

Annual report 2013

Havells Sylvania Fixtures Netherlands B.V.

Amsterdam

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Annual report of the directors

Annual report of the directors

The directors hereby present their report on the audited financial statements of Havells Sylvania Fixtures Netherlands BV for the year ending December 31, 2013.

1. Principal activities and legal structure

The Principal activities of the legal entity are :

Sale of the full Havells Sylvania Europe products portfolio (lamps and fixtures) on the Dutch market. Sales Holland operates within the management structure of a commissionaire selling in its own name but on behalf of the Principal, Havells Sylvania Europe Newhaven;

Havells Sylvania Fixtures Netherlands BV figures gets consolidated into Havells Malta Ltd. and the ultimate parent is Havells India Ltd..

2013 turnover is 100% related to commissionaire income. Sales of products to group companies (fixture assembly operations) were discontinued (shifted to other group companies). The commissionaire activities will remain in the future as such operations will remain profitable.

2. Financial position year ended 31.12.2013 / Comparative 2012 (Euro 000's)

2.1 Condensed Balance Sheet

	<u>31.12.2013</u>	<u>31.12.2012</u>
Tangible Fixed Assets	2	-
Financial Fixed Assets	2	14.292
Debtors	5.921	14.293
Total Assets	5.925	28.585
Equity	5.209	27.538
Current Liab.	716	1.047
Total Liabilities	5.925	28.585

Financial fixed asset decrease relates to settlement of loan receivable by immediate parent company (14.290 K€) (See also equity section / Dividend payment). Correlated is also the decrease on Receivables from Group Companies (mainly HS (UK) Holding).

To consider regarding equity : 22.713 K€ dividends were paid to shareholders.

On the Liability side, Current Liabilities decrease due to both less trade creditors and Interco Payables as well.

2.2 Condensed P/L

	<u>31.12.2013</u>	<u>31.12.2012</u>
Net Turnover	3.397	6.724
Gross Margin	3.369	3.764
Sales / Other General Expenses	3.332	3.002
Operating Profit	37	762
Net Interest Income	347	814
Pre-Tax Result from ordinary activities	384	1.576
Taxes	-	-
After Tax Profit	384	1.576

Net turn-over decreased with 3,3 M€ due to terminated sales of products to group companies (3,8 M€ in 2012) as consequence of the ending of the social workshop production. Commissionaire (sales) income increased with close to 0,5 M€ due to essentially an higher commission rate (25% instead of 22%). Net Sales (the basis for commission) remained at a level comparable 2012 (1,4% growth). Sales expenses increased due increased salary expenses / hiring of additional people. For lower intercompany interest income, refer to comment in financial fixed assets section.

No tax was calculated because Havells Sylvania Fixtures Netherlands is part of a fiscal unit with a loss.

3. Post B/S events

There are no material post B/S events to report that could have a material impact on HSFN BV's assets, income or position.

The activities with the social workshops have ended as of end November 2012 and as a result thereof only the commissionaire activities remained in 2013 and for the future.

4. Going Concern

The accounts of HSFN BV are prepared under the going concern assumption as the commissionaire Holland structure still is, and will remain profitable in the foreseeable future. The continuity of HSFN BV is also fully linked to the group (Havells Malta Limited) continuity. The directors of Havells Malta Limited do declare the group has sufficient cash availability plus access to loan facilities to operate the business on a going concern basis for the foreseeable future.

5. Use of Financial Instruments

The entity has not used financial instruments that could materially influence the judgement of assets, liabilities, financial position and result.

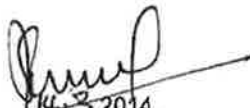
Risks are limited to those risks that may arise in the normal course of business.

Accounts receivables mainly comprise receivables from Group Companies.

6. Entity Risks

- Price risk : Prices are highly dependent on very competitive market conditions. Management tools and processes are in place to contain / control price erosion (strong profitability targets, margin hold). Commission rates are based on an extensive benchmarking study performed by Ernst & Young LLP/UK, and are in full compliance with sound "Arm's Length's" principles.
- Credit risk : Strongly mitigated by controlled credit limits and customer and cash collection follow-up (DSO, overdue).
- Liquidity and cash-risks : Fully mitigated by centralized group financing (no local facilities).

The Directors Board wishes to thank all employees and stakeholders for their contribution during an hard 2013 as determined by the difficult overall market conditions.


14/3/2014,
Yogesh Bansal,
Director


Co-Braber
Director

Financial statements

Balance sheet as at 31 December 2013

(before proposed profit appropriation)

Assets	Ref.	31 December 2013		31 December 2012	
		EUR	EUR	EUR	EUR
<i>Fixed assets</i>	4				
Tangible fixed assets		<u>1.718</u>			
Plant and equipment			1.718		
Financial fixed assets					
Participations in group companies		1.668		1.668	
Loans to parent company	5	<u>-</u>		<u>14.290.000</u>	
			1.668		14.291.668
Debtors					
Trade debtors	6	-		961	
Receivables from group companies	7	5.910.272		14.290.094	
Other debtors, prepayments and accrued income	8	<u>11.401</u>		<u>2.048-</u>	
			5.921.673		14.293.103
			<u>5.925.059</u>		<u>28.584.771</u>

Shareholders' equity and liabilities		31 December 2013		31 December 2012	
		Ref.	EUR	EUR	EUR
Shareholders' equity					
Share capital	11	19.059		19.059	
Share premium		3.230.915		3.230.915	
Other reserves	12	1.574.635		22.712.043	
Net result of the year	13	<u>384.071</u>		<u>1.575.636</u>	
			5.208.680		27.537.653
Current liabilities					
Trade creditors		44.123		225.251	
Payables to group companies	14	70.109		147.409	
Taxes and social security contributions	15	351.061		298.262	
Other liabilities, accruals and deferred income	16	<u>251.086</u>		<u>376.196</u>	
			716.379		1.047.118
			<u>5.925.059</u>		<u>28.584.771</u>

Profit and loss account for the year ended 31 December 2013

		2013		2012
	Ref.	EUR	EUR	EUR
Net turnover	17	3.397.351		6.724.297
Cost of sales		<u>28.497</u>		<u>2.959.738</u>
Gross margin			3.368.854	3.764.559
Sales expenses		3.151.186		2.718.838
Other general expenses	18	<u>180.935</u>		<u>283.399</u>
Total costs			<u>3.332.121</u>	<u>3.002.237</u>
Operating profit/(loss)			36.733	762.322
Interest and similar income	19		349.291	822.420
Interest and similar expenses	20		(1.953)	(9.106)
Result from ordinary activities before taxation			384.071	1.575.636
Tax on profit/(loss) on ordinary activities	21		<u>-</u>	<u>-</u>
Profit/(loss) after taxation			<u><u>384.071</u></u>	<u><u>1.575.636</u></u>

Cash flow statement for the year ended 31 December 2013

	Ref.	2013		2012	
		EUR	EUR	EUR	EUR
Cash flow from operating activities					
Operating profit/(loss)			36.733		762.322
<i>Adjustments for:</i>					
Depreciation and impairment (in) tangible fixed assets		<u>293</u>			
			293		
<i>Changes in working capital:</i>					
Debtors		22.661.431		349.748	
Current liabilities (exclusive of finance balances)		<u>(330.739)</u>		<u>(1.925.384)</u>	
			<u>22.330.692</u>		<u>(1.575.636)</u>
Cash flow from commercial operations			22.367.718		(813.314)
Income from interest	19, 20	347.337		813.314	
Dividend paid		(22.713.044)			
Payment of tax on profit/(loss) on ordinary activities		-			
Other operating income					
			<u>(22.365.707)</u>		<u>813.314</u>
Cash flow from operating activities			<u>2.011</u>		<u>-</u>
Cash flow from investing activities					
Cash flow from investing activities			<u>(2.011)</u>		<u>-</u>

Notes to the company accounts

1 Notes to the company accounts

1.1 Activities

Havells Sylvania Fixtures Netherlands B.V. ("the Company"), registered at Prins Bernhardplein 200, 1097 JB Amsterdam, is engaged in producing (through subcontractors), marketing and selling lighting fixtures to wholesale companies in and outside the Netherlands.

1.2 Group structure

The Company is a 100% subsidiary of Flowil International Lighting (Holding) B.V., itself a 100% subsidiary of SLI Europe B.V. The ultimate parent company is Havells India Ltd in India.

1.3 Accounting policies for the cash flow statement

The cash flow statement has been prepared using the indirect method and discloses cash at bank and in hand and the bank credit recognized as current liabilities. Cash flows denominated in foreign currencies are translated at their average rates of exchange. Exchange differences in relation to cash items are disclosed separately in the cash flow statement. Interest income and expense, dividend received and profits tax are recognized as cash flow from operating activities. Dividend paid is recognized as cash flow from financing activities.

1.4 Estimates

In applying the accounting policies and guidelines for preparing the financial statements, the Management Board of Havells Sylvania Fixtures Netherlands B.V. makes a range of estimates and judgments that might be essential for the amounts disclosed in the financial statements. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

2 Accounting policies for the balance sheet

2.1 General

The financial statements were prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in The Netherlands as issued by the Dutch Accounting Standards Board. The annual accounts are denominated in euro. Assets and liabilities are stated at the amounts at which they were acquired or incurred, unless indicated otherwise. The balance sheet, profit and loss account and cash flow statement include references to the notes.

2.2 Comparative figures

The accounting policies are consistent with those used in the previous year.

2.3 *Foreign currencies*

Transactions, assets and liabilities

Assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the balance sheet date. Any resulting exchange differences are taken to the profit and loss account. Transactions conducted in the year under review which are denominated in foreign currencies are recognized at the rates of settlement.

2.4 *Financial fixed assets*

Participations

Participating interests in which no significant influence can be exerted are stated at acquisition price or, if necessary, a lower value.

The financial fixed assets balance comprises of a 1% interest in SLI Thailand, an affiliated company.

2.5 *Debtors*

Trade debtors are carried at the actual value of the consideration, usually being the face value. A provision is formed for debtors by virtue of expected non collectability.

3 Accounting policies for the profit and loss account

3.1 *Result*

Profit is determined as the balance of the realizable value of the goods delivered and the costs and other charges for the year. Profits on transactions are recognized in the year in which they are realized; losses are taken as soon as they are foreseeable.

3.2 *Net turnover*

Net turnover represents commission and intercompany sales for goods delivered during the year, less discounts and exclusive of turnover tax.

3.3 *Cost of sales*

Cost of sales represents the direct and indirect costs attributable to turnover.

3.4 *Sales and general expenses*

Sales and administrative expenses include expenses which are not directly attributable to the cost of goods sold.

3.5 *Personnel benefits*

Benefits periodically payable

Salaries, wages and social charges are taken to the profit and loss account when due, and in accordance with employment contracts and obligations.

Pensions

Havells Sylvania Fixtures Netherlands B.V. has two pension schemes, which are both classified as defined contribution schemes.

The Company has accounted for the defined benefit scheme at the industry sector pension fund as if it was a defined contribution scheme, in line with the exception in Guide Line 271. The Company has no obligation to compensate deficits of the pension fund in other ways than by future increase of pension premiums.

Employees with a salary exceeding the maximum of the industry sector pension fund participate in an supplementary pension scheme. This pension scheme qualifies as a defined contribution scheme. However, there is a risk for the company in case of transfer of funds between insurance companies when employees leave the company. Management states that this risk is limited based on the number of employees participating, historical data about employees leaving the company and the fact that it only concerns the supplement. In the financial statements the supplementary pension scheme is accounted for as a defined contribution scheme.

For its defined contribution schemes, the Company pays contributions to pension funds and insurance companies on a compulsory, contractual or voluntary basis. Except for the payment of contributions, the Company has no other obligation in connection with these pension schemes. Contributions are recognized as staff costs when incurred. Prepaid contributions are accounted for under prepayments and accrued income if this leads to a repayment or a reduction in future payments.

3.6 Financial income and expense

Interest income and expense

Interest income and expense is processed on a pro-rata basis, taking account of the effective interest rate of the assets and liabilities concerned. When processing the interest charges, the recognized transaction cost on the loans received is taken into account.

3.7 Tax on profit/(loss) on ordinary activities

Corporate Income Tax is calculated on the profit/loss before taxation in the profit and loss account, taking into account any losses carried forward from previous financial years (insofar as these are not included in deferred tax assets), tax-exempt items and non-deductible expenses. Account is also taken of changes in deferred tax assets and deferred tax liabilities owing to changes in the applicable tax rates.

As of 2012 no corporate income tax is calculated in the balance sheet as well as the profit and loss account, as all corporate income tax charges will be recorded in the financial statements of Havells Netherlands Holding B.V. the head of the fiscal unity, of which HSFN BV is part. As the fiscal unity is loss making, no corporate tax charges will be calculated.

Notes to the balance sheet

4 *Tangible fixed assets*

Movements in tangible fixed assets can be broken down as follows:

	Furniture, fixtures and fittings	Total
	EUR	EUR
Balance as at 1 January 2013		
Cost	0	0
Accumulated depreciation	<u>0</u>	<u>0</u>
Book value	<u>0</u>	<u>0</u>
Movements in book value		
Additions	2.011	2.011
Disposals	0	0
Depreciation of tangible fixed assets	<u>(293)</u>	<u>(293)</u>
Balance	<u>1.718</u>	<u>1.718</u>
Balance as at 31 December 2013		
Cost	2.011	2.011
Accumulated depreciation	<u>(293)</u>	<u>(293)</u>
Book value	<u>1.718</u>	<u>1.718</u>
Depreciation rates	<u>25,00%</u>	

Financial fixed assets

5 *Loans to parent company*

	<u>31-12-2013</u>	<u>31-12-2012</u>
	EUR	EUR
Loans to parent company	<u>-</u>	<u>14.290.000</u>

Debtors

6 *Trade debtors*

	<u>31-12-2013</u>	<u>31-12-2012</u>
	EUR	EUR
Trade debtors	<u>-</u>	<u>961</u>

Due to the commissionaire structure the Company has only limited accounts receivable.
In 2005 all the third party receivables of the Holland Sales division were moved to the Principal.

7 *Receivables from group companies*

	<u>31-12-2013</u>	<u>31-12-2012</u>
	EUR	EUR
Flowil International Lighting (Holding) B.V.	-	109.386
Havells Sylvania Belgium BVBA	9.067	842
Havells Sylvania Germany	11.480	18.803
Other intercompany receivables	5.931	51.937
Havells Sylvania (UK) Holding	<u>5.883.794</u>	<u>14.109.126</u>
	<u>5.910.272</u>	<u>14.290.094</u>

The intercompany receivables are non- interest bearing. Balances are repaid on a regular basis.

8 *Other debtors, prepayments and accrued income*

	<u>31-12-2013</u>	<u>31-12-2012</u>
	EUR	EUR
Prepaid general expenses	<u>11.401</u>	<u>2.048</u>
	<u>11.401</u>	<u>2.048</u>

All debtors (prepaid expenses) fall due within one year.

10 *Cash at bank and in hand*

	<u>31-12-2013</u>	<u>31-12-2012</u>
	EUR	EUR
ABN AMRO Bank N.V.	0	0
Cash	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>

The group has a cash pooling system and part of that is all cash hold by Havells Sylvania UK (Holding).

Shareholders' equity

11 *Share capital*

The authorized share capital of Havells is NLG 150.000, divided into 150 ordinary shares of NLG 1.000, of which 42 shares have been issued and fully paid.

According to the articles of association, the shares are denominated in Dutch guilders. Under the facility of Article 178c.1, Book 2 of the Netherlands Civil Code, the equivalent value in euros was rounded off to no more than two decimal points. This results in a nominal value of EUR 453,78 per share

12 *Other reserves*

	<u>2013</u>	<u>2012</u>
	EUR	EUR
Balance as at 1 January	22.712.043	20.449.864
Dividend paid	(22.713.044)	-
Result last year	<u>1.575.636</u>	<u>2.262.179</u>
Balance as at 31 December	<u>1.574.635</u>	<u>22.712.043</u>

13 *Net result of the year*

	<u>2013</u>	<u>2012</u>
	EUR	EUR
Balance as at 1 January	1.575.636	2.262.179
Net result of the year	<u>384.071</u>	<u>1.575.636</u>
	1.959.707	3.837.815
Added to other reserves	<u>(1.575.636)</u>	<u>(2.262.179)</u>
Balance as at 31 December	<u>384.071</u>	<u>1.575.636</u>

14 *Payables to group companies*

	<u>31-12-2013</u>	<u>31-12-2012</u>
	EUR	EUR
Havells Sylvania France	-	55.877
Havells Sylvania Belgium BVBA	69.709	106.331
Havells Holding.	-	-
Other intercompany payables	400	5.187
Havells Sylvania Germany	-	(19.986)
	<u>70.109</u>	<u>147.409</u>

The intercompany payables are non-interest bearing. Balances are repaid on a regular basis.

15 *Taxes and social security contributions*

	<u>31-12-2013</u>	<u>31-12-2012</u>
	EUR	EUR
V.A.T.	239.785	190.834
Wage tax	75.945	63.128
Social security	22.829	11.056
Pension	12.502	33.244
Corporated tax	-	-
	<u>351.061</u>	<u>298.262</u>

16 *Other liabilities, accruals and deferred income*

	<u>31-12-2013</u>	<u>31-12-2012</u>
	EUR	EUR
Wage costs	130.220	109.982
W.E.E.E accrual	41.475	37.951
Other payables	79.391	228.263
	<u>251.086</u>	<u>376.196</u>

Notes to the profit and loss account

17 Net turnover

	<u>2013</u>	<u>2012</u>
	EUR	EUR
Other EU countries	-	3.773.843
The Netherlands	<u>3.397.351</u>	<u>2.950.454</u>
	<u>3.397.351</u>	<u>6.724.297</u>

Turnover can be broken down as follows

	<u>2013</u>	<u>2012</u>
	EUR	EUR
Sales of products to group companies	-	3.773.843
Commissionaire income	<u>3.397.351</u>	<u>2.950.454</u>
	<u>3.397.351</u>	<u>6.724.297</u>

During 2005 a commissionaire structure was implemented within the SLI group. Havells participates in this structure as from September 30, 2005. At of this date, Havells sells all its inventory to the Principal which is presented as Sales of products to group companies. Therefore as of October 2005 sales to third parties have been for the account of the Principal. For the sales activities Havells receives a commission of 25% of the sales.

18 Other general expenses

	<u>2013</u>	<u>2012</u>
	EUR	EUR
Depreciation of tangible fixed assets	-	-
Purchase and operations	-	-
Administration	180.935	283.399
Product engineering	-	-
Management fees	-	-
	<u>180.935</u>	<u>283.399</u>

The breakdown of employee expenses (recorded in sales expenses and other general expenses) is recorded below

	<u>2013</u>	<u>2012</u>
	EUR	EUR
Salary expenses	1.296.956	1.092.870
Social security charges	201.286	157.508
Pension costs	<u>132.179</u>	<u>109.407</u>
	<u>1.630.421</u>	<u>1.359.785</u>

Financial income and expense

19 *Interest and similar income*

	<u>2013</u>	<u>2012</u>
	EUR	EUR
Intercompany interest	349.291	822.420
	<u>349.291</u>	<u>822.420</u>

20 *Interest and similar expenses*

	<u>2013</u>	<u>2012</u>
	EUR	EUR
Interest expenses	(1.953)	(9.106)
	<u>(1.953)</u>	<u>(9.106)</u>

21 *Fiscal unity*

The company is part of a fiscal unity for corporate income tax purposes. The fiscal unity consisted of the following companies:

Havell's Netherlands Holding B.V.
Havell's Netherlands B.V.
SLI Europe B.V.
Sylvania Lighting International B.V.
Flowil International Lighting (Holding) B.V. and
Havells Sylvania Fixtures Netherlands B.V.

Under the Tax Collection Act, the company is jointly and severally liable for the taxes payable by the group.

As of 2012 no corporate income tax is calculated in the balance sheet as well as the profit and loss account, as all corporate income tax charges will be recorded in the financial statements of Havells Netherlands Holding B.V. the head of the fiscal unity, of which HSFN BV is part. As the fiscal unity is loss making, no corporate tax charges will be calculated

22 *Related party transactions*

Related party transactions between Havells Sylvania Fixtures Netherlands B.V. and related parties are:

Sales

	<u>2013</u>	<u>2012</u>
Havells Sylvania UK (Holding)	-	7.775.296
Commissionaire income	<u>3.397.351</u>	<u>3.102.238</u>
	<u>3.397.351</u>	<u>10.877.534</u>

Management fee

	<u>2013</u>	<u>2012</u>
	EUR	EUR
SLI Headquarters	<u>-</u>	<u>9.061</u>

Interest

	<u>2013</u>	<u>2012</u>
	EUR	EUR
Flowil International (Holdings) B.V.	108.685	659.135
Sylvania (UK) Holding	<u>240.606</u>	<u>163.285</u>
	<u>349.291</u>	<u>822.420</u>

Charged and recharged expenses

	<u>2013</u>	<u>2012</u>
	EUR	EUR
Recharged cost SBU to Principal	-	-
Recharged service expenses Havells Sylvania Belgium	(662.720)	(660.994)
Recharged general expenses Havells Sylvania Belgium	(225.043)	(243.974)
Recharged freight commissionair to Principal	7.767	184.652
MIS charges	(17.004)	(17.004)
Recharged insurance costs	(19.522)	(22.632)
Recharged warrenties	2.465	12.629
	<u>(914.057)</u>	<u>(747.323)</u>

Auditors Fee

The following audit fees were expensed in the income statement in the reporting period:

	<u>2013</u>	<u>2012</u>
	EUR	EUR
Audit of the financial statements	-	15.000
Other audit procedures	<u>7.500</u>	<u>4.106</u>
	<u>7.500</u>	<u>19.106</u>

Other Information

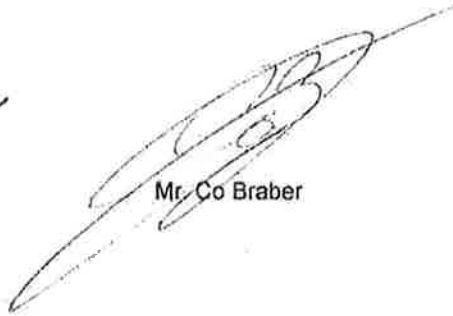
23 Average number of employees

During the year 2013, the average number of employees calculated on a fulltime equivalent basis was 23 (2012: 22).

Amsterdam, 21 March, 2014
Havells Sylvania Fixtures Netherlands B.V.

Board of Directors,


Mr. Yogesh Bansal



Mr. Co Braber

Other information

Provision in the articles of association governing the appropriation of profits

The articles of association stipulate that the Annual General Meeting of Shareholders shall determine how much of the profit will be added to reserves.

Appropriation of result

- Profit carried forward :	Euro 24.287.679 (other reserves)
- Dividend paid	Euro(22.713.044)
- 2013 profit to be appropriated / net result of the year :	Euro 384.071
- Profit to be carried forward :	Euro 1.958.706

Regarding shareholders Equity there were no changes in share capital and share premium.

