

Havells Sylvania Europe Limited

Report and Financial Statements

31 December 2013

Directors

Y Bansal
M Carpenter
A Everett
M Kaushik
J Storey
C Schraft (appointed 10/01/14)

Auditors

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton SO14 3QB

Bankers

Deutsche Bank AG
Rossmarkt 18
D-06311
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HSBC Bank Plc
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Registered Office

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Newhaven
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Strategic report

The directors present their strategic report for the year end 31 December 2013.

Principal activities and review of the business

Sales are made primarily through a Commissionaire agency structure. Under this structure the company is an undisclosed Principal, purchasing finished goods from group factories and third party suppliers and selling to its customers both directly and through other group companies in Europe that act as commissionaire agents on behalf of the company

The company has two main objectives, to improve its profitability and increase its market share mainly through innovative energy saving products. As the company is part of a group the strategy is implemented at group level.

In order to achieve this, the group will take the following measures.

- Improve its order fulfilment process and its supply chain.
- Improve the product mix sold to its customers to include more innovative higher margin products.
- Expand in geographic areas including Far East, Eastern Europe and India.
- Increase its sourcing from low cost countries.

2013 saw improvement in sales growth in some European territories which was offset in part by weaker markets in other countries. There was a continued focus on launching innovative LED based lighting fixtures, which are likely to replace more traditional lighting sources in the near future.

During the year, the company sought to secure contracts with large construction or refurbishment projects in the Middle East and Europe, which began to come to fruition towards the end of 2013. This coupled with the development of LED applications should contribute to improved future growth and profitability.

Key performance indicators (KPIs)

The directors consider the critical KPI's for the company to be turnover and gross profit margin.

	2013	2012
	€000	€000
Turnover	252,867	256,015
Gross Profit Margin	34.4%	34.3%

Various other KPIs are monitored at European management level. These are not considered meaningful at company level due to transfer pricing considerations and group strategy implementation. The critical KPIs noted above are considered to be satisfactory for the current period.

Strategic report (continued)

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the company are set out below:

Competition

The company operates in a highly competitive market particularly around price. This competition places pressure on margin and growth. To mitigate this risk the company continuously monitors the market to assist in pricing decisions and to sell more profitable products in the market. The company also invests in improving its customer services, brand recognition and new products.

Supply chain

The company operates in an environment where raw materials and sub assemblies are procured from low cost countries in the Far East which could cause a suspension in the flow of supply chain. To mitigate this risk the Company lays emphasis on selecting its suppliers carefully and continuously monitors them to ensure they meet the strict quality standards of the company.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk, cash flow risk and foreign exchange risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Credit risk

Credit risk arises from deposits with banks and financial institutions and exposures to customers. The company has implemented policies that require appropriate credit checks on potential customers before sales are made. For banks and financial institutions, only parties approved by Group Treasury are accepted.

Liquidity risk

Long term debt finance is provided and maintained by the company's parent group, whilst the company actively maintains its short-term debt finance, which combined with the group's long-term funding positions ensures that the company has adequate funds available for its operations and planned expansion.

Cash flow risks

Cash flow risks are risks that are mainly associated with unexpected movements in the group's cash flows on income flowing in, incurred costs to be paid and financing charges.

Foreign exchange risk

The Treasury Policy allows and requires the management of foreign exchange cash inflows and outflows by entering into foreign exchange contracts in a cost effective manner to protect the local currency value of material payments and receipts.

Future developments

Continuing high energy prices is leading to increased demand for energy efficient products. The group aims to meet this demand through continuous product development.

Research and development

The Group engages in researching and developing more profitable and effective products to meet customer needs.

Strategic report (continued)

On behalf of the Board



Director Manish Kaushik

Date 28.03.2014

Directors' report

The directors present their report and financial statements for the year ended 31 December 2013.

Directors

The directors who served the company during the year and those appointed subsequently were as follows:

N Jain (resigned 7 March 2013)

D Ribbons (resigned 15 May 2013)

Y Bansal

T Everett

J K Vasudevan Nair (appointed 28 January 2013, resigned 21 October 2013)

C Davenport (appointed 3 June 2013, resigned 30 November 2013)

M Kaushik (appointed 25 March 2013)

M Carpenter (appointed 3 June 2013)

J Storey (appointed 2 December 2013)

Results and dividends

The profit for the year after taxation amounted to €1,813,000 (2012 – profit of €1,345,000).

The net turnover for the year was €252,867,000 (2012 – €256,015,000).

As at 31 December 2013 the company had a cash balance of €12,762,000 (2012 – €6,226,000).

The directors do not recommend the payment of a dividend (2012 – €nil).

Going concern

The company is part of the Havells Sylvania group and is consolidated into the Havells Malta Limited group financial statements. The company has issued cross guarantees and partakes in cash sweeping with other subsidiaries of Havells Malta Limited.

The directors of the company, having made appropriate enquiries, have a reasonable expectation that the company will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Employees

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Manish Kaushik', written over a circular stamp or mark.

Director Manish Kaushik

Date 28.03.2014

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Havells Sylvania Europe Limited

We have audited the financial statements of Havells Sylvania Europe Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report (continued)

to the members of Havells Sylvania Europe Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst Young US

David Marshall (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

Date *2/4/2014*

Profit and loss account

for the year ended 31 December 2013

	<i>Notes</i>	<i>2013</i> €000	<i>2012</i> €000
Turnover	2	252,867	256,015
Cost of sales		(165,802)	(168,278)
Gross Profit		<u>87,065</u>	<u>87,737</u>
Distribution costs	3	(72,425)	(73,715)
Administrative expenses before exceptional items		(10,372)	(11,232)
Exceptional charges	4	(732)	(318)
Administrative expenses		(11,104)	(11,550)
Operating profit before exceptional items		4,268	2,790
Exceptional items	4	(732)	(318)
Operating Profit	5	3,536	2,472
Interest receivable and similar income	8	4,360	3,055
Interest payable and similar charges	9	(5,902)	(4,421)
Profit on ordinary activities before taxation		<u>1,994</u>	<u>1,106</u>
Tax	10	(181)	239
Profit for the financial year	18	<u><u>1,813</u></u>	<u><u>1,345</u></u>

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2013

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of €1,813,000, in the year ended 31 December 2013 (2012 – profit of €1,345,000).

Balance sheet

at 31 December 2013

	Notes	2013 €000	2012 €000
Fixed assets			
Tangible assets	11	3,507	3,812
Investments	12	24,863	22,863
		<u>28,370</u>	<u>26,675</u>
Current assets			
Stocks	13	29,172	31,032
Debtors	14	180,358	195,234
Cash at bank and in hand		12,762	6,226
		<u>222,292</u>	<u>232,492</u>
Creditors: amounts falling due within one year	15	(144,990)	(140,603)
Net current assets		<u>77,302</u>	<u>91,889</u>
Total assets less current liabilities		<u>105,672</u>	<u>118,564</u>
Creditors: amounts falling due after more than one year	16	(46,590)	(61,294)
Net assets		<u>59,082</u>	<u>57,270</u>
Capital and reserves			
Called up share capital	17	-	-
Capital contribution	18	69,018	69,018
Profit and loss account	18	(9,936)	(11,748)
Shareholders' funds	19	<u>59,082</u>	<u>57,270</u>

These financial statements were approved for issue by the Board of Directors, and were signed on their behalf by



Director Manish Kaushik

Date 28.03.2014

Notes to the financial statements

at 31 December 2013

1. Accounting policies

Basis of preparation

The financial statements of Havells Sylvania Europe Limited were approved for issue by the Board of Directors on the date as shown on the Balance Sheet.

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

In accordance with SSAP 20 'Foreign Currency Translation', the financial statements are prepared in Euros as the majority of the company's income, expenditure, assets and liabilities are denominated in Euros. The Euro exchange rate into Sterling as at 31 December 2013 was £1: €1.1963 (2012 – £1: €1.2220) and the average rate for 2013 was £1: €1.1748 (2012 – £1: €1.2335).

Group financial statements

The company has not prepared group financial statements as permitted by the Companies Act 2006 Section 401 as the company is included within the group financial statements of a parent company. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Going concern

The company is part of the Havells Sylvania group and is consolidated into the Havells Malta Limited group financial statements. The company has issued cross guarantees and partakes in cash sweeping with other subsidiaries of Havells Malta Limited.

The directors of the company having made appropriate enquires have a reasonable expectation that the company will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Statement of cash flows

The company is a wholly owned subsidiary undertaking of Havells Malta Limited and is included in the group financial statements of Havells Malta Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a statement of cash flows in accordance with FRS 1 (Revised 1996).

Turnover

Turnover comprises the income from the supply of goods to customers less returns, VAT, discounts and rebates in the normal course of business. Income from the supply of goods is recognised as soon as all substantial rights and risks relating to the title to the goods are transferred to the customer.

Tangible fixed assets

All tangible fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its estimated useful life, as follows:

Software and licences	–	20% – 33% straight line
Leasehold Buildings	–	0%
Fixtures, fittings and equipment	–	20% – 33% straight line

The leasehold building is a long-lease building which is not depreciated since its residual value is considered equal or higher than its cost.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Operating leases

Annual rentals for operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

Investments

Investments in group undertakings are stated at cost. As permitted by section 612 of the Companies Act 2006, where the relief afforded under section 610 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

Investments are reviewed for impairment if there is an indication that impairment has occurred.

Research and Development

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

Cost of sales

Cost of sales represents the direct and indirect expenses attributable to turnover excluding commission paid to its commissionaire agents which is classified as distribution cost.

Stocks

Stocks are stated at the lower of cost and net realisable value.

The cost comprises of expenditure which has been incurred in the normal course of business in bringing the product to its present location and condition.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the settlement of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Pensions

The Havells Malta Limited group operates a defined benefit pension scheme in the UK called the Sylvania Lighting Pension Plan (the Plan). The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates.

The Plan is a 'multi-employer' scheme providing pension benefits for three participating subsidiaries in the UK. The company is unable to readily identify its share of the underlying assets and liabilities in the Plan on a consistent and reasonable basis. The information regarding the Plan financial position is therefore in respect of the Plan as a whole and does not indicate the liability, or share thereof, of the company alone. Therefore in accordance with FRS 17 the company has accounted for the pension scheme as a defined contribution scheme. Details of the pension scheme are disclosed in note 20.

In accordance with the provisions of paragraph 12 of FRS 17 the net defined benefit pension liability is recognised in the group financial statements of an intermediate holding company, Havells Malta Limited.

The company also operates a defined contribution pension scheme. Contributions are charged in the profit and loss account on an accruals basis in accordance with the rules of the scheme.

During the year the company decided to wind up the defined contribution pension scheme and replace it with a Group Personal Pension Plan.

Financial instruments

The company's financial instruments comprise trade debtors, trade creditors, cash, bank loans and overdrafts and loans to and from other group companies.

Recognition and derecognition

Financial instruments are recognised in the balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets are removed from the balance sheet when the rights to the cash-flows from the asset expire or when the risks and rewards of ownership of the asset are transferred or when control of the asset is transferred from the company.

Financial liabilities are removed from the balance sheet when the related obligation is discharged, cancelled or expires.

Short-term trade and other receivables

Short-term trade and other receivables are stated at original invoice amount less an allowance for doubtful debts.

Loans and borrowings

All loans and borrowings are recognised at cost less amounts repaid, net of issue costs directly associated with the borrowing. Issue costs directly attributable to specific borrowings are capitalised, and offset against the principle value of the related debt. These fees are amortised to the profit and loss account over the life of the related debt in order to produce a constant rate of return. Fees not directly attributable to specific borrowings are charged to the profit and loss account as incurred.

Trade payables

Trade payables are carried at payment or settlement amounts.

Notes to the financial statements

at 31 December 2013

2. Turnover

Turnover relates to one continuing activity, the sale of lighting products. Turnover by destination is not significantly different from turnover by origin.

An analysis of turnover by geographical market is given below:

	2013	2012
	€000	€000
European Union countries	232,068	227,369
Other European countries	11,146	14,338
Other countries	9,653	14,308
	<u>252,867</u>	<u>256,015</u>

3. Distribution costs

Distribution costs include €48,155,000 (2012 – €48,353,000) of commission paid under the group's commissionaire arrangements.

4. Administrative expenses

	2013	2012
	€000	€000
Exceptional charges:		
Severance pay	732	283
Relocation of the Group Head Office	-	35
	<u>732</u>	<u>318</u>

5. Operating Profit/(Loss)

This is stated after charging/(crediting):

	2013	2012
	€000	€000
Auditors' remuneration – audit of financial statements	90	67
Depreciation on tangible fixed assets	597	614
Operating lease rentals – Land & Buildings	321	329
Impairment of tangible fixed assets	-	-
Foreign exchange loss/(gain)	415	(44)

During the year, €nil (2012 - €485,000) of transactions costs in relation to refinancing were paid to the group auditors in the year. This has been deferred over the life of the loan.

Notes to the financial statements

at 31 December 2013

6. Directors' emoluments

	<i>2013</i>	<i>2012</i>
	<i>€000</i>	<i>€000</i>
Aggregate emoluments:		
Salary including benefits in kind	963	1,088
Contractual severance payments	246	233
Pension contributions	45	61
	<u>1,254</u>	<u>1,382</u>

The amounts in respect of the highest paid director are as follows:

	<i>2013</i>	<i>2012</i>
	<i>€000</i>	<i>€000</i>
Salary including benefits in kind	255	182
Contractual severance	-	204
Pension contributions	15	7
	<u>270</u>	<u>393</u>

The number of directors to whom retirement benefits were accruing under the defined benefit scheme in respect of qualifying services is nil (2012 –nil) and under the defined contribution scheme is 4 (2012 – 2).

Notes to the financial statements

at 31 December 2013

7. Staff costs

	2013	2012
	€000	€000
Wages and salaries	7,570	6,838
Social security costs	1,103	1,105
Other pension costs	556	494
	<u>9,229</u>	<u>8,437</u>

The average monthly number of employees, including directors, during the year was made up as follows:

	2013	2012
	No.	No.
Sales and marketing	49	45
Management and administration	41	35
	<u>90</u>	<u>80</u>

8. Interest receivable and similar income

	2013	2012
	€000	€000
Bank interest receivable	229	3
Interest receivable on loans to group undertakings	4,131	3,008
Foreign exchange gain on loans to group undertakings	-	44
	<u>4,360</u>	<u>3,055</u>

9. Interest payable and similar charges

	2013	2012
	€000	€000
Bank loans and overdrafts	2,774	2,420
Amortisation of deferred finance related fees	1,287	886
Loans from group undertakings	1,427	1,115
Foreign exchange loss on loans to group undertakings	414	-
	<u>5,902</u>	<u>4,421</u>

Notes to the financial statements

at 31 December 2013

10. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2013 €000	2012 €000
<i>Current tax:</i>		
UK corporation tax on the profit for the year	493	335
Tax overprovided in previous years	(312)	(574)
	<u>181</u>	<u>(239)</u>
Total current tax (note 10(b))	181	(239)
Tax on profit on ordinary activities	<u><u>181</u></u>	<u><u>(239)</u></u>

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are explained below:

	2013 €000	2012 €000
Profit on ordinary activities before tax	1,994	1,107
	<u>464</u>	<u>271</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	464	271
<i>Effects of:</i>		
Expenses not deductible for tax purposes	52	341
Accelerated capital allowances and other timing differences	(23)	(169)
Tax losses utilised	-	(108)
Tax overprovided in previous years	(312)	(574)
	<u>181</u>	<u>(239)</u>
Current tax for the year (note 10(a))	<u><u>181</u></u>	<u><u>(239)</u></u>

Notes to the financial statements

at 31 December 2013

10. Tax (continued)

(c) Deferred tax

The company has tax losses of €1,608,000 (2012 – €1,608,000) to carry forward.

Due to the uncertainty of recoverability no deferred tax asset has been recognised (2012 – € nil). Details of unprovided deferred tax are as follows:

	2013 €000	2012 €000
Accelerated capital allowances	253	145
Short-term timing differences	(326)	(669)
Losses	(338)	(394)
Unrecognised deferred tax liability/(asset)	<u>(411)</u>	<u>(918)</u>

(d) Factors that may affect future tax charges

The UK tax rate was 23% at 31 December 2013 but will fall to 21% from 1 April 2014. At 31 December 2013, a reduction to 21% from 1 April 2014 had been substantively enacted and deferred tax falling after 1 April 2014 has been calculated at 21%. The UK government has further announced its intention to legislate to reduce the rate further falling to 20% with effect from 1 April 2015. Each 1% reduction in the UK corporation tax rate will reduce the deferred tax liabilities at 31 December 2013 by €20,000.

11. Tangible fixed assets

	<i>Leasehold Buildings</i> €000	<i>Fixtures and equipment</i> €000	<i>Software & Licenses</i> €000	<i>Total</i> €000
Cost:				
At 1 January 2013	2,219	2,122	2,077	6,418
Additions	-	259	33	292
At 31 December 2013	<u>2,219</u>	<u>2,381</u>	<u>2,110</u>	<u>6,710</u>
Depreciation:				
At 1 January 2013	-	1,038	1,568	2,606
Charge for the year	-	330	267	597
At 31 December 2013	<u>-</u>	<u>1,368</u>	<u>1,835</u>	<u>3,203</u>
Net book value:				
At 31 December 2013	<u>2,219</u>	<u>1,013</u>	<u>275</u>	<u>3,507</u>
At 1 January 2013	<u>2,219</u>	<u>1,084</u>	<u>509</u>	<u>3,812</u>

Notes to the financial statements

at 31 December 2013

12. Investments

	<i>Share in group undertakings €000</i>
Cost:	
At 1 January 2013	22,863
Additions	2,000
At 31 December 2013	<u>24,863</u>

The directors consider the value of the investments to be supported by their underlying net assets and future earnings streams.

The main trading investment balances held are:

<i>Name of undertaking</i>	<i>Proportion of voting rights and ordinary share capital held</i>	<i>Country of incorporation</i>	<i>Nature of business</i>
Havells Sylvania Fixtures UK Limited	100%	England and Wales	Lighting products
Havells Sylvania UK Limited	100%	England and Wales	Lighting products
Havells Sylvania Dubai FZCO	83%	United Arab Emirates	Lighting products
Havells Sylvania Poland S.p.Z.o.o	1%	Poland	Lighting products
Havells Sylvania TR Elek. Urunleri Tic.Ltd.Sti	99.95%	Turkey	Lighting products

13. Stocks

	<i>2013 €000</i>	<i>2012 €000</i>
Finished goods	29,172	31,032

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

14. Debtors

	<i>2013 €000</i>	<i>2012 €000</i>
Trade debtors	55,641	59,307
Amounts owed by group undertakings	117,591	127,310
Other debtors	747	952
Group relief receivable	360	360
Overseas tax recoverable	326	326
UK Corporation tax recoverable	674	566
Prepayments and accrued income	5,019	6,413
	<u>180,358</u>	<u>195,234</u>

Notes to the financial statements

at 31 December 2013

14. Debtors (continued)

Included in the amounts owed by group undertakings are loans of €108,533,000 (2012: €114,282,000) that bear interest at market rates. The maturity of the loans are within one to twelve months of the balance sheet date. Prepayments and accrued income include €224,210 (2012 - €237,888) of VAT deposits due after more than one year.

Included in the prepayments and accrued income is the set up costs for the refinancing for the group of €3,210,000 (2012 - €4,497,000) these costs have been amortised over the period of the loan (48 months).

15. Creditors: amounts falling due within one year

	2013 €000	2012 €000
Bank overdrafts	9	1,458
Bank loans	13,930	10,720
Trade creditors	7,723	7,606
Amounts owed to group undertakings	102,690	99,917
Other taxation and social security	184	145
Accruals and deferred income	19,961	20,553
Corporation tax payable	493	204
	<u>144,990</u>	<u>140,603</u>

Included in the amounts owed to group undertakings are loans of €49,011,000 (2012:€52,449,000) that bear interest at market rates. The maturity of the loans is within one to twelve months of the balance sheet date.

16. Creditors: amounts falling after more than one year

	2013 €000	2012 €000
Bank loans between 1 to 5 years	46,590	60,520
Amounts owed to group undertakings	-	774
	<u>46,590</u>	<u>61,294</u>

The bank loans above bear interest at market rates (LIBOR and agreed percentages).

Maturity of debt

	Bank Loan 2013 €000	Bank Loan 2012 €000	Group U/takings 2013 €000	Group U/takings 2012 €000
Due in less than one year	13,930	10,720	49,011	52,449
Due in 1-5 years	46,590	60,520	-	774
Due in more than 5 years	-	-	-	-
	<u>60,520</u>	<u>71,240</u>	<u>49,011</u>	<u>53,223</u>

Notes to the financial statements

at 31 December 2013

17. Issued share capital

	2013		2012	
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>€</i>	<i>No.</i>	<i>€</i>
Ordinary shares of £1 each	100	142	100	142

18. Movement on reserves

	<i>Capital contribution</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>
At 1 January 2013	69,018	(11,749)	57,269
Profit for the year	-	1,813	1,813
At 31 December 2013	69,018	(9,936)	59,082

19. Reconciliation of shareholders' funds

	2013	2012
	€000	€000
Opening shareholders' funds	57,269	55,924
Profit for the year	1,813	1,345
Closing shareholders' funds	59,082	57,269

20. Pension commitments

The company participates in the Sylvania Lighting Pension Plan, which is a defined benefit pension scheme. The assets of the Plan are held in a separate trustee administered fund. The scheme was closed to new members in 2001.

On 31 August 2010 the defined benefit pension scheme was closed to future accrual and members transferred to defined contribution schemes with effect from 1 September 2010.

The trustees of the Sylvania Lighting Pension Plan received legal advice to the effect that CPI should be used as the increase percentage for all post 1 January 2011 increases to pensions in payment and deferment under the Plan, which would have previously increased in line with RPI, due to the wording in the Trust Deed and Rules. As such, we have used a CPI assumption for revaluation in deferment and pensions in payment when valuing the liabilities. Therefore no salary link to past service has been made in the principal assumptions, made to estimate the deficit.

The Sylvania Lighting Pension Plan is a "multi-employer" scheme providing pension benefits for three participating subsidiaries of the Havells Malta Limited group in the UK. The Company is unable to readily identify its share of the underlying assets and liabilities in the Plan on a consistent and reasonable basis. The information regarding the Plan financial position is therefore in respect of the Plan as a whole and does not indicate the liability, or share thereof, of the Company alone. However, the actuary's recommendations in respect of the deficit including additional annual contributions by the company, as described below, to eliminate the deficit is a real cost to the Company.

Notes to the financial statements

at 31 December 2013

20. Pension commitments (continued)

The Plan actuary has provided the following estimate of the Plan financial position following the guidance in FRS 17 as at 31 December 2013. The estimate is based on the data and results of the latest valuation as at 5 April 2010, applying the principal assumptions shown below:

	<i>2013</i>	<i>2012</i>
Discount rate	4.70%	4.60%
Rate of increase in non-GMP pensions in payment	2.20%	1.80%
Salary increases	N/A	N/A
Inflation	2.20%	1.80%

Life expectancy rates at the balance sheet date for scheme members aged 65

	<i>2013</i>	<i>2012</i>
Men	21.2	21.5
Women	23.4	23.7

Life expectancy rates 20 years after the balance sheet date for scheme members aged 65

	<i>2013</i>	<i>2012</i>
Men	22.5	22.8
Women	24.9	25.2

Assets are marked to market at 31 December 2013 and liabilities are calculated using the projected unit method. The calculation does not therefore allow for any of the effects of the Plan's experience, except for its investment performance. The actuary estimates the Plan deficit at 31 December 2013 to be approximately €1,532,000 (2012 – €3,325,000), which is the deficit for the multi-employer Plan as a whole, as discussed above, and does not arise in respect of the company alone.

An additional annual contribution of £1,200,000 is being made in order to eliminate the deficit over a period of 10 years, from June 2010.

This additional contribution is being met by Havells Sylvania Fixtures UK Ltd, Havells Sylvania UK Ltd and Havells Sylvania Europe Ltd in proportion to the membership of the scheme.

Notes to the financial statements

at 31 December 2013

20. Pension commitments (continued)

The following additional information is provided in respect of the group scheme:

Scheme assets and expected rate of return

	<i>Long-term rate of return expected at 31 December 2013</i>	<i>Value at 31 December 2013 €000</i>	<i>Long-term rate of return expected at 31 December 2012</i>	<i>Value at 31 December 2012 €000</i>
Equities	7.00%	21,912	6.50%	30,194
Gilts	3.60%	26,537	2.70%	5,037
Bonds	4.80%	2,753	4.60%	16,120
Cash	2.20%	203	1.80%	183
Property	5.60%	2,886	-	-
Diversified Growth	6.50%	2,817	-	-
		57,108		51,534
Present value of assets:				
Present value of scheme liabilities		(58,640)		(54,859)
Deficit in the scheme		(1,532)		(3,325)

Reconciliation of present value of scheme liabilities

	<i>2013 €000</i>	<i>2012 €000</i>
At 1 January	54,859	51,931
Interest cost	2,382	2,585
Benefits paid	(1,927)	(1,975)
Actuarial Loss	4,385	1,017
Foreign exchange revaluation	(1,059)	1,301
At 31 December	58,640	54,859

Reconciliation of fair value of scheme assets

	<i>2013 €000</i>	<i>2012 €000</i>
At 1 January	51,535	44,691
Expected return on scheme assets	2,719	2,556
Contributions	1,414	1,475
Benefits paid	(1,927)	(1,975)
Actuarial gain	4,325	3,694
Foreign exchange revaluation	(958)	1,093
At 31 December	57,108	51,534

The actual return on scheme assets in the year was a gain of €7,044,000 (2012 – gain of €6,250,000).

Notes to the financial statements

at 31 December 2013

20. Pension commitments (continued)

Analysis of the amount that would have been charged to the profit and loss

	2013 €000	2012 €000
Expected return on pension scheme assets	(2,719)	(2,556)
Interest on pension scheme liabilities	2,382	2,585
	<u>(337)</u>	<u>29</u>

History of experience gains and losses

	2013 €000	2012 €000	2011 €000	2010 €000	2009 €000
Defined benefit obligation	(58,640)	(54,859)	(51,931)	(45,747)	(49,030)
Plan assets	57,107	51,534	44,691	43,046	37,681
Deficit	<u>(1,532)</u>	<u>(3,325)</u>	<u>(7,240)</u>	<u>(2,701)</u>	<u>(11,349)</u>
Experience adjustments on plan assets	4,325	3,694	(2,141)	2,176	4,465
Experience adjustments on plan liabilities	4,385	1,017	3,775	(5,812)	9,573
Total amount that would have been recognised in the statement of total recognised gains and losses	<u>(60)</u>	<u>2,677</u>	<u>(5,916)</u>	<u>7,988</u>	<u>(5,108)</u>

Defined contribution schemes

The cost of contributions to the defined contribution scheme amount to €308,000 (2012 – €314,000).

Contributions accrued as at 31 December 2013 amounts to €24,000 (2012 – €23,000).

21. Other financial commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as set out below:

	2013		2012	
	<i>Plant and machinery</i> €000	<i>Land and buildings</i> €000	<i>Plant and machinery</i> €000	<i>Land and buildings</i> €000
Operating leases which expire:				
Within one year	-	-	-	-
Between two and five years	-	328	-	337
	<u>-</u>	<u>328</u>	<u>-</u>	<u>337</u>

Notes to the financial statements

at 31 December 2013

22. Contingent liabilities

Following the acquisition by Havells India Limited, the shares of the company are pledged as security for the bank loans taken out by the group to fund the acquisition.

The company has guarantees issued on behalf of other group companies totalling €13,741 (2012 – €55,602).

23. Related party transactions

As a wholly owned subsidiary of the ultimate parent company, Havells India Limited for which group financial statements are prepared, advantage has been taken of the exemption afforded by FRS 8 not to disclose any related party transactions with other wholly owned subsidiaries of the Havells India group.

24. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Flowil International Lighting (Holding) BV, a company incorporated in the Netherlands.

The company's results are consolidated within the financial statements of Havells Malta Limited, a company incorporated in Malta. These group financial statements are the smallest financial statements incorporating the results of the company that are publicly available. Copies of the Havells Malta Limited financial statements can be obtained from The Registrar of Companies, Malta Financial Services, Notabile Road, Attard, Malta.

The ultimate parent undertaking is Havells India Limited, a company incorporated in India. The directors consider Havells India Limited to be the controlling party by virtue of its controlling interest in the company's share capital. The group financial statements of Havells India Limited are the largest financial statements which incorporate the results of the company that are publicly available. Copies of the Havells India Limited financial statements can be obtained from Havells India Limited, 1/7 Ram Kishore Road, Civil Lines, Delhi 110054, India.