

# **Havells Sylvania UK Limited**

## **Report and Financial Statements**

31 December 2013

## **Company Information**

Registered No. 487252

### **Directors**

Y Bansal  
A Everett  
M Kaushik  
M Carpenter  
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-60311 Frankfurt  
Germany

HSBC Bank Plc  
HSBC House  
Mitchell Way  
Southampton  
Hampshire  
SO18 2XU

### **Solicitors**

DLA Piper  
3 Noble Street  
London EC2V 7EE

### **Registered Office**

Avis Way  
Newhaven  
East Sussex BN9 0ED

## Strategic Report

Registered No. 487252

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

### Principal activities and review of business

The company's principal activity is the sale of lighting products, for which it earns a commission from its immediate parent company, Havells Sylvania Europe Limited.

The company keeps pace with the market place trends for low energy, longer life, and increasingly innovative products. The company employs a number of initiatives to reduce impact on the environment, these include the reduction of CO2 emissions by sourcing more energy efficient products, better waste management and continuing to supply products with better efficiency sustainability and longer product life cycle.

The company is fully committed to the requirements of the WEEE Directive and is a member of a compliance scheme which has been approved by the Environment Agency for the recycling of materials.

### Key performance indicators

The key financial and other performance indicators during the year were as follows:

|                             | 2013    | 2012    | Change |
|-----------------------------|---------|---------|--------|
|                             | (£000)  | (£000)  | %      |
| Turnover (Commission)       | 9,561   | 9,697   | -1.4   |
| Operating Expenses          | (8,796) | (9,689) | -9.2   |
| Operating Profit (Loss)     | 384     | (35)    | -      |
| Net Assets                  | 2,946   | 2,516   | +17.0  |
| Average Number of Employees | 135     | 144     | -6.3   |
| Commission per sales head   | 109.9   | 104.3   |        |

The above KPI's are considered to be satisfactory for the current period.

### Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include the effects of changes in, competition risk, liquidity risk and interest rate cash flow risk.

#### Competition

The company operates in a highly competitive market particularly around price and innovation. To mitigate this risk the company continuously monitors the market to assist in pricing decisions, keeping pace with the trend to supply low energy, longer life and innovative products.

#### 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.

#### Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only bank and cash balances, all of which earn interest at fixed rate. The company has a policy of maintaining debt at fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature

## Strategic Report (continued)

Registered No. 487252

### Future developments

Continuing high energy prices and greater environmental awareness are leading to increased demand for energy efficient products. The company aims to meet this demand through sourcing suitable product benefiting from the Havells Sylvania group investment in continuous product development.

By Order of the board



Director, Manish Kaushik

Date 28.03.2014

## Directors' report

Registered No. 487252

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:

Mr D Ribbons (resigned 15 May 2013)

Mr Y Bansal

Mr A Everett

Mr N Jain (resigned 7 March 2013)

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

Mr C Davenport (appointed 3 June 2013, resigned 19 November 2013)

Mr M Kaushik (appointed 25 March 2013)

Mr M Carpenter (appointed 3 June 2013)

Mr J Story (appointed 19 November 2013)

### Results and Dividends

The profit for the year after taxation amount to £430,000, (2012 – loss after taxation of £(20,000)). 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

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.

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.

### 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 a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

## Directors' report (continued)

Registered No. 487252

By order of the Board



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 those 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 transaction 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 UK Limited**

We have audited the financial statements of Havells Sylvania UK 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 20. 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 6, 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 UK 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><br><i>£000</i> | <i>2012</i><br><i>£000</i> |
|-------------------------------------------------------------|--------------|----------------------------|----------------------------|
| <b>Turnover</b>                                             | 2            | 9,561                      | 9,697                      |
| Cost of sales                                               |              | (381)                      | (43)                       |
| <b>Gross Profit</b>                                         |              | <u>9,180</u>               | <u>9,654</u>               |
| Operating expenses before exceptional items                 | 3            | (8,796)                    | (9,689)                    |
| <b>Operating Profit/(Loss) after exceptional items</b>      | 4            | 384                        | (35)                       |
| Interest receivable                                         | 6            | 72                         | 36                         |
| Bank interest payable                                       | 7            | (5)                        | (21)                       |
| <b>Profit/(Loss) on ordinary activities before taxation</b> |              | <u>451</u>                 | <u>(20)</u>                |
| Tax                                                         | 8            | (21)                       | -                          |
| <b>Profit/(Loss) for the financial year</b>                 | 15           | <u><u>430</u></u>          | <u><u>(20)</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 gain attributable to the shareholders of the company of £430,000 in the year ended 31 December 2013 (2012 – loss of £20,000).

**Balance Sheet**

As at 31 December 2013

|                                                       | <i>Notes</i> | <i>2013</i><br><i>£000</i> | <i>2012</i><br><i>£000</i> |
|-------------------------------------------------------|--------------|----------------------------|----------------------------|
| <b>Fixed assets</b>                                   |              |                            |                            |
| Tangible assets                                       | 9            | 111                        | 180                        |
| Investments                                           | 10           | -                          | -                          |
|                                                       |              | <u>111</u>                 | <u>180</u>                 |
| <b>Current assets</b>                                 |              |                            |                            |
| Debtors                                               | 11           | 6,858                      | 6,353                      |
| <b>Creditors:</b> amounts falling due within one year | 12           | (4,023)                    | (4,017)                    |
| <b>Net current assets</b>                             |              | <u>2,835</u>               | <u>2,336</u>               |
| <b>Total assets less current liabilities</b>          |              | <u>2,946</u>               | <u>2,516</u>               |
| <b>Net assets</b>                                     |              | <u>2,946</u>               | <u>2,516</u>               |
| <b>Capital and reserves</b>                           |              |                            |                            |
| Called up share capital                               | 13           | 12,878                     | 12,878                     |
| Share premium account                                 | 14           | 3,360                      | 3,360                      |
| Capital contribution                                  | 14           | 4,700                      | 4,700                      |
| Profit and loss account                               | 14           | (17,992)                   | (18,422)                   |
| <b>Shareholders' funds</b>                            | 15           | <u>2,946</u>               | <u>2,516</u>               |

These financial statements have been approved for issue by the Board of Directors, and signed for 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 UK 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. The principal accounting policies, which have been applied consistently throughout the year, are as set out below.

#### *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 Sylvania Europe Limited and is included in the consolidated financial statements of Havells Malta Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement, 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

## Notes to the financial statements

at 31 December 2013

### 1. Accounting policies (continued)

#### *Tangible fixed assets*

All tangible fixed assets are shown at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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:

Plant and machinery and furniture and fittings – 6% to 33% pa (straight line)

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

#### *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 in foreign currencies are recorded at the rate ruling at the date 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.

#### *Operating Leases*

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

## 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's 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 16.

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.

## Notes to the financial statements

at 31 December 2013

### 2. Turnover

All turnover originates from the United Kingdom.

All turnover is to fellow subsidiary undertakings. Turnover relates to commission on the continuing activity of the sale of lamps and fixtures.

### 3. Operating expenses

|                      | <i>2013</i>  | <i>2012</i>  |
|----------------------|--------------|--------------|
|                      | <i>£000</i>  | <i>£000</i>  |
| Sales and Marketing  | 5,519        | 6,094        |
| Administration costs | 3,277        | 3,595        |
|                      | <u>8,796</u> | <u>9,689</u> |

### 4. Operating Profit/(Loss)

This is stated after charging:

|                                                        | <i>2013</i> | <i>2012</i> |
|--------------------------------------------------------|-------------|-------------|
|                                                        | <i>£000</i> | <i>£000</i> |
| Auditors' remuneration – audit of financial statements | 33          | 30          |
| Depreciation on tangible fixed assets                  | 89          | 103         |
| Other Operating leases                                 | 329         | 400         |
| Land and Building Operating Leases                     | 205         | 205         |
|                                                        | <u>656</u>  | <u>738</u>  |

### 5. Staff costs

(a) Staff Costs

|                       | <i>2013</i>  | <i>2012</i>  |
|-----------------------|--------------|--------------|
|                       | <i>£000</i>  | <i>£000</i>  |
| Wages and salaries    | 5,221        | 5,641        |
| Social security costs | 569          | 654          |
| Other pension costs   | 439          | 418          |
|                       | <u>6,229</u> | <u>6,713</u> |

The pension costs include £165,000 (2012 – £176,000) in respect of payments made to the defined contribution scheme and group personal plan.

## Notes to the financial statements

at 31 December 2013

### 5. Staff costs (continued)

The average number of employees, including directors, employed by the company during the year was as follows:

|                               | <i>2013</i> | <i>2012</i> |
|-------------------------------|-------------|-------------|
|                               | <i>No.</i>  | <i>No.</i>  |
| Production and warehousing    | 31          | 32          |
| Sales                         | 87          | 93          |
| Management and administration | 17          | 19          |
|                               | <u>135</u>  | <u>144</u>  |

None of the directors received remuneration in the respect of qualifying services provided to the company in the year (2012; Nil)

### 6. Interest receivable

|                           | <i>2013</i> | <i>2012</i> |
|---------------------------|-------------|-------------|
|                           | <i>£000</i> | <i>£000</i> |
| Group interest receivable | 72          | 36          |
|                           | <u>72</u>   | <u>36</u>   |

### 7. Interest payable

|                        | <i>2013</i> | <i>2012</i> |
|------------------------|-------------|-------------|
|                        | <i>£000</i> | <i>£000</i> |
| Group interest payable | 5           | 20          |
|                        | <u>5</u>    | <u>20</u>   |

### 8. Tax

(a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows:

|                               | <i>2013</i> | <i>2012</i> |
|-------------------------------|-------------|-------------|
|                               | <i>£000</i> | <i>£000</i> |
| <i>Current tax:</i>           |             |             |
| UK corporation tax            | 17          | -           |
| Prior Year adjustment         | 4           | -           |
| Total current tax (note 8(b)) | <u>21</u>   | <u>-</u>    |



## Notes to the financial statements

at 31 December 2013

### 8. Tax (Continued)

(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<br>£000 | 2012<br>£000 |
|--------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Profit/(Loss) on ordinary activities before tax                                                                          | 451          | (20)         |
| Profit/(Loss) on ordinary activities multiplied by applicable rate of corporation tax in the UK of 23.25% (2012 – 24.5%) | 105          | (5)          |
| <i>Effects of:</i>                                                                                                       |              |              |
| Expenses not deductible for tax purposes                                                                                 | 52           | 76           |
| Accelerated capital allowances/other timing differences                                                                  | (42)         | (42)         |
| Tax losses utilised                                                                                                      | (98)         | (29)         |
| Prior year adjustment                                                                                                    | 4            | -            |
| Current tax for the year                                                                                                 | 21           | -            |

(c) Deferred tax

A potential deferred taxation asset of £1,506,000 (2012 – £1,651,000) has not been recognised, as the directors have concluded, on the basis of reasonable assumptions, that it is unlikely that the asset will be realised in the foreseeable future.

The potential unrecognised deferred taxation asset comprises of:

|                                | 2013<br>£000 | 2012<br>£000 |
|--------------------------------|--------------|--------------|
| Fixed asset timing differences | 259          | 249          |
| Carried forward tax losses     | 1,247        | 1,402        |
| Unrecognised deferred tax      | 1,506        | 1,651        |

(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 chancellor as also announced the reduction of corporation tax further to 20% for 1 April 2015. Each 1% reduction in the UK corporation tax rate will reduce the deferred tax asset at 31 December 2013 by £90,000.

## Notes to the financial statements

at 31 December 2013

### 9. Tangible fixed assets

|                     | <i>Plant and<br/>Machinery<br/>£000</i> | <i>Furniture<br/>and fittings<br/>£000</i> | <i>Software<br/>£000</i> | <i>Total<br/>£000</i> |
|---------------------|-----------------------------------------|--------------------------------------------|--------------------------|-----------------------|
| Cost:               |                                         |                                            |                          |                       |
| At 1 January 2013   | 88                                      | 451                                        | 0                        | 539                   |
| Additions           | -                                       | 19                                         | 1                        | 20                    |
| At 31 December 2013 | 88                                      | 470                                        | 1                        | 559                   |
| Depreciation:       |                                         |                                            |                          |                       |
| At 1 January 2013   | 15                                      | 344                                        | 0                        | 359                   |
| Charge for the year | 9                                       | 80                                         |                          | 89                    |
| At 31 December 2013 | 24                                      | 424                                        | 0                        | 448                   |
| Net book amount:    |                                         |                                            |                          |                       |
| At 31 December 2013 | 64                                      | 46                                         | 1                        | 111                   |
| At 1 January 2013   | 73                                      | 107                                        | 0                        | 180                   |

### 10. Investments

|                     | <i>Shares in group undertakings<br/>(£)</i> |
|---------------------|---------------------------------------------|
| Cost:               |                                             |
| At 1 January 2013   | 8                                           |
| Additions           | -                                           |
| At 31 December 2013 | 8                                           |

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

| <i>Name of undertaking</i>          | <i>Proportion of<br/>voting rights<br/>and ordinary<br/>share capital<br/>held</i> | <i>Country of<br/>incorporation</i> | <i>Nature of<br/>business</i> |
|-------------------------------------|------------------------------------------------------------------------------------|-------------------------------------|-------------------------------|
| HS Turkey Elektrik Urunleri Tic.Sti | 0.05%                                                                              | Turkey                              | Lighting Products             |

## Notes to the financial statements

at 31 December 2013

### 11. Debtors

|                                    | 2013<br>£000 | 2012<br>£000 |
|------------------------------------|--------------|--------------|
| Amounts owed by group undertakings | 6,560        | 6,051        |
| Other debtors                      | 29           | 30           |
| Prepayments and accrued income     | 269          | 272          |
|                                    | 6,858        | 6,353        |
|                                    | 6,858        | 6,353        |

Amounts due from Group undertakings are interest bearing at a market rate and have no fixed repayment date.

### 12. Creditors: amounts falling due within one year

|                                    | 2013<br>£000 | 2012<br>£000 |
|------------------------------------|--------------|--------------|
| Bank overdraft                     | 11           | 16           |
| Trade creditors                    | 379          | 285          |
| Amounts owed to group undertakings | 584          | 161          |
| Amounts payable for group relief   | 501          | 480          |
| Other taxes and social security    | 1,517        | 1,944        |
| Accruals and deferred income       | 1,031        | 1,131        |
|                                    | 4,023        | 4,017        |
|                                    | 4,023        | 4,017        |

Included in accruals and deferred income are amounts of £25,000 (2012 – £27,000) due to the group personal pension plan.

Amounts owed to Group undertakings bear interest at a market rate and have no fixed repayment date.

### 13. Issued share capital

| <i>Allotted, called up and fully paid</i> | <i>No.</i> | <i>2013</i> |            | <i>2012</i> |            |
|-------------------------------------------|------------|-------------|------------|-------------|------------|
|                                           |            | <i>£000</i> | <i>No.</i> | <i>£000</i> | <i>No.</i> |
| Ordinary shares of £1 each                | 12,878,080 | 12,878      | 12,878,080 | 12,878      | 12,878     |
|                                           |            | 12,878      | 12,878,080 | 12,878      | 12,878     |
|                                           |            | 12,878      | 12,878,080 | 12,878      | 12,878     |

## Notes to the financial statements

at 31 December 2013

### 14. Movements on reserves

|                     | <i>Share<br/>premium<br/>account<br/>£000</i> | <i>Capital<br/>contribution<br/>£000</i> | <i>Profit<br/>and loss<br/>account<br/>£000</i> |
|---------------------|-----------------------------------------------|------------------------------------------|-------------------------------------------------|
| At 1 January 2013   | 3,360                                         | 4,700                                    | (18,422)                                        |
| Profit for the year | -                                             | -                                        | 430                                             |
| At 31 December 2013 | <u>3,360</u>                                  | <u>4,700</u>                             | <u>(17,992)</u>                                 |

### 15. Reconciliation of shareholders' funds

|                                       | <i>2013<br/>£000</i> | <i>2012<br/>£000</i> |
|---------------------------------------|----------------------|----------------------|
| Profit/(Loss) for the financial year  | 430                  | (20)                 |
| Opening shareholders' funds/(deficit) | 2,516                | (1,964)              |
| Issued share capital                  | -                    | 4,500                |
| Closing shareholders' funds           | <u>2,946</u>         | <u>2,516</u>         |

### 16. 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 have 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's 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

### 16. Pension commitments (continued)

The Plan actuary has provided the following estimate of the Plan deficit 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                                       | 2.2%        | 1.80%       |

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

|        | <i>2013</i> | <i>2012</i> |
|--------|-------------|-------------|
| Male   | 21.2        | 21.5        |
| Female | 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> |
|--------|-------------|-------------|
| Male   | 22.5        | 22.8        |
| Female | 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 £1,281,000 (2012 – £2,721,000), 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.

The cost 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

### 16. 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<br/>rate of return<br/>expected at<br/>31 December<br/>2013</i> | <i>Value at<br/>31 December<br/>2013<br/>£000</i> | <i>Long term<br/>rate of return<br/>expected at<br/>31 December<br/>2012</i> | <i>Value at<br/>31 December<br/>2012<br/>£000</i> |
|-------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------------|
| Equities                            | 7.00%                                                                        | 18,316                                            | 6.50%                                                                        | 24,711                                            |
| Gilts                               | 3.60%                                                                        | 22,182                                            | 2.70%                                                                        | 4,122                                             |
| Bonds                               | 4.80%                                                                        | 2,301                                             | 4.60%                                                                        | 13,193                                            |
| Cash                                | 2.2%                                                                         | 170                                               | 1.80%                                                                        | 150                                               |
| Property                            | 5.6%                                                                         | 2,412                                             | -                                                                            | -                                                 |
| Diversified Growth                  | 6.5%                                                                         | 2,355                                             | -                                                                            | -                                                 |
| Total market value of assets        |                                                                              | 47,736                                            |                                                                              | 42,176                                            |
| Present value of scheme liabilities |                                                                              | (49,017)                                          |                                                                              | (44,897)                                          |
| Deficit in the scheme               |                                                                              | (1,281)                                           |                                                                              | (2,721)                                           |

#### Reconciliation of present value of scheme liabilities

|                | <i>2013<br/>£000</i> | <i>2012<br/>£000</i> |
|----------------|----------------------|----------------------|
| 1 January      | 44,897               | 43,574               |
| Interest cost  | 2,028                | 2,102                |
| Benefits paid  | (1,641)              | (1,606)              |
| Actuarial loss | 3,733                | 827                  |
| 31 December    | 49,017               | 44,897               |

#### Reconciliation of fair value of scheme assets

|                                  | <i>2013<br/>£000</i> | <i>2012<br/>£000</i> |
|----------------------------------|----------------------|----------------------|
| 1 January                        | 42,176               | 37,499               |
| Expected return on scheme assets | 2,315                | 2,079                |
| Contributions paid               | 1,204                | 1,200                |
| Benefits paid                    | (1,641)              | (1,606)              |
| Actuarial gain                   | 3,682                | 3,004                |
| 31 December                      | 47,736               | 42,176               |

The actual return on plan assets in the year was a gain of £5,997,000 (2012 – gain of £5,083,000).

## Notes to the financial statements

at 31 December 2013

### 16. Pension commitments (continued)

Analysis of the amount that would have been charged to the profit and loss are as follows:

|                                          | 2013<br>£000 | 2012<br>£000 |
|------------------------------------------|--------------|--------------|
| Expected return on pension scheme assets | (2,315)      | (2,079)      |
| Interest on pension scheme liabilities   | 2,028        | 2,102        |
|                                          | (287)        | 23           |

#### History of experience gains and losses

|                                                                                                 | 2013<br>£000 | 2012<br>£000 | 2011<br>£000 | 2010<br>£000 | 2009<br>£000 |
|-------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Defined benefit obligation                                                                      | (49,017)     | (44,897)     | (43,574)     | (39,478)     | (43,777)     |
| Plan assets                                                                                     | 47,736       | 42,176       | 37,499       | 37,147       | 33,644       |
| Deficit                                                                                         | (1,281)      | (2,721)      | (6,075)      | (2,331)      | (10,133)     |
| Experience adjustments on plan assets                                                           | 3,682        | 3,004        | (1,864)      | 1,723        | 4,009        |
| Experience adjustments on plan liabilities                                                      | 3,733        | 827          | 3,286        | (4,603)      | 8,595        |
| Total amount that would have been recognised in statement of total recognised gains and losses: | (51)         | 2,177        | (5,150)      | 6,326        | (4,586)      |

#### Defined contribution scheme

The cost of contributions to the defined contribution scheme amounts to £165,000 (2012 – £176,000).

### 17. 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<br/>machinery</i><br>£000 | <i>Land and<br/>buildings</i><br>£000 | <i>Plant and<br/>machinery</i><br>£000 | <i>Land and<br/>buildings</i><br>£000 |
| Operating leases which expire: |                                        |                                       |                                        |                                       |
| Within one year                | 65                                     | -                                     | 40                                     | -                                     |
| Between two and five years     | 264                                    | 205                                   | 360                                    | 200                                   |
|                                | 329                                    | 205                                   | 400                                    | 200                                   |

## Notes to the financial statements

at 31 December 2013

### 18. Contingent liabilities

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

### 19. Related party transactions

As a wholly owned subsidiary of the intermediate parent company, Havells Malta Limited, for which consolidated financial statements are prepared and are publicly available, advantage has been taken of the exemption afforded by FRS 8 "Related party transactions" not to disclose any related party transactions with other wholly owned subsidiaries within the group.

### 20. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Havells Sylvania Europe Limited, a company incorporated in the United Kingdom.

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 company and controlling party 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 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.