth rate. The discount rate is based upon the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligation. Estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Disclosure relating to Defined Benefit Plans / Long Term Compensated Absences

As per Actuarial Valuation as on 31 March 2015 and recognised in the financial statements in respect of Retirement Benefits

		Gratuity		Compensated absences	
		As at 31 March 2015	As at 31 March 2014	**As at 31 March 2015**	As at 31 March 2014
(a)	**Change in present value of benefit obligation during the year**				
	Projected benefit obligation, beginning of year	29	39	9	12
	Current service cost	6	7	4	4
	Interest cost	3	3	1	1
	Actuarial (gains)/losses	10	(14)	5	(5)
	Benefits paid	(2)	(6)	(2)	(4)
	Projected benefit obligation, end of year	**46**	29	**16**	9
(b)	**Change in plan assets**				
	Fair value of planned assets at the beginning of the year	17	17	-	-
	Expected return on planned assets	2	2	-	-
	Employer contributions	6	5	-	-
	Actuarial gains / (loss)	1	(1)	-	-
	Benefits paid	(2)	(6)	-	-
	Fair value of planned assets at the end of the year	**24**	17	-	-

(All amounts in Millions Indian rupees, except as share data or as stated)

	Gratuity		Compensated absences	
	As at 31 March 2015	As at 31 March 2014	**As at 31 March 2015**	As at 31 March 2014
(c) Amounts in Balance Sheet				
Projected benefit obligation (PBO) as at end of the year	46	29	**16**	9
Fair value of plan assets	24	17	**-**	-
(Asset)/liability recognized in the balance sheet	22	12	**16**	9

	Gratuity		Compensated absences	
	Year ended 31 March 2015	Year ended 31 March 2014	**Year ended 31 March 2015**	Year ended 31 March 2014
(d) Amounts recognized in statement of profit & loss				
Current service cost	6	7	4	4
Interest cost	3	3	1	1
Expected return on plan assets	(2)	(2)	-	-
Past service cost	-	-	-	-
Net actuarial losses/(gains) recognized in the year	10	(13)	5	(5)
Total expense/(income) included in "Employee benefit expense"	**17**	(5)	**10**	0
(e) Actual return on plan assets:				
Expected return on plan assets	**2**	2	**-**	-
Actuarial gain/(loss) on plan assets	**1**	(1)	**-**	-
Actual returns on plan assets	**2**	1	**-**	-

	Gratuity		Compensated absences	
	As at 31 March 2015	As at 31 March 2014	**As at 31 March 2015**	As at 31 March 2014
(f) Reconciliation of present value of obligation and the fair value of plan assets				
Present value of projected benefit obligation at the end of the year	46	29	**16**	9
Funded status of the plans	24	17	**-**	-
Funded status amount of liability / (asset) recognized in the balance sheet	**22**	12	**16**	9

(All amounts in Millions Indian rupees, except as share data or as stated)

(g) Classification into Current & Non- current

Current	**-**	-	**2**	1
Non- current	**22**	12	**14**	8
Total	**22**	12	**16**	9

Experience Adjustment for the current and previous four years:

Gratuity

Particulars	**31-Mar-15**	31-Mar-14	31-Mar-13	31-Mar-12
Defined benefit obligations	**46**	29	39	24
Plan Assets	**24**	17	17	13
Deficit/(Surplus)	**22**	12	22	11
Experience Adjustments - Plan Assets	**1**	(0)	(0)	-
(Gains)/losses due to change in Assumptions	**7**	(17)	6	-
Experience Adjustments - Plan Liabilities	**2**	2	3	13
Total (Gain)/Loss	**10**	13	9	13

Leave encashment

Particulars	**31-Mar-15**	31-Mar-14	31-Mar-13	31-Mar-12
Defined benefit obligations	**16**	9	12	4
Plan Assets	**-**	-	-	-
Deficit/(Surplus)	**16**	9	12	4
Experience Adjustments - Plan Assets	**-**	-	-	-
(Gains)/losses due to change in Assumptions	**2**	(5)	3	-
Experience Adjustments - Plan Liabilities	**3**	0	6	-
Total (Gain)/Loss	**5**	(5)	9	-

Discount rate	**7.80%**	9.20%
Expected return on planned assets	**8.75%**	8.75%
Future salary increases	**12.00%**	12.00%
Mortality	**IALM (2006-08) Ultimate**	IALM (2006-08) Ultimate
Disability	**None**	None
Employee turnover	**CG -10% Staff - 18% Workers -3%**	CG -10% Staff - 18% Workers -3%
Normal retirement age	**58 years**	58 years

(All amounts in Millions Indian rupees, except as share data or as stated)

30 Micro, small and medium enterprises

The Company has identified enterprises which have provided goods and services and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Such determination / identification has been done on the basis of information received and available with the Company and relied upon by the auditors. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2015 has been made in the financial statements based on information received and available with the Company.

	Description	As at 31 March 2015	As at 31 March 2014
(i)	a) Principal amount remaining unpaid to any supplier as at the end of the year	114	117
	b) Interest due on the above amount	-	-
(ii)	Amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Act, 2006 and amounts of payment made to the suppliers beyond the appointed day during the year.	-	-
(iii)	Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under this Act.	-	-
(iv)	Amount of interest accrued and remaining unpaid at the end of the year.	-	-
(v)	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	-	-

31 Related party transactions

(a) Names of companies where control exists:

Holding company

Philips India Limited
(formerly known as "Philips Electronics India Limited")

Ultimate Holding company

Koninklijke Philips N.V (KPNV)

(b) Other related parties with whom transactions have taken place during the year:

(i) Overseas Fellow Subsidiary Companies

Philips Electronics Singapore Pte Limited

Philips Electronics Malaysia Pte Limited

Philips Consumer Life Style , Korea

Philips Electronics Middle East & Africa BV

Philips Electronics Netherland BV

Philips (China) Investment Co. Limited

Philips South Africa Pty Limited

Philips Do Brasil Ltda, Brazil

(ii) Individuals having significant influence

Mr.A.D. Aditya Ratnam - Chairman

(iii) Key Managerial Personnel

Mr. Nandakishore - CEO and Managing Director (till 31 March 2015)

(All amounts in Millions Indian rupees, except as share data or as stated)

31 Related party transactions

(c) Nature of transactions and outstanding balances

	Year ended 31 March 2015				Year ended 31 March 2014			
	Ultimate Holding Company	**Holding Company**	**Fellow Subsidiary Companies**	**Key Managerial Personnel**	Ultimate Holding Company	Holding Company	Fellow Subsidiary Companies	Key Managerial Personnel
Purchase of goods	**-**	**2**	**-**	**-**	-	6	-	-
Sale of products	**-**	**297**	**132**	**-**	-	217	99	-
General Service Agreement - Counter Claim	**11**	**-**	**-**	**-**	74	-	-	-
General Service Agreement - Charges (Refund)	**3**	**-**	**-**	**-**	-	-	-	-
Testing and product development charges	**-**	**-**	**-**	**-**	-	2	-	-
Revenue from research and development recharge	**-**	**82**	**-**	**-**	-	-	-	-
Reimbursement of expenses	**-**	**3**	**1**	**-**	-			
IT Services	**10**	**-**	**-**	**-**	-	-	-	-
Business support services	**-**	**52**	**-**	**-**	-	-	-	-
General Service Agreement - Charges	**-**	**-**	**-**	**-**	305	-	-	-
Debenture interest expenses	**540**	**-**	**-**	**-**	540	-	-	-
Inter corporate deposit received	**-**	**1,958**	**-**	**-**	-	3,785	-	-
Inter corporate deposit repaid	**-**	**1,483**	**-**	**-**	-	2,775	-	-
Inter corporate deposit interest expenses	**-**	**202**	**-**	**-**	-	150	-	-
MANAGERIAL REMUNERATION								
Mr. Nandakishore	**-**	**-**	**-**	**-**	-	-	-	-
OUTSTANDINGS								
Trade receivables	**-**	**34**	**10**	**-**	-	74	12	-
Trade payable	**11**	**31**	**-**	**-**	-	2	-	-
Inter corporate deposit payable	**-**	**2,425**	**-**	**-**	-	1,950	-	-
Compulsorily convertible debentures	**5,400**	**-**	**-**	**-**	5,400	-	-	-
Debentures interest payable	**122**	**-**	**-**	**-**	122	-	-	-
Inter corporate deposit interest payable	**-**	**13**	**-**	**-**	-	11	-	-
General Service Agreement - Payable	**-**	**-**	**-**	**-**	36	-	-	-
General Service Agreement - Receivable	**-**	**-**	**-**	**-**	60	-	-	-

(All amounts in Millions Indian rupees, except as share data or as stated)

31 Related party transactions

(d) Details of significant related party transactions - more than 10%

Relationship / Name of the related party	Description of the nature of transaction	Value of the transactions	
		March 31, 2015	March 31, 2014
(i) Holding Company:			
Philips India Limited (formerly known as "Philips Electronics India Limited")	Sale of products	**297**	217
	Purchase of goods	**2**	6
	Inter corporate deposit interest expenses	**202**	150
	Testing and product development charges		2
	Revenue from research and development recharge	**82**	-
	Business support services	**52**	-
	Inter corporate deposit received	**1,958**	3,785
	Inter corporate deposit repaid	**1,483**	2,775
	Reimbursement of expenses	**3**	-
(ii) Ultimate Holding Company			
Koninklijke Philips N.V (KPNV)	Debenture interest expenses	**540**	540
	General Service Agreement - Charges (Refund)	**3**	-
	General Service Agreement - Charges	**-**	305
	IT Service	**10**	-
	General Service Agreement - Counter Claim	**11**	74
	General Expenses	**-**	0
(iii) Overseas Fellow subsidiary Companies:			
Philips Electronics Middle East & Africa BV	Sale of products	**132**	94
Philips South Africa	Reimbursement of expenses	**1**	-
(iv) Key Managerial Personnel			
Mr. Nandakishore - CEO and Managing Director	Salary	**-**	-
Mr. Rupendra Yadav - CEO and Managing Director	Salary	**-**	-

(All amounts in Millions Indian rupees, except as share data or as stated)

32 Segment information

(a) Business segments

The Company considers its business segment as its primary segment. It is engaged in the business of manufacturing and sale of domestic appliances and sale of R & D Services related to domestic applications. The manufacturing activities are not distinguishable on the basis of risk and return, the methods of distribution and regulatory environment, accordingly, the Company views the entire business as one segment.

Therefore the disclosure requirements of Accounting Standard 17, "Segment Reporting", prescribed by the Companies (Accounting Standard) Rules 2006 in relation to primary segment are not required to be given.

(b) Geographical segments

The secondary segment for the Company is geographic segments and is based on the location of its customers within India (domestic) and outside India (exports). Information on the geographic segment is as follows:

Description	Year ended 31 March 2015	Year ended 31 March 2014	Description	As at 31 March 2015	As at 31 March 2014
REVENUE			**ASSETS**		
a. Within India	**3,958**	3,370	a. Within India	**4,600**	5,343
b. Outside India	**252**	181	b. Outside India	**10**	75
Total	**4,210**	3,551		**4,610**	5,418
Capital expenditure					
a. Within India	**130**	145			
b. Outside India	**-**	-			
Total	**130**	145			

Segment accounting policies

The accounting principles consistently used in the preparation of the financial statements and consistently applied to record revenue and expenditure in individual segments are as set out in Note 2 to this schedule on significant accounting policies. The description of segment assets and the accounting policies in relation to segment accounting are as under:

(i) Segment assets

Segment assets include all operating assets used by a segment and consist primarily of fixed assets, current assets and loans and advances. Segment assets in the geographical segments considered for disclosure represent sundry debtor balances. Since all the business activities of the Company are conducted from locations within India, all the remaining assets are attributed to India operations.

(ii) Segment revenue

Segment revenues are directly attributable to the segment and have been allocated to various segments on the basis of specific identification. However, segment revenues do not include interest and other income in respect of non segmental activities and have remained unallocated.

Revenue in the geographical segments considered for disclosures are as follows:

Revenue within India include sale of goods in India to customers located within India; and revenues outside India include sale of goods outside India to customers located outside India.

	Year ended 31 March 2015		Year ended 31 March 2014	
33 Consumption of raw materials				
	% of total consumption	`	**% of total consumption**	`
Raw materials :				
Imported	**4%**	**84**	2%	43
Indigenous	**96%**	**1,839**	98%	1,902
Total		**1,923**		1,945

34 Income and expenditure in foreign exchange

Income			
Exports at F.O.B.	**252**		181
Expenditure			
Interest cost on Compulsarily convertible debentures	**540**		540
IT Support services	**14**		-
Consultation fees and professional charges	**-**		0
Travel	**1**		1
Imports at C.I.F.			
Raw materials	**23**	-	137
Finished goods	**23**	**0**	22

35 Unhedged foreign currency exposure

	As at 31 March 2015		As at 31 March 2014	
	Foreign Currency	`	Foreign Currency	`
Trade receivables	**(in '000s)**		**(in '000s)**	
USD	**166**	**10**	284	17
EUR	**-**	**-**	693	58
		10		75
Advances(Vendor)				
USD	**43**	**3**	-	-
Payables				
USD	**255**	**16**	14	1
EUR	**0**	**0**	517	43
		16		44

(All amounts in Millions Indian rupees, except as share data or as stated)

36 Derivative Instruments

The Company uses forward exchange contracts to hedge its exposure in foreign currency. The information on forward contracts is as follows:

	USD Currency			
	As at 31 March 2015		As at 31 March 2014	
	Foreign currency	`	Foreign currency	`
Payables	-	-	681	41

37 Deferred tax computation

Deferred tax assets	**As at 31 March 2015**		As at 31 March 2014	
Carry forward loss	**2,215**		1,839	
Gratuity	**8**		4	
Compensated absences	**5**		3	
Bonus	**7**		6	
Preliminary expenses	**0**		0	
Provision for doubtful debts and advances	**1**		2	
		2,236		1,854
Deferred tax liabilities				
Depreciation	**(449)**		(525)	
		(449)		(525)
Deferred tax asset/ (liability) - Net		-		-

The Company has scaled down the deferred tax asset on account of current liabilities and provisions and unabsorbed depreciation under tax laws to the extent that the aggregate of the deferred tax asset matches with the aggregate of the deferred tax liability as at the period end.

38 Transfer Pricing

The Company has international and domestic transactions with related parties. For the previous year, the Company has obtained the Accountant's Report from a Chartered Accountant as required by the relevant provisions of the Income tax Act, 1961 and has filed it with the tax authorities within the time lines prescribed under the Act. The management has a policy of maintaining documents as prescribed by the Income tax Act to prove that these international and domestic transactions are at arm's length and for the current year, confirms that it maintains such documents and that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

(All amounts in Millions Indian rupees, except as share data or as stated)

	For the year 31 March 2015	For the year 31 March 2014
39 Earnings per share		
Calculation of earnings per share		
(a) Number of shares at the beginning of the year (in Millions)	**14.29**	14.29
(i) Total number of equity shares outstanding at the end of the year (in Millions)	**14.29**	14.29
(ii) Weighted average number of equity shares outstanding during the year (in Millions)	**14.29**	14.29
(b) Loss after tax attributable to equity share holders	**(1,168)**	(1,556)
(c) Basic and diluted earnings per share (in `)	**(81.74)**	(108.89)

40 Contingent liabilities

The Company has been served with Notice under Section 47 of the Kerala Value Added Tax Act, 2003. The goods under transport had been detained for transport based on improper documents. The goods had later been released on the payment of security deposit to cover the penalty leviable under Section 47 of the said act, to the extent of ₹ 0.3 The Company has executed a bank guarantee amounting to ₹ 0.3 in favor of the Governor of Kerala.
Also, the Company has been served with Notice under the provisions of Himchal Pradesh Passenger Goods Tax Act, for short payment of passenger tax amounting to ₹ 3

41 Revision in esitmated useful life

The Company during the year revised the estimated useful life of the fixed assets to be in line with the Part C of the Schedule II of the Companies Act, 2013. The impact of such change is in incremental depreciation of ` 14 (31 March 2014: Nil), accordingly the value of tangible fixed assets is lower to the same extent

42 Prior period comparatives

a) Inventory reclassification

During the current year, the Company has reclassified purchase cost of stock in trade amounting to ₹ 185 which was earlier included in cost of material consumed. Also, during the year the Company has reclassified certain goods valuing ₹ 36 as stock in trade which was earlier included in finished goods to match the current year classification.

b) Excise duty disclosure

During the current year, the Company has adjusted excise duty included in sales and cost of goods sold amounting to ₹ 155 to match the current year classification.

c) Sales

During the current year, the Company has reclassified dealer meet expenses which was ealier netted of with sales amounting to ₹ 53 to match the current year classification.

d) Previous year figures have been reclassified where necessary.

As per our report of even date attached

for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 101248W/W-100022

VIKRAM ADVANI
Partner
ICAI Membership No: 091765
Place: Gurgaon
Date: 18-Aug-2015

for and on behalf of the Board of directors

Managing Director **Rupendra Yadav**

Director **A.D.A.Ratnam**

Company Secretary **Achuthan. R**
Place: Gurgaon
Date: 18-Aug-2015