

Havells Sylvania Fixtures UK Limited

Report and Financial Statements

31 December 2010

Directors

Mr M A James
Mr V Malik
Mr N J Farraway

Auditors

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

Bankers

Deutsche Bank AG
1 Great Winchester Street
London EC2N 2DB

Deutsche Bank AG
Rossmarkt 18
D-60311 Frankfurt
Germany

Registered Office

Avis Way
Newhaven
East Sussex BN9 0ED

Directors' report

The directors present their report and financial statements of the company for the year ended 31 December 2010.

Results and dividends

The loss after taxation for the financial year is £919,000 (2009 – loss of £1,125,000) and will be transferred to reserves. The directors do not recommend the payment of a dividend (2009 – £nil).

Principal activities and review of business

The company's principal activity continued to be that of the manufacture and sale of lighting products.

During the year turnover decreased to £15,349,000 (2009 – £21,926,000) resulting in a loss before tax of £919,000 (2009 – loss of £1,125,000). Primarily this was due to a management decision for Havells Sylvania Europe Ltd, the parent company, to act as the distributor for the company since May 2009.

Whilst the company operates in a diverse market with channels ranging from domestic, commercial and retail to architectural fixtures, it remains principally focused on the commercial and architectural sectors of the market, both in the UK and abroad.

The company is dedicated to a number of initiatives, including the reduction of CO2 emissions by developing and manufacturing energy efficient products, the improvement of environmental protection through better waste management and by offering profitable solutions to the market by providing better efficiency, sustainability and longer product life.

All products in the Havells Sylvania Fixtures range are manufactured in an ISO4001-2004 accredited environment and the company is fully committed to the requirements of the WEEE Directive, being a member of a compliance scheme which has been approved by the Environment Agency for the recycling of materials. The company does not use any substances which appear on the RoHS list of hazardous substances and many of its products are approved by the Enhanced Capital Allowance scheme (ECA). The company's main manufacturing plant at Newhaven also undertakes regular Carbon Trust reviews working towards their recommendations on the reduction of CO2 emissions at the factory. Its packaging policy is to use recyclable cardboard and brown paper padding and to reduce the use of bubble wrap and plastic wherever possible.

Key performance indicators (KPIs)

It is important to bear in mind that this is the first full year operating under the new structure, where the company manufactures and sells all product to the parent company and therefore the ratio's do show some big swings which are expected.

Overall the Company's operating loss has fallen compared with the previous year.

	2010	2009
	%	%
Gross margin	13	21

Gross margin is calculated as the ratio of operating profit or loss before accounting for administrative and distribution costs to net sales expressed as a percentage. This has been calculated on a like for like basis. This result reflects the fact that the company sells to its parent company who incurs all the distribution costs and therefore the decrease is expected.

Various KPIs are monitored at group level and can be seen in the accounts of Havells Malta Ltd and consist of turnover, gross margin, net debt position and working capital. These are not considered meaningful at Company level due to transfer pricing considerations and strategy implementation.

Directors' report

	<i>2010</i>	<i>2009</i>
	%	%
Operating expenses	18.9	25.8

Future developments

The directors intend to increase turnover in an increasingly competitive market, whilst seeking to improve the company's profitability, through the introduction of new products and aggressive marketing activity in overseas marketing.

Principal risks and uncertainties

The key business risks affecting the company are considered to relate to increasing competition in the sector of the lighting market in which it operates.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk and liquidity risk.

Directors' report

Principal risks and uncertainties (continued)

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

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.

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 main financing for the group is held at the Havells Netherlands B.V. level.

Havells Malta Limited is currently in compliance with all financial covenants. Based on management's expectations for 2011 and 2012 no breach of covenants is expected. However management acknowledges that the projections are based on various assumptions and expectations of the future which naturally entail a risk that deviations from budgets may arise. Management strongly believes that the positive trend in 2010 will continue in the future and that compared to the prior year the Group is in a better position to generate sufficient levels of cash and loan facilities to operate its business for the foreseeable future.

The directors of the company therefore 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.

Research and development

Research and development in the business is concentrated on the development of new lighting products for the architectural and commercial markets.

Directors

The directors who served during the year and subsequent to the year end were as follows:

Mr V Malik	(appointed 15 January 2010)
Mr M A James	(appointed 15 January 2010)
Mr N J Farroway	(appointed 18 February 2011)
Mr J B Smith	(appointed 25 May 2010 & resigned 18 January 2011)
Mr S J Vouilloz	(resigned 15 January 2010)
Mr O Van Houtte	(resigned 25 April 2010)

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.

Directors' report

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.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



Secretary

Date

5/5/11

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with applicable laws 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 transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to 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 Fixtures UK Limited

We have audited the financial statements of Havells Sylvania Fixtures UK Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 21. 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 Statement of Directors' Responsibilities 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 (APB'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 Directors' report to identify material inconsistencies with the audited financial statements. 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 2010 and of its loss 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Havells Sylvania Fixtures 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 LLP

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

Date *5 May 2011*

Profit and loss account

for the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> £000	<i>2009</i> £000
Turnover	2	15,349	21,926
Cost of sales		(13,401)	(17,367)
Gross Profit		<u>1,948</u>	<u>4,559</u>
Operating expenses before exceptional items		(2,636)	(5,476)
Exceptional items	7	(265)	(182)
Operating expenses	3	<u>(2,901)</u>	<u>(5,658)</u>
Operating loss before exceptional items		(688)	(917)
Exceptional items	7	(265)	(182)
Operating loss	4	<u>(953)</u>	<u>(1,099)</u>
Group interest receivable		65	–
Bank interest payable		(31)	(26)
Loss on ordinary activities before taxation		<u>(919)</u>	<u>(1,125)</u>
Tax	8	–	–
Loss for the financial year	15	<u><u>(919)</u></u>	<u><u>(1,125)</u></u>

Statement of total recognised gains and losses

for the year ended 31 December 2010

There are no recognised gains or losses other than the losses attributable to the shareholders of the company of £919,000 in the year ended 31 December 2010 (2009 – loss of £1,125,000).

Balance sheet

at 31 December 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	9	1,145	1,313
Current assets			
Stocks	10	2,657	1,623
Debtors	11	5,681	6,620
		8,338	8,243
Creditors: amounts falling due within one year	12	(4,147)	(3,276)
Net current Assets		4,191	4,967
Total assets less current liabilities		5,336	6,280
Provisions for liabilities	13	(919)	(944)
Net Assets		4,417	5,336
Capital and reserves			
Called up share capital	14	4,007	4,007
Capital contribution	15	10,941	10,941
Profit and loss account	15	(10,531)	(9,612)
Shareholders' funds	16	4,417	5,336

Director

Date

Nigel Faraway
5/5/11.

Notes to the financial statements

at 31 December 2010

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

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 main financing for the group is held at the Havells Netherlands B.V. level.

Havells Malta Limited is currently in compliance with all financial covenants. Based on management's expectations for 2011 and 2012 no breach of covenants is expected. However management acknowledges that the projections are based on various assumptions and expectations of the future which naturally entail a risk that deviations from budgets may arise. Management strongly believes that the positive trend in 2010 will continue in the future and that compared to the prior year the Group is in a better position to generate sufficient levels of cash and loan facilities to operate its business for the foreseeable future.

The directors of the company therefore 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 consolidated 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 "Cash flow statements" (revised 1996).

Turnover

Turnover comprises the income from the supply of goods 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, usually on dispatch of goods.

Notes to the financial statements

at 31 December 2010

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	–	10% pa
Fixtures and equipment	–	20% pa
Motor vehicles (included in plant and machinery)	–	33% pa

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.

Research and development

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

Stocks

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

Cost incurred in bringing each product to its present location and condition is based on:

Raw Materials	–	purchase cost on a first-in, first-out basis, including transport.
Work in progress and finished goods	–	cost of direct materials and labour plus an appropriate proportion of manufacturing overheads based on normal levels of activity.

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 tax 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 a right to pay less or to receive more, tax, with the following exceptions:

- 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.

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

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.

Leasing commitments

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

Provisions

Provision are recognised when the company has a present obligation as a result of a past event, it's probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Pensions

The Havells Malta Limited group operates a defined benefit pension scheme in the UK. 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. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The Plan is a "multi-employer" scheme providing pension benefits for three participating subsidiaries in the UK. The Company has been unable to identify its share of the underlying assets and liabilities in the Plan on a consistent and reasonable basis. The information regarding the Plan deficit 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 "Retirement benefits" the company has accounted for the pension scheme as defined contribution scheme. Details of the pension scheme are disclosed in note 17.

In accordance with the provisions of paragraph 12 of FRS 17 the defined benefit liability is recognised in the consolidated financial statements of an intermediate parent 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.

2. Turnover

The analysis of turnover by geographical market is as follows:

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
United Kingdom	15,349	20,742
Other European Union countries	—	871
Other	—	313
	<u>15,349</u>	<u>21,926</u>

All turnover originates from the United Kingdom. Turnover includes turnover to fellow subsidiary undertakings amounting to £15,348,935 (2009 – £14,537,000). Turnover relates to one continuing activity, the manufacture and sale of lighting products.

Notes to the financial statements

at 31 December 2010

3. Operating expenses

	2010	2009
	£000	£000
Distribution costs	185	2,099
Administration expenses	2,716	3,559
	<u>2,901</u>	<u>5,658</u>

4. Operating Loss

This is stated after charging/(crediting):

	2010	2009
	£000	£000
Depreciation on tangible fixed assets	471	570
Exceptional items (Note 7)	265	182
Operating lease rentals	1,072	1,423
Auditors' remuneration – audit of financial statements	35	33
Research and development	773	755
Property rental income	(314)	(324)
	<u>(314)</u>	<u>(324)</u>

5. Directors' emoluments

Only one director received remuneration for their services as a director of the company. The other directors during the year received remuneration from the immediate parent company, Havells Sylvania Europe Limited. The employee costs shown below include the following remuneration in respect of the directors of the Company:

	2010	2009
	£000	£000
Aggregate emoluments		
Salary including Benefits in kind	60	316
Pension Contributions	6	38
Contractual Severance	-	150
	<u>66</u>	<u>504</u>

	2010	2009
	No.	No.
Members of defined contribution pension schemes	1	1
Members of defined benefit pension schemes	1	1

Highest paid director:

	2009
	£000
Aggregate emoluments	<u>278</u>

Notes to the financial statements

at 31 December 2010

5. Directors' emoluments (continued)

The aggregate value of company contributions paid into a defined benefit scheme in respect of directors' qualifying service was £6,000 (2009 – £35,000) which is included in the above total of £66,000.

The aggregate value of company contributions paid into a defined contribution scheme in respect of directors' qualifying service was nil (2009 – £3,000).

6. Staff costs

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	2,268	4,840
Social security costs	182	427
Other pension costs	134	257
	<u>2,584</u>	<u>5,524</u>

The pension costs include £41,000 (2009 – £51,000) in respect of payments made to the defined contribution scheme.

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

	<i>2010</i>	<i>2009</i>
	<i>No.</i>	<i>No.</i>
By activity:		
Production and warehousing	99	122
Sales	0	39
Management and administration	10	14
	<u>109</u>	<u>175</u>

7. Exceptional items

Provisions have been made in relation to onerous leases in respect of vacant leasehold properties from which the company no longer trades, but is liable to fulfil rent and other property commitments up to the lease expiry date.

Costs have also been charged in respect of closure of the Defined Benefit Pension Scheme.

During the year £226,000 (2009 – £182,000) has been charged to the profit and loss account as an operating exceptional item in relation to these properties and a further £39,000 (2009 - £0) in relation to the closure of the Defined Benefit Pension Scheme.

Notes to the financial statements

at 31 December 2010

8. Tax

(a) Tax on Loss on ordinary activities

The tax charge is made up as follows:

	2010	2009
	£000	£000
<i>Current tax:</i>		
UK corporation tax	–	–
Total current tax	–	–

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2009 – 28%). The differences are explained below:

	2010	2009
	£000	£000
Loss on ordinary activities before tax	(919)	(1,125)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	(257)	(315)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	8	269
Accelerated capital allowances and other timing differences	(108)	(178)
Tax losses not utilised	357	224
Current tax for the year	–	–

(c) Deferred tax

The company has tax losses of approximately £10,276,000 (2009 – £9,006,000) to carry forward.

Due to the loss making position of the company and the UK Tax Group, no deferred tax asset has been provided on the losses (2009 – £nil). Details of unprovided deferred tax losses are as follows:

	2010	2009
	£000	£000
Decelerated capital allowances	(585)	(668)
Losses	(2,877)	(2,567)
Total unprovided deferred tax (asset)	(3,462)	(3,235)

Notes to the financial statements

at 31 December 2010

9. Tangible fixed assets

	<i>Plant and machinery</i>	<i>Fixtures and equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 January 2010	21,428	3,285	24,713
Additions	249	54	303
At 31 December 2010	21,677	3,339	25,016
Depreciation			
At 1 January 2010	20,309	3,091	23,400
Charge for year	376	95	471
At 31 December 2010	20,685	3,186	23,871
Net book value			
At 31 December 2010	992	153	1,145
At 1 January 2010	1,119	194	1,313

10. Stocks

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Raw materials	2,397	1,511
Work in progress	116	30
Finished goods	144	82
	2,657	1,623

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

Notes to the financial statements

at 31 December 2010

11. Debtors

	2010	2009
	£000	£000
Trade debtors	240	148
Amounts owed by group undertakings	4,062	5,426
Other debtors	413	410
Amounts receivable for group relief	185	185
Prepayments and accrued income	781	451
	<u>5,681</u>	<u>6,620</u>

Amounts due from Group undertakings are non interest bearing and have no fixed repayment date.

12. Creditors: amounts falling due within one year

	2010	2009
	£000	£000
Bank overdrafts	199	9
Trade creditors	1,477	1,273
Amounts owed to group undertakings	300	10
Taxation and social security	64	67
Accruals and deferred income	2,107	1,917
	<u>4,147</u>	<u>3,276</u>

Included within accruals and deferred income are outstanding pension contributions payable to the group scheme of £18,000 (2009 – £18,000).

13. Provisions for liabilities

	<i>Onerous leases</i>
	£000
At 1 January 2010	944
Charged to the profit and loss account	226
Utilised	(251)
At 31 December 2010	<u>919</u>

The provision for onerous leases is in respect of vacant leasehold properties from which the company no longer trades, but is liable to fulfil rent and other property commitments up to the lease expiry date. Obligations are payable within a range of 2 to 4 years from the balance sheet date. The obligation has been discounted using a discount rate of 6.5% (2009 – 6.5%).

Notes to the financial statements

at 31 December 2010

14. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2010 £000</i>	<i>No.</i>	<i>2009 £000</i>
Ordinary shares of £1 each	4007,103	4,007	4,007,103	4,007

15. Movement on reserves

	<i>Capital Contribution £000</i>	<i>Profit and loss account £000</i>
At 1 January 2010	10,941	(9,612)
Loss for the year	-	(919)
At 31 December 2010	10,941	(10,531)

16. Reconciliation of shareholders' funds

	<i>2010 £000</i>	<i>2009 £000</i>
Loss for the financial year	(919)	(1,125)
Opening shareholders' funds	5,336	6,461
Closing shareholders' funds	4,417	5,336

17. 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.

We have assumed that there is no salary link to past service benefits when valuing the liabilities, and treated the resulting gain as a curtailment.

We note that 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, and assumed that this is treated as a change in assumptions in the disclosures.

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 has been unable to

Notes to the financial statements

at 31 December 2010

17. Pension commitments (continued)

identify its share of the underlying assets and liabilities in the Plan on a consistent and reasonable basis. The information regarding the Plan deficit 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 include raising the contribution level of the Company, as described below, to eliminate the deficit. This additional contribution is a real cost to the Company.

The Plan actuary has provided the following estimate of the Plan deficit following the guidance in FRS 17 as at 31 December 2010. The estimate is based on the data and results of the latest valuation as at 5 April 2007, applying the principal assumptions shown below:

	<i>2010</i>	<i>2009</i>
	%	%
Discount rate	5.50	5.40
Rate of increase in non-GMP pensions in payment	2.70	3.40
Salary increases	N/A	4.00
Inflation	2.70	3.50

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

	<i>2010</i>	<i>2009</i>
Male	19.9	19.8
Female	21.1	22.2

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

	<i>2010</i>	<i>2009</i>
Male	22.2	21.0
Female	23.2	23.2

Assets are marked to market at 31 December 2010 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 2010 to be approximately £2.3m (2009 – deficit £10.1m), 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.

From 1 January 2010 company contributions to the plan were 15.1% of pensionable salary (2009 – 15.1%) and employee contributions were 4% or 8% of pensionable salary (2009 – 4% or 8%). An additional annual contribution of £1,200,000 is being made in order to eliminate the deficit over a period of 9 years, from June 2005. Since the scheme is now closed, the current service cost, as a percentage of relevant members' pay, is expected to increase gradually as the members approach retirement.

Notes to the financial statements

at 31 December 2010

17. 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 2010</i>	<i>Value at 31 December 2010 £000</i>	<i>Long term rate of return expected at 31 December 2009</i>	<i>Value at 31 December 2009 £000</i>
Equities	7.2%	21,209	8.0%	20,519
Gilts	4.3%	4,037	4.0%	3,114
Bonds	5.5%	11,701	5.4%	9,748
Cash	0.5%	200	0.5%	263
Total market value of assets		37,147		33,644
Present value of scheme liabilities		(39,478)		(43,777)
Deficit in the scheme		(2,331)		(10,133)

Reconciliation of present value of scheme liabilities

	<i>2010 £000</i>	<i>2009 £000</i>
At 1 January	43,777	34,554
Current service cost	240	393
Interest cost	2,317	2,196
Contributions	95	203
Benefits paid	(1,939)	(2,164)
Curtailments and Settlements	(409)	-
Actuarial (gain)/loss	(4,603)	8,595
At 31 December	39,478	43,777

Reconciliation of fair value of scheme assets

	<i>2010 £000</i>	<i>2009 £000</i>
At 1 January	33,644	28,177
Expected return on scheme assets	2,209	1,801
Contributions	1,510	1,821
Benefits paid	(1,939)	(2,164)
Actuarial gain	1,723	4,009
At 31 December	37,147	33,644

The actual return on plan assets in the year was £3,932,000 (2009 –£5,906,000)

Notes to the financial statements

at 31 December 2010

17. Pension commitments (continued)

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

	2010	2009
	£000	£000
Current service cost	240	393
Expected return on pension scheme assets	(2,209)	(1,801)
Gains on Curtailments and Settlements	(409)	-
Interest on pension scheme liabilities	2,317	2,196
Total	<u>(61)</u>	<u>788</u>

History of experience gains and losses

	2010	2009	2008	2007	2006
	£000	£000	£000	£000	£000
Defined benefit obligation	(39,478)	(43,777)	(34,554)	(40,663)	(39,151)
Plan assets	37,147	33,644	28,177	33,827	32,166
Deficit	<u>(2,331)</u>	<u>(10,133)</u>	<u>(6,377)</u>	<u>(6,836)</u>	<u>(6,985)</u>
Experience adjustments on plan assets	1,723	4,009	(8,579)	(331)	436
Experience adjustments on plan liabilities	(4,603)	8,595	8,247	70	401
Total amount recognised in statement of total recognised gains and losses:	<u>(2,880)</u>	<u>12,604</u>	<u>(332)</u>	<u>(261)</u>	<u>837</u>

Defined contribution scheme

The cost of contributions to the defined contribution scheme amounts to £41,000 (2009 – £51,000).

Notes to the financial statements

at 31 December 2010

18. Other financial commitments

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below:

	2010		2009	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	–	36	–	30
Between two and five years	960	74	948	136
After five years	66	2	66	7
	1,026	112	1,014	173
	1,026	112	1,014	173

19. 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.

The company has given a £20,000 guarantee to HM Revenue and Customs.

20. Related party transactions

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

21. 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 consolidated 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 consolidated 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.