

Flowil International Lighting (Holding) B.V.
Amsterdam

Annual report and accounts
for the year 2010

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Flowil International Lighting (Holding) B.V., Amsterdam

Report of the management

Management herewith presents to the shareholder the annual accounts of Flowil International Lighting (Holding) B.V. (hereinafter "the Company") for the year 2010.

General

The Company is a private company with limited liability incorporated under the laws of The Netherlands and acts as an intermediate holding company. The ultimate holding company is Havell's India Limited, India.

Overview of activities

During the year the Company did not start up new activities.

Results

The net asset value of the Company as at 31 December 2010 amounts to a deficit of EUR (33,523,226) (2009: EUR 18,661,174 deficit). The result for the year 2010 amounts to a loss of EUR 14,862,052 (2009: EUR 50,483,071 loss).

Since the shareholder's equity is negative, the Company's status as a going concern is dependent upon the continued funding from the shareholder to finance its operations. The Company's shareholder has confirmed his intention to provide continued funding to the Company.

Liquidity and capital resources

Liquidity has decreased and shareholder's equity has decreased with the loss for the year. Both are considered sufficient in view of the nature of the Company's business.

Financial instruments

The Company does not make use of financial instruments nor of related risk management activities.

Staff numbers and employment costs

The Company has no employees and hence incurred no wages, salaries or related social security charges during the reporting period, nor in the previous year.

Future outlook

Management is of the opinion that the present level of activities will be maintained during the next financial year.

Amsterdam, 15 June 2011

Mr. S. Rep

Mr. A. Gupta

Intertrust (Netherlands)B.V.

Mr. A.K. Gupta

Flowil International Lighting (Holding) B.V., Amsterdam

Balance sheet as at 31 December 2010

(Before the proposed appropriation of the result and expressed in Euros)

| | Notes | 2010 | 2009 |
|--|-------|----------------------|----------------------|
| Fixed assets | | | |
| Financial fixed assets | | | |
| Interests in group entities | 1 | 125,669,000 | 126,696,000 |
| <i>Total fixed assets</i> | | <u>125,669,000</u> | <u>126,696,000</u> |
| Current assets | | | |
| Debtors | | | |
| Amounts owed by group entities | 2 | 1,115,949 | 1,340,642 |
| VAT | 3 | 7,728 | 6,337 |
| Cash and cash equivalents | 4 | - | - |
| <i>Total current assets</i> | | <u>1,123,677</u> | <u>1,346,979</u> |
| Current liabilities (due within one year) | | | |
| Amounts due to group entities | 5 | 128,985,088 | 119,986,953 |
| Accruals and deferred income | 6 | 31,330,815 | 26,717,200 |
| <i>Total current liabilities</i> | | <u>160,315,903</u> | <u>146,704,153</u> |
| Current assets less current liabilities | | <u>(159,192,226)</u> | <u>(145,357,174)</u> |
| Total assets less current liabilities | | (33,523,226) | (18,661,174) |
| Net asset value | | <u>(33,523,226)</u> | <u>(18,661,174)</u> |
| Capital and reserves | | | |
| 7 | | | |
| Paid up and called up share capital | | 28,800 | 28,800 |
| Share premium account | | 90,308,409 | 90,308,409 |
| Translation reserves | | 5,101,000 | 5,101,000 |
| Other reserves | | (114,099,383) | (63,616,312) |
| Unappropriated results | | (14,862,052) | (50,483,071) |
| <i>Total shareholder's equity</i> | | <u>(33,523,226)</u> | <u>(18,661,174)</u> |

The accompanying notes form an integral part of these financial statements.

Flowil International Lighting (Holding) B.V., Amsterdam

Profit and loss account for the year 2010

| | Notes | 2010 | 2009 |
|--|-------|----------------------------|----------------------------|
| (Expressed in Euros) | | | |
| Holding activities | | | |
| Returns on investment | 8 | (8,353,504) | (44,350,547) |
| <i>Result holding activities</i> | | <u>(8,353,504)</u> | <u>(44,350,547)</u> |
| Financing activities | | | |
| Interest on loans to group entities | 9 | 289,815 | 219,180 |
| Interest on loans from group entities | 10 | (5,752,132) | (6,249,757) |
| <i>Result financing activities</i> | | <u>(5,462,317)</u> | <u>(6,030,577)</u> |
| Other financial income and expenses | | | |
| Other interest income | 11 | - | 10 |
| Currency exchange rate differences | 12 | (925,838) | 12,999 |
| <i>Total other financial income and expenses</i> | | <u>(925,838)</u> | <u>13,009</u> |
| Other income and expenses | | | |
| Other income | 13 | 398,470 | 352,248 |
| General and administrative expenses | 14 | (518,862) | (467,204) |
| <i>Total other income and expenses</i> | | <u>(120,393)</u> | <u>(114,956)</u> |
| Result before taxation | | <u>(14,862,052)</u> | <u>(50,483,071)</u> |
| Corporate income tax | 15 | - | - |
| Result after taxation | | <u><u>(14,862,052)</u></u> | <u><u>(50,483,071)</u></u> |

The accompanying notes form an integral part of these financial statements.

Flowil International Lighting (Holding) B.V., Amsterdam

Notes to the annual accounts for the year ended 31 December 2010

General

The Company was incorporated as a private company with limited liability under the laws of The Netherlands on 4 September 1992 and has its statutory seat in Amsterdam. The direct shareholder is SLI Europe B.V. and the ultimate holding company is Havells India Ltd. The principal activity of the Company is to act as a holding and finance company and its place of business is at Prins Bernhardplein 200, 1097 JB Amsterdam.

Basis of presentation

The accompanying accounts have been prepared in accordance with accounting principles generally accepted in The Netherlands and in conformity with provisions governing financial statements as contained in Part 9, Book 2 of the Dutch Civil Code, the most significant of which are as follows:

a. Financial fixed assets

Investments in subsidiaries are stated in the Company's accounts at the Company's share of the net asset value of the subsidiary. Net asset value is calculated using the accounting policies applied in these annual accounts. Participating interests whose financial information cannot be aligned to these policies are valued based on their own accounting policies. Participating interests with an equity deficit are carried at NIL.

A provision is formed if and when the Company is fully or partially liable for the debts of the participating interest, or has the firm intention to allow the participating interest to repay its debts.

Receivables included in the financial fixed assets are valued at face value less provisions where necessary.

b. Foreign currencies

Other assets and liabilities in foreign currencies are translated into Euros at their exchange rates prevailing on the balance sheet date. Transactions in foreign currencies are translated into Euros at the exchange rate in effect at the time of the transactions. The resulting currency exchange rate differences are taken to the profit and loss account except for exchange differences on the British Pound denominated share premium and capital contribution which are translated into Euros at historic exchange rates. Translation differences on long term loans that relate to the financing of participating interests are taken directly to currency translation reserves.

The exchange rates used in the annual accounts are:

| | 31.12.2010 | 31.12.2009 |
|------------------------------|------------|------------|
| 1 EUR = USD (US dollar) | 1.32820 | 1.43000 |
| 1 EUR = GBP (Pound sterling) | 0.86290 | 0.89320 |

c. Assets and liabilities

All other assets and liabilities are shown at face value, unless stated otherwise in the notes.

d. Consolidation

In conformity with article 408, Book 2 of the Dutch Civil Code, the Company does not prepare consolidated annual accounts. The annual accounts of the Company and its subsidiaries are included in the consolidated accounts of the ultimate holding company, which are filed with the Chamber of Commerce in Amsterdam.

e. Recognition of income

Dividends from group entities are recorded as income when received. Other income and expenses, including taxation, are recognised and reported on accrual basis.

f. Corporate income tax

Provisions for taxation have been made in accordance with Dutch corporate income tax law.

| | | | 2010 | 2009 |
|---|----------------------|--------------|-------------|-------------|
| | | | EUR | EUR |
| Balance sheet | | | | |
| 1 Interests in group entities | | | | |
| The net asset value per group entity is: | | | | |
| <i>Direct subsidiaries</i> | | | | |
| <u>Name</u> | <u>Domicile</u> | <u>Owned</u> | | |
| Havells Sylvania Lighting France S.A. | France | 100% | 1,218,000 | 1,199,000 |
| Havells Sylvania Germany GmbH | Germany | 100% | 2,374,000 | 795,000 |
| Havells Sylvania Fixtures Netherlands B.V. | Netherlands | 100% | 23,606,000 | 21,096,000 |
| Havells Sylvania Switzerland AG | Switzerland | 100% | 3,621,000 | 1,447,000 |
| Havells Sylvania Lighting Belgium N.V. | Belgium | 100% | 12,307,000 | 24,179,000 |
| Havells Sylvania Belgium B.V.B.A | Belgium | 100% | 83,000 | 109,000 |
| Havells Sylvania Sweden A.B. | Sweden | 100% | 76,000 | 334,000 |
| Havells Sylvania Norway A.S. | Norway | 100% | - | - |
| Havells Sylvania Finland OY | Finland | 100% | 203,000 | 247,000 |
| Havells Sylvania Spain S.A. | Spain | 100% | 6,501,000 | 5,671,000 |
| Havells Sylvania Spain Logistics S.L. | Spain | 100% | 195,000 | 210,000 |
| Havells Sylvania Portugal Lda | Portugal | 100% | 1,455,000 | 1,455,000 |
| Havells Sylvania Italy S.p.A | Italy | 100% | 5,058,000 | 4,988,000 |
| Havells Sylvania Greece A.E.E.E. | Greece | 100% | 581,000 | 424,000 |
| Havells Sylvania Tunisia S.A.R.L. | Tunisia | 100% | - | - |
| Havells Sylvania Europe Limited | United Kingdom | 100% | 44,342,000 | 43,635,000 |
| Havells Sylvania Poland S.p Z.o.o | Poland | 100% | - | - |
| Havells Sylvania (Guangzhou) Enterprise Ltd | China | 100% | 19,000 | 272,000 |
| Havells Sylvania Asia Pacific Limited | Hong Kong | 100% | 3,153,000 | 2,589,000 |
| Havells Sylvania (Thailand) Limited | Thailand | 100% | 8,154,000 | 6,217,000 |
| | | | 112,946,000 | 114,867,000 |
| <i>Indirect subsidiaries</i> | | | | |
| <u>Name</u> | <u>Domicile</u> | | | |
| Havells Sylvania UK Limited | United Kingdom | | - | - |
| Havells Sylvania Fixtures UK Limited | United Kingdom | | 317,000 | 691,000 |
| Havells Sylvania Dubai FZCO | United Arab Emirates | | 1,859,000 | 828,000 |
| Havells Sylvania France S.A.S. | France | | 10,547,000 | 10,310,000 |
| Havells Sylvania (Shanghai) Ltd | China | | - | - |
| | | | 12,723,000 | 11,829,000 |
| | | | 125,669,000 | 126,696,000 |

The investments of the subsidiaries are stated against net asset value.

Movements in the interests in group entities have been as follows:

| | |
|-----------------------------|-------------|
| Balance as per 1 January | 126,696,000 |
| Additions | - |
| Disposals | - |
| Decrease in net asset value | 1,027,000 |
| Balance as per 31 December | 125,669,000 |

Flowil International Lighting (Holding) B.V., Amsterdam

| | 2010 | 2009 |
|--|--------------------|--------------------|
| | EUR | EUR |
| 2 Amounts owed by group entities | | |
| Havells Sylvania (Thailand) Ltd | 355,907 | 597,785 |
| Havells Sylvania Lighting France SA | 760,042 | 742,857 |
| SLI Europe B.V. | - | - |
| | <u>1,115,949</u> | <u>1,340,642</u> |
| 3 VAT | | |
| Prepaid VAT | 7,728 | 6,337 |
| | <u>7,728</u> | <u>6,337</u> |
| 4 Cash and cash equivalents | | |
| Current account Euro | - | - |
| Current account USD | - | - |
| Current account GBP | - | - |
| Current account CHF | - | - |
| | <u>-</u> | <u>-</u> |
| 5 Amounts due to group entities | | |
| Sylvania Lighting International B.V. | - | 2,810 |
| Havells Sylvania Lighting Belgium N.V. | 5,924,120 | 6,064,365 |
| Havells Sylvania Germany GmbH | 17,894,613 | 17,845,797 |
| Havells Sylvania Switzerland AG | 6,357,104 | 5,279,327 |
| Havells Sylvania Fixtures Netherlands B.V. | 14,454,430 | 14,399,386 |
| Havells Sylvania Netherlands BV | 65,607,978 | 62,497,867 |
| Havells Sylvania Europe Ltd | 10,267,963 | 5,389,616 |
| Havells Sylvania Italy S.p.A | 4,501,322 | 4,520,968 |
| Havells Sylvania Spain S.A. | 3,977,558 | 3,986,817 |
| | <u>128,985,088</u> | <u>119,986,953</u> |

| | 2010 | 2009 |
|---------------------------------------|-------------------|-------------------|
| | EUR | EUR |
| 6 Accruals and deferred income | | |
| Accounts Payable Trade | 36,095 | 64,372 |
| Accrued professional fees | 9,054 | 12,991 |
| Accrued patent costs | 57,218 | 49,640 |
| Provisions | 31,228,449 | 26,590,197 |
| | <u>31,330,815</u> | <u>26,717,200</u> |

7 Capital and reserves

The authorised share capital of the Company amounts to EUR 90,000 divided into 200 shares of EUR 450 each. Issued and paid up are 64 shares of EUR 450 each.

In the annual general meeting of shareholders held on 25 January 2011 it was decided to add the balance of the unappropriated result 2009 to the other reserves.

| | <u>Share capital</u> | <u>Share premium</u> | <u>Translation Reserve</u> | <u>Other reserves</u> |
|---------------------------|----------------------|----------------------|----------------------------|-----------------------|
| Balance as per 01.01.2009 | 28,800 | 90,308,409 | 5,101,000 | (41,386,018) |
| Transfer | - | - | - | (22,230,294) |
| Dividend | - | - | - | - |
| Result for the period | - | - | - | - |
| Balance as per 01.01.2010 | <u>28,800</u> | <u>90,308,409</u> | <u>5,101,000</u> | <u>(63,616,312)</u> |
| Transfer | - | - | - | (50,483,071) |
| Dividend | - | - | - | - |
| Result for the period | - | - | - | - |
| Balance as per 31.12.2010 | <u>28,800</u> | <u>90,308,409</u> | <u>5,101,000</u> | <u>(114,099,383)</u> |

| | <u>Unappr.results</u> |
|---------------------------|-----------------------|
| Balance as per 01.01.2009 | (50,483,071) |
| Paid-in / (repaid) | - |
| Transfer | - |
| Dividend | - |
| Result for the period | - |
| Balance as per 01.01.2010 | <u>(50,483,071)</u> |
| Paid-in / (repaid) | - |
| Transfer | 50,483,071 |
| Dividend | - |
| Result for the period | (14,862,052) |
| Balance as per 31.12.2010 | <u>(14,862,052)</u> |

On May 25, 2007 the shares of the Company have been pledged to Barclays Bank Plc.

Flowil International Lighting (Holding) B.V., Amsterdam

| | 2010 | 2009 |
|---|--------------------|---------------------|
| | EUR | EUR |
| <u>Profit and loss account</u> | | |
| 8 Returns on investment | | |
| Return on investments | (8,353,504) | (44,350,547) |
| | <u>(8,353,504)</u> | <u>(44,350,547)</u> |
| 9 Interest on loans to group entities | | |
| Havells Sylvania Lighting France SA | 17,185 | 17,329 |
| Havells Sylvania Tunisia S.A.R.L. | 272,630 | 201,851 |
| | <u>289,815</u> | <u>219,180</u> |
| 10 Interest on loans from group entities | | |
| Sylvania Lighting International B.V. | - | (5,961) |
| Havells Sylvania Lighting Belgium N.V. | (290,185) | (376,556) |
| Havells Sylvania Asia Pacific | (5,625) | - |
| Havells Sylvania Germany GmbH | (891,544) | (891,544) |
| Havells Sylvania Europe Ltd | (156,746) | (224,284) |
| Havells Sylvania Italy S.p.A. | (213,679) | (351,603) |
| Havells Sylvania Fixtures Netherlands B.V. | (656,317) | (656,317) |
| Havells Sylvania Spain S.A. | (188,207) | (261,811) |
| Havells Sylvania Sweden A.B. | (3,110,111) | (3,254,459) |
| Havells Sylvania Switzerland AG | (239,718) | (227,222) |
| | <u>(5,752,132)</u> | <u>(6,249,757)</u> |
| 11 Other interest income | | |
| Bank interest | - | 10 |
| | <u>-</u> | <u>10</u> |
| 12 Currency exchange rate differences | | |
| On financing participations | (925,838) | 12,999 |
| | <u>(925,838)</u> | <u>12,999</u> |

Flowil International Lighting (Holding) B.V., Amsterdam

| | 2010 | 2009 |
|---|------------------|------------------|
| | EUR | - |
| 13 Other income | | |
| Royalty income | 398,470 | 352,248 |
| | <u>398,470</u> | <u>352,248</u> |
| 14 General and administrative expenses | | |
| Notary & Lawyer fees | (6,427) | (90) |
| Other professional services | (84,239) | (160,457) |
| Patent costs | (355,000) | (270,000) |
| General and administrative expenses | (69,888) | (33,803) |
| Bank charges | (3,308) | (2,854) |
| | <u>(518,862)</u> | <u>(467,204)</u> |
| 15 Corporate income tax | | |
| Income Tax | - | - |
| | <u>-</u> | <u>-</u> |

Staff numbers and employment costs

The Company has no employees and hence incurred no wages, salaries or related social security charges during the reporting period, nor during the previous year.

Directors

The Company has four (previous year: four) managing directors, two which receive a remuneration.
The Company has no (previous year: none) supervisory directors.

Amsterdam, 15 June 2011

Mr. S. Rep

Mr. A. Gupta

Intertrust (Netherlands)B.V.

Mr. A.K. Gupta

Flowil International Lighting (Holding) B.V., Amsterdam

Other information

Appropriation of results

Under the restriction that Dutch law prescribes that any profit distribution may only be made to the extent that the shareholder's equity exceeds the amount of the issued capital and the legal reserves, the remaining reserves and unappropriated results are - in accordance with the Company's articles of association - at the disposal of the shareholder.

The management proposes to the shareholder to add the result for the year to the other reserves.

Audit of annual accounts

The Company qualifies as a small entity and in conformity with article 396, Book 2 of the Dutch Civil Code, auditing of its annual accounts is not required.

Subsequent events

No events have occurred since balance sheet date, which would change the financial position of the Company and which would require adjustment of or disclosure in the annual accounts now presented.