

Havell's Netherlands B.V.
Amsterdam

Annual report and accounts
for the year 2010

<u>Table of contents:</u>	<u>page</u>
Annual report	
Report of the management	3
Balance sheet as at 31 December 2010	4
Profit and loss account for the year 2010	5
Notes to the annual accounts for the year ended 31 December 2010	6
Other information	
Appropriation of results	12
Audit of annual accounts	12
Subsequent events	12

Report of the management

Management herewith presents to the shareholder the annual accounts of Havell's Netherlands 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 and finance 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 EUR 37,136,796 (2009: EUR 15,862,873). The result for the year 2010 amounts to a loss of EUR 1,726,077 (2009: 14,098,463 loss).

Capital resources

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

Financial instruments

The Company seeks to limit the interest risk exposure on the long term loans through the use of derivative financial instruments, which allow it to hedge cash flows by swapping floating rates to fixed rates.

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 A Gupta

Mr. G.F. Nicolai

Mr. S.I. Rep

Mr. S. Singhal

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	46,717,376	45,202,807
Loans to group entities	2	92,348,151	87,329,669
<i>Total fixed assets</i>		<u>139,065,527</u>	<u>132,532,476</u>
Current assets			
Debtors			
Amounts owed by group entities	3	16,842,069	-
VAT	4	523	8,493
Prepayments and accrued income	5	1,590,845	2,391,036
Cash and cash equivalents	6	-	-
<i>Total current assets</i>		<u>18,433,437</u>	<u>2,399,529</u>
Current liabilities (due within one year)			
Amounts due to group entities	7	480,217	5,157,095
Other current liabilities	8	39,983,076	32,790,574
Accruals and deferred income	9	3,990,850	5,121,463
<i>Total current liabilities</i>		<u>44,454,143</u>	<u>43,069,132</u>
Current assets less current liabilities		<u>(26,020,706)</u>	<u>(40,669,603)</u>
Total assets less current liabilities		113,044,820	91,862,873
Long term liabilities (due after one year)			
Loans	10	75,908,024	76,000,000
Net asset value		<u>37,136,796</u>	<u>15,862,873</u>
Capital and reserves			
Paid up and called up share capital	11	110,020,000	87,020,000
Share premium account		-	-
Other reserves		(71,157,127)	(57,058,664)
Unappropriated results		(1,726,077)	(14,098,463)
<i>Total shareholder's equity</i>		<u>37,136,796</u>	<u>15,862,873</u>

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

Profit and loss account for the year 2010

	Notes	2010	2009
(Expressed in euros)			
Holding activities			
Return on investment	12	1,160,870	915,648
<i>Result holding activities</i>		<u>1,160,870</u>	<u>915,648</u>
Financing activities			
Interest on loans to group entities	13	4,346,490	4,424,016
Interest on loans from group entities	14	(50,030)	(425,398)
Interest on loans	15	(7,722,141)	(12,362,704)
<i>Result financing activities</i>		<u>(3,425,680)</u>	<u>(8,364,086)</u>
Other financial income and expenses			
Other interest expense	16	-	(25)
Currency exchange rate differences	17	1,455,384	(274,921)
<i>Total other financial income and expenses</i>		<u>1,455,384</u>	<u>(274,946)</u>
Other income and expenses			
General and administrative expenses	18	(385,680)	(2,197,268)
Depreciation finance cost	19	(800,191)	(800,191)
Extraordinary loss	20	269,221	(3,377,621)
<i>Total other income and expenses</i>		<u>(916,650)</u>	<u>(6,375,080)</u>
Result before taxation		<u>(1,726,077)</u>	<u>(14,098,463)</u>
Corporate income tax	21	-	-
Result after taxation		<u><u>(1,726,077)</u></u>	<u><u>(14,098,463)</u></u>

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

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 22 February 2007 and has its statutory seat in Amsterdam. The direct shareholder is Havell's Netherlands Holding B.V. and the ultimate holding company is Havell's India Limited, India. The principal activity of the Company is to act as a holding and finance company and its place of 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 at last years value. Due to the expected positive cashflows from the operation in the future this was seen as a "fairvalue" for the worth of the investment.

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.

The exchange rates used in the annual accounts are:

	31.12.2010	31.12.2009
1 EUR = USD (US dollar)	1.3282	1.4300
1 EUR = GBP (Pound sterling)	0.8629	0.8932

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

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		<u>Owned</u>		
<u>Name</u>	<u>Domicile</u>			
SLI Europe B.V.	Amsterdam, NL	100%	45,922,074	45,202,807
HS Costa Rica	Costa Rica	100%	795,302	-
			<u>46,717,376</u>	<u>45,202,807</u>

The investments in subsidiaries are stated against historic values plus any movements in the period. Due to expected positive cashflows from the operation in the future this was seen as a "fair value" for the worth of the investment and therefore no impairment is required.

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

Balance as per 1 January	45,202,807
Additions	1,514,569
Disposals	-
Balance as per 31 December	<u>46,717,376</u>

2 Loans to group entities

Havells Sylvania Brasil Iluminacao Ltda	3,108,683	2,761,655
Havells Holding Inc	2,011,402	1,783,308
SLI Lighting Products Inc	15,987,281	14,174,311
Havells Sylvania Costa Rica S.A.	-	746,741
Flowil International Lighting (Holding) B.V.	65,607,978	62,497,867
Sli Europe B.V.	5,632,807	5,365,787
	<u>92,348,151</u>	<u>87,329,669</u>

The loan to Havells Sylvania Brasil Iluminacao Ltda has not been secured, has no maturity and attracts 4.507% interest per annum.

Balance as per 1 January	2,761,655
Increase/(decrease)	136,195
Currency exchange rate differences	210,832
Balance as per 31 December	<u>3,108,683</u>

The loan to Havells Holding Inc. has not been secured, has no maturity and attracts 4.937% interest per annum.

Balance as per 1 January	1,783,308
Increase/(decrease)	92,496
Currency exchange rate differences	135,598
Balance as per 31 December	<u>2,011,402</u>

The loan to SLI Lighting Products Inc. has not been secured, has no maturity and attracts 4.937% interest per annum.

Balance as per 1 January	14,174,311
Increase/(decrease)	735,190
Currency exchange rate differences	1,077,781
Balance as per 31 December	<u>15,987,281</u>

The loan to Havells Sylvania Costa Rica was fully paid in 2010

Balance as per 1 January	746,741
Increase/(decrease)	(789,824)
Currency exchange rate differences	43,084
Balance as per 31 December	<u>-</u>

The loan to Flowil International Lighting (Holding) B.V. has not been secured, has no maturity and attracts 5.182% interest per annum.

Balance as per 1 January	62,497,867
Increase/(decrease)	3,110,111
Currency exchange rate differences	-
Balance as per 31 December	<u>65,607,978</u>

The loan to SLI Europe B.V. has not been secured, has no maturity and attracts 5.182% interest per annum.

Balance as per 1 January	5,365,787
Increase/(decrease)	267,020
Currency exchange rate differences	-
Balance as per 31 December	<u>5,632,807</u>

Havell's Netherlands B.V., Amsterdam

	2010	2009
	EUR	EUR
3 Amounts owed by group entities		
Havells Sylvania Europe Ltd	16,842,069	-
	<u>16,842,069</u>	<u>-</u>
4 VAT		
VAT receivable	523	8,493
	<u>523</u>	<u>8,493</u>
5 Prepayments and accrued income		
Prepaid finance costs	1,590,845	2,391,036
	<u>1,590,845</u>	<u>2,391,036</u>
The prepaid finance costs are being depreciated over a time period of 6 years.		
6 Cash and cash equivalents		
Fortis Bank	-	-
	<u>-</u>	<u>-</u>
7 Amounts due to group entities		
Havells Sylvania Lighting Belgium N.V.	315	-
Havells Sylvania Argentina S.A.	477,456	424,375
Havells Sylvania Europe Ltd	(307)	4,729,967
Havells Sylvania Columbia	2,753	2,753
	<u>480,217</u>	<u>5,157,095</u>
8 Other current liabilities		
Barclays Revolver	39,907,880	32,000,000
Trade accounts payable	75,196	790,574
	<u>39,983,076</u>	<u>32,790,574</u>
9 Accruals and deferred income		
Accruals	3,990,850	5,121,463
	<u>3,990,850</u>	<u>5,121,463</u>
10 Loans		
Barclays term loan	75,908,024	76,000,000
	<u>75,908,024</u>	<u>76,000,000</u>

The Barclays term loan bears an interest of a margin plus LIBOR/EURIBOR.

Balance as per 1 January	76,000,000
Increase/(decrease)	(95,976)
Currency exchange rate differences	-
Balance as per 31 December	<u>75,904,024</u>

The Company seeks to limit the interest risk exposure on the long term loans through the use of derivative financial instruments, which allow it to hedge cash flows by swapping floating rates to fixed rates. At the balance sheet date the open interest rate contract had a notional principle amount of EUR 80,000,000. The interest rates vary from 4.65% - 5.5% based on EURIBOR. If EURIBOR is less than 5.5% then the Company pays either 4.65% or EURIBOR depending on certain criteria. If EURIBOR is over 5.5% then it either pays EURIBOR less a cap or EURIBOR depending on certain criteria. The contract expires on 21 April 2013.

2010
EUR

2009
EUR

11 Capital and reserves

The authorised share capital of the Company amounts to EUR 250,000,000 divided into 2,500,000 shares of EUR 100 each. Issued and paid up are 1100,200 shares of EUR 100 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>Other reserves</u>	<u>Unappr. Results</u>
Balance as per 01.01.2009	75,020,000	-	(31,160,352)	(25,989,312)
Paid-in / (repaid)	-	-	-	-
Transfer	12,000,000	-	(25,898,312)	25,989,312
Dividend	-	-	-	-
Interst rare swap				(3,065,000)
Result for the period	-	-	-	(11,033,463)
Balance as per 31.12.2009	87,020,000	-	(57,058,664)	(14,098,463)
Paid-in / (repaid)	23,000,000	-	-	-
Transfer	-	-	(14,098,463)	14,098,463
Dividend	-	-	-	-
Result for the period	-	-	-	(1,726,077)
Balance as per 31.12.2010	110,020,000	-	(71,157,127)	(1,726,077)

	2010	2009
	EUR	EUR
Profit and loss account		
12 Return on investment		
Return on investment	1,160,870	915,648
	<u>1,160,870</u>	<u>915,648</u>
13 Interest on loans to group entities		
Flowil	3,110,111	3,254,459
Havells Sylvania Europe Limited	267,020	268,786
Havells Sylvania Brasil Iluminacao Ltda	136,195	126,172
Havells Holding Inc	92,496	82,060
Havells Sylvania Costa Rica S.A.	5,477	34,943
SLI Lighting Products Inc	735,190	657,596
	<u>4,346,490</u>	<u>4,424,016</u>
14 Interest on loans from group entities		
Havells Sylvania UK Limited	(29,230)	(396,647)
Havells Sylvania Argentina S.A.	(20,799)	(28,751)
	<u>(50,030)</u>	<u>(425,398)</u>
15 Interest on loans		
Barclays Revolver	(1,752,195)	(1,373,175)
Barclays term loan	(5,969,946)	(10,989,529)
	<u>(7,722,141)</u>	<u>(12,362,704)</u>
16 Other interest expense		
Fortis Deposit account	-	(25)
	<u>-</u>	<u>(25)</u>
17 Currency exchange rate differences		
On finance activities	1,455,384	(274,921)
	<u>1,455,384</u>	<u>(274,921)</u>
18 General and administrative expenses		
Bank charges	(2,788)	(178,482)
Other professional services	(382,892)	(2,018,786)
	<u>(385,680)</u>	<u>(2,197,268)</u>
19 Depreciation finance cost		
Depreciation finance cost	(800,191)	(800,191)
	<u>(800,191)</u>	<u>(800,191)</u>
20 Extraordinary loss		
Restructuring cost	269,221	(3,377,621)
	<u>269,221</u>	<u>(3,377,621)</u>
21 Corporate income tax		
Provision for C.I.T. 2010 (2009)	-	-
	<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 managing directors, two of which receive a remuneration.
The Company has no supervisory directors.

Amsterdam, 15 June 2011

Mr A Gupta

Mr. G.F. Nicolai

Mr. S.I. Rep

Mr. S. Singhal

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.