

Havells Sylvania UK Limited

Report and Financial Statements

31 December 2010

Directors

D Ribbons
Y Bansal
N Farraway

Auditors

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

Bankers

Deutsche Bank AG
Rossmarkt 18
D-60311 Frankfurt
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Registered Office

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Newhaven
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Directors' report

Registered No. 487252

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

Results and dividends

The loss for the financial year of £1,219,000 (2009 – loss of £3,170,000) will be transferred from reserves. The directors do not recommend the payment of a dividend (2009 – £nil).

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.

During the year the turnover increased to £8,647,000 (2009 – £7,122,000).

There is an accelerating trend in the marketplace to low energy, longer life products, which the company is keeping pace with. This trend is likely to be encouraged by future government (national and EU) legislation.

The company is addressing environmental issues through a number of initiatives, including the reduction of CO2 emissions by sourcing more energy efficient products, the improvement of environmental protection through better waste management and by offering profitable solutions to the market by developing 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.

Going concern

The directors of the company have received confirmation from its immediate parent that should additional funding be required by the company, such funding would be made available.

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.

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 capable of generating increased turnover.

Directors' report

Registered No. 487252

Differences between market and balance sheet value of land

At the time of the acquisition of the company by Havells India Limited on 20 April 2007 a fair value exercise was undertaken to determine the market value of the company's assets. This exercise determined that land and buildings at Shipley, West Yorkshire in the company's ownership and with a net book value in the company's balance sheet of £1,042,000 had a fair value at that time in the region of £4,250,000. The directors however have continued to apply the company's established accounting policy of using the historic cost (less accumulated depreciation where applicable) for fixed assets, and so have not recognised this unrealised increase in asset value.

Principal risks and uncertainties

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

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.

Key performance indicators

The Directors of the company believe the Key Performance indicators are the value of commission which the company earns and the ratio of commission to the number of sales heads employed.

	2010	2009
Commission	£8,647k	£6,177k
Sales Heads	93	82
Commission per Sales head	£93.0k	£75.3k

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.

Directors' report

Registered No. 487252

Directors

The directors who served the company during the year were as follows:

Mr D Ribbons (appointed 15 January 2010), Mr Y Bansal (appointed 15 January 2010), Mr S J Vouilloz (resigned 15 January 2010), Mr OJL Van Houtte (resigned 24 April 2010), Mr N Farraway (appointed 13 September 2010) and Mrs E Piccart (appointed 25 May 2010 and resigned 30 September 2010).

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


Director

Date 5th May 2011

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and

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 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 5, 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 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 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.



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

	Notes	2010 £000	2009 £000	2009 £000	2009 £000
			Continuing Operations	Discontinued Operations	Total
Turnover	2	8,647	6,177	945	7,122
Cost of sales		(527)	(177)	(1,654)	(1,831)
Gross Profit		8,120	6,000	(709)	5,291
Operating expenses before exceptional items		(9,347)	(6,824)	(694)	(7,518)
Exceptional items	5	–	(105)	(739)	(844)
Operating expenses	3	(9,347)	(6,929)	(1,433)	(8,362)
Operating Loss	4	(1,227)	(929)	(2,142)	(3,071)
Interest receivable	7	198	–	–	–
Interest payable	8	(190)	(99)	–	(99)
Loss on ordinary activities before taxation		(1,219)	(1,028)	(2,142)	(3,170)
Tax	9	–	–	–	–
Loss for the financial year	15	(1,219)	(1,028)	(2,142)	(3,170)

Statement of total recognised gains and losses

for the year ended 31 December 2010

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £1,219,000 in the year ended 31 December 2010 (2009 – loss of £3,170,000).

Balance sheet

at 31 December 2010

	<i>Notes</i>	<i>2010</i> £000	<i>2009</i> £000
Fixed assets			
Tangible assets	10	1,311	1,380
		<u>1,311</u>	<u>1,380</u>
Current assets			
Debtors	11	1,845	11,662
Creditors: amounts falling due within one year	12	(6,142)	(14,809)
Net current Liabilities		<u>(4,297)</u>	<u>(3,147)</u>
Total assets less current liabilities		<u>(2,986)</u>	<u>(1,767)</u>
Creditors: amounts falling due after more than one year		—	—
Net Liabilities		<u>(2,986)</u>	<u>(1,767)</u>
Capital and reserves			
Called up share capital	14	8,378	8,378
Share premium account	15	3,360	3,360
Capital contribution	15	4,700	4,700
Profit and loss account	15	(19,424)	(18,205)
Shareholders' funds	16	<u>(2,986)</u>	<u>(1,767)</u>


Director

Date 5th May 2011

Notes to the financial statements

at 31 December 2010

1. Accounting policies

Basis of preparation

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 directors of the company have received confirmation from its immediate parent that should additional funding be required by the company, such funding would be made available.

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.

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 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).

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

Freehold and leasehold buildings – 2% to 2.5% pa (straight line)

No provision is made for depreciation of freehold land.

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.

Research and development

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

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.

Leasing and hire purchase commitments

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

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, its 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.

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

Pensions

The Havells Malta Limited group in the UK 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. 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 the company has accounted for the pension scheme as defined contribution scheme. Details of the pension scheme are disclosed in note 18.

In accordance with the provisions of paragraph 12 of FRS 17 the defined benefit 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.

2. Turnover

All turnover originates from the United Kingdom.

Turnover includes sales to fellow subsidiary undertakings amounting to £8,647,000 ((2009 – £7,122,000). Turnover relates to, commission on the continuing activity of the sale of lamps and fixtures

3. Operating expenses

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Distribution costs	–	8
Sales and Marketing	5,054	4,935
Administration costs	4,293	3,419
	<u>9,347</u>	<u>8,362</u>

Notes to the financial statements

at 31 December 2010

4. Operating Loss

This is stated after charging/(crediting):

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Auditors' remuneration – audit of financial statements	30	30
Depreciation on tangible fixed assets	81	33
Exceptional items (note 5)	-	844
Operating leases	593	356
Research and development	12	189
	<u> </u>	<u> </u>

5. Exceptional items

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Loss on disposal of subsidiary undertaking	-	(159)
Gain on disposal of plant and machinery	-	546
Restructuring	-	457
	<u> </u>	<u> </u>
	-	844
	<u> </u>	<u> </u>

6. Staff costs

(a) Staff Costs

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	5,260	4,383
Social security costs	623	502
Other pension costs	821	393
	<u> </u>	<u> </u>
	6,704	5,278
	<u> </u>	<u> </u>

The pension costs include £107,429 (2009 – £58,386) in respect of payments made to the defined contribution scheme.

Notes to the financial statements

at 31 December 2010

6. Staff costs (continued)

The average 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>
Production and warehousing	26	41
Sales	93	82
Management and administration	21	21
	<u>140</u>	<u>144</u>

(b) Director's remuneration

The employee costs shown above include the following remuneration in respect of the directors of the Company:

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Aggregate Emoluments		
Salary including Benefits in kind	133	-
Pension Contributions	3	-
	<u>136</u>	<u>-</u>

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.

7. Interest receivable

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Group interest receivable	198	-
	<u>198</u>	<u>-</u>

8. Interest payable

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Group interest payable	187	95
Third party interest payable	3	4
	<u>190</u>	<u>99</u>

Notes to the financial statements

at 31 December 2010

9. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows:

	2010 £000	2009 £000
<i>Current tax:</i>		
UK corporation tax	-	-
Total current tax (note 9(b))	-	-

(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 28% (2009 – 28 %). The differences are explained below:

	2010 £000	2009 £000
Loss on ordinary activities before tax	(1,219)	(3,170)
Loss on ordinary activities multiplied by applicable rate of corporation tax in the UK of 28% (2009 – 28%)	(341)	(888)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	44	25
Accelerated capital allowances/other timing differences	44	(52)
Tax losses not utilised	253	915
Current tax for the year	-	-

Notes to the financial statements

at 31 December 2010

10. Tangible fixed assets

	<i>Freehold land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Furniture and fittings £000</i>	<i>Total £000</i>
Cost:				
At 1 January 2010	2,465	19	2,047	4,531
Transfers from other group undertakings	-	-	12	12
At 31 December 2010	2,465	19	2,059	4,543
Depreciation:				
At 1 January 2010	1,423	-	1,728	3,151
Charge for the year	-	3	78	81
At 31 December 2010	1,423	3	1,806	3,232
Net book amount:				
At 31 December 2010	1,042	16	253	1,311
At 1 January 2010	1,042	19	319	1,380

11. Debtors

	<i>2010 £000</i>	<i>2009 £000</i>
Amounts owed by group undertakings	1,526	11,393
Other debtors	29	-
Prepayments and accrued income	290	269
	1,845	11,662

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

Notes to the financial statements

at 31 December 2010

12. Creditors: amounts falling due within one year

	2010 £000	2009 £000
Bank overdraft	128	1
Trade creditors	349	655
Amounts owed to group undertakings	2,278	11,124
Amounts payable for group relief	480	480
Other taxes and social security	1,698	195
Accruals and deferred income	1,209	2,354
	<u>6,142</u>	<u>14,809</u>

Included in accruals and deferred income are amounts of £25,249 (2009 – £27,364) due to the group pension scheme.

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

13. Deferred taxation

A potential deferred taxation asset of £1,816,000 (2009 – £1,534,000) 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:

	2010 £000	2009 £000
Fixed asset timing differences	76	54
Other short term timing differences	(9)	(8)
Carried forward tax losses	1,749	1,488
Unrecognised deferred tax	<u>1,816</u>	<u>1,534</u>

14. Issued share capital

	No.	2010	No.	2009
		£000		£000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	8,378,080	8,378	8,378,080	8,378

Notes to the financial statements

at 31 December 2010

15. Movements on reserves

	<i>Share premium account £000</i>	<i>Capital contribution £000</i>	<i>Profit and loss account £000</i>
At 1 January 2010	3,360	4,700	(18,205)
Loss for the year	-	-	(1,219)
At 31 December 2010	<u>3,360</u>	<u>4,700</u>	<u>(19,424)</u>

16. Reconciliation of shareholders' funds

	<i>2010 £000</i>	<i>2009 £000</i>
Loss for the financial year	(1,219)	(3,170)
Opening shareholders' funds	(1,767)	1,403
Closing shareholders' funds	<u>(2,986)</u>	<u>(1,767)</u>

Notes to the financial statements

at 31 December 2010

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 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 including additional annual contributions by the company, as described below, to eliminate the deficit 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:

	2010	2009
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:		
	2010	2009
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.		
	2010	2009
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 £2,331,000 (2009 – £10,133,000), 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.

Notes to the financial statements

at 31 December 2010

From 1 January 2010 to August 31st the 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.

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

Notes to the financial statements

at 31 December 2010

17. Pension commitments (continued)

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	7.20%	21,209	8.00%	20,519
Gilts	4.30%	4,037	4.00%	3,114
Bonds	5.50%	11,701	5.40%	9,748
Cash	0.50%	200	0.50%	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>
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
31 December	39,478	43,777

Reconciliation of fair value of scheme assets

	<i>2010 £000</i>	<i>2009 £000</i>
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
31 December	37,147	33,644

The actual return on plan assets in the year was gain of £3,932,000 (2009 – gain of £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 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
	<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)	(40,633)	(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 that would have been 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 £107,429 (2009 – £58,380).

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>Plant and machinery</i>	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Land and buildings</i>
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	57	–	59	–
Between two and five years	404	669	199	195
	<u>461</u>	<u>669</u>	<u>258</u>	<u>195</u>

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 £15,000 guarantee to HM Revenue and Customs.

20. Related party transactions

As a wholly owned subsidiary of the intermediate parent company, Havells Malta Limited, for which consolidated accounts are prepared, advantage has been taken of the exemption afforded by FRS 8 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 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.