Havells Sylvania Fixtures UK Limited

Report and Financial Statements

31 December 2013

Directors

Mr M A James
Mr Y Bansal
Mr T Everett
Mr M Kaushik
Mr M Carpenter
Mr J Storey

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

HSBC Bank Plc
HSBC House
Mitchell way,
Southampton
Hampshire
SO18 2XU

Solicitors

DLA Piper
3 Noble Street
London EC2V 7EE

Registered Office

Avis Way
Newhaven
East Sussex BN9 0ED

Strategic report

Registered No: 00484499

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 increased to £20,429,000 (2012 – £17,310,000). The company generated a profit before tax of £561,000 (2012 – Loss of £166,000). The increase in turnover has been generated from the introduction of light fixtures from the company's Lumiance brand in addition to increased demand being generated from the group's strategy to target large contracts which has started to be successful.

The company is dedicated to a number of initiatives, including the reduction of CO_2 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 CO_2 emissions at the factory. Its packaging policy is to use recyclable cardboard and brown paper padding and to eliminate the use of bubble wrap and plastic wherever possible.

Key performance indicators (KPIs)

	2013	*2012*
	£000	*£000*
Production / Head	170	154

Production per head represents the contribution to turnover that each employee makes. This has shown a significant increase as a result of continued commitment to lean implementation throughout the company.

Management of working capital is key to the success of the company.

	2013	*2012*
Trade Creditor days	57	54

	2013	*2012*
Raw material goods days	74	68

Trade Creditor days represent the number of days it takes for the company to pay its suppliers for its purchases. The increase in the number of days it takes the company to pay its suppliers is a result of more suppliers offering terms as opposed to requiring upfront payments. The company target is 60 days and we envisage meet this target in 2014.

Raw material goods days represent the number of days the company holds stock before utilising the material in production. There is an increase in the year as a result of numerous new product introductions that have not yet seen full year usage. In addition to this contractual agreement relating to a large project has resulted in us necessarily carrying a higher level of stock. The company continues to target a reduction in stock days and expects to realise an improvement in 2014.

Strategic report (continued)

Registered No: 00484499

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, liquidity risk and interest rate and cashflow 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.

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.

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.

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 markets. The company continues to target large infrastucture projects requiring substantial and complex lighting solutions and this is will continue to help the company meet it growth objectives. The company is leading the market in producing lighting fixtures that make use of LED Light sources and is continuing to invest heavily in research and development in order to hold and improve its position.

Research and development

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

By order of the Board

Director Manish Kaushik

Date 28·03·2014

Directors' report

Registered No: 00484499

The directors present their report and financial statements of the company for the year ended 31 December 2013.

Directors

The directors who served during the year were as follows:

Mr Y Bansal

Mr M A James

Mr T Everett

Mr N Jain (resigned 01/03/2013)
Mr D A Ribbons (appointed 18/02/2013; resigned 15/05/2013)
Mr M Carpenter (appointed 03/06/2013)
Mr C Davenport (appointed 03/06/2013; resigned 19/11/2013)
Mr M Kaushik (appointed 25/03/2013)

Results and dividends

The profit after taxation for the financial year is £561,133 (2012 – loss of £166,220). The directors do not recommend the payment of a dividend (2012 – £nil).

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 directors of the company 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.

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.

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 he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report (continued)
Registered No: 00484499

By order of the Board

Director Manish Kaushik

Date 28.03.2014

Statement of directors' responsibilities

The directors are responsible for preparing the Director's 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 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 Fixtures UK Limited

We have audited the financial statements of Havells Sylvania Fixtures UK Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. 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 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 Report and Financial Statements 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 2013 and of its profit 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report (continued)

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

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

Date 2/4/2014

Profit and loss account

for the year ended 31 December 2013

	Notes	*2013* *£000*	*2012* *£000*
Turnover	2	20,429	17,310
Cost of sales		(18,288)	(15,805)
Gross Profit		2,141	1,505
Operating expenses	3	(1,529)	(1,669)
Operating (Loss)/Profit	4	612	(164)
Group interest payable		(50)	(2)
(Loss)/Profit) on ordinary activities before taxation		561	(166)
Tax	7	-	-
(Loss)/Profit) for the financial year	14	561	(166)

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2013

There are no recognised gains or losses other than the gains attributable to the shareholders of the company of £561,000 in the year ended 31 December 2013 (2012 – loss of £166,000).

Balance sheet
at 31 December 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Tangible assets	8	1,569	1,295
Current assets			
Stocks	9	2,997	2,112
Debtors	10	7,597	6,729
		10,594	8,841
Creditors: amounts falling due within one year	11	(7,341)	(5,833)
Net current assets		3,253	3,008
Total assets less current liabilities		4,822	4,303
Provisions for liabilities	12	-	(42)
Net assets		4,822	4,261
Capital and reserves			
Called up share capital	13	4,007	4,007
Capital contribution	14	10,941	10,941
Profit and loss account	14	(10,126)	(10,687)
Shareholders' funds	15	4,822	4,261

These financial statements were approved for issue by the Board of Directors, and were signed on its behalf by:

M Kaushik

Director Manish Kaushik

Date 28.03.2014

Notes to the financial statements

at 31 December 2013

1. Accounting policies

Basis of preparation

The financial statements of Havells Sylvania Fixtures UK Limited were approved for issue by the Board of Directors on the date as shown on the Balance Sheet.

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 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 directors of the company,having made apprpriate enquiries, 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 to customers 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.

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
Software & Licenses	–	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.

Notes to the financial statements (continued)

at 31 December 2013

1. Accounting policies (continued)

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.

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.

Operating Leases

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 is 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 (continued)

at 31 December 2013

1. Accounting policies (continued)

Pensions

The Havells Malta Limited group 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.

The Plan is a "multi-employer" scheme providing pension benefits for three participating subsidiaries in the UK. The Company is unable to readily identify its share of the underlying assets and liabilities in the Plan on a consistent and reasonable basis. The information regarding the Plan financial position 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 16.

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

Financial instruments

The company's financial instruments comprise trade debtors, trade creditors, cash, bank loans and overdrafts and loans to and from other group companies.

Recognition and derecognition

Financial instruments are recognised in the balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets are removed from the balance sheet when the rights to the cash-flows from the asset expire or when the risks and rewards of ownership of the asset are transferred or when control of the asset is transferred from the company.

Financial liabilities are removed from the balance sheet when the related obligation is discharged, cancelled or expires.

Short-term trade and other receivables

Short-term trade and other receivables are stated at original invoice amount less an allowance for doubtful debts.

Loans and borrowings

All loans and borrowings are recognised at cost less amounts repaid, net of issue costs directly associated with the borrowing. Issue costs directly attributable to specific borrowings are capitalised, and offset against the principle value of the related debt. These fees are amortised to the profit and loss account over the life of the related debt in order to produce a constant rate of return. Fees not directly attributable to specific borrowings are charged to the profit and loss account as incurred.

Notes to the financial statements (continued)

at 31 December 2013

1. Accounting policies (continued)

Financial instruments (continued)

Trade payables

Trade payables are carried at payment or settlement amounts.

2. Turnover

All turnover originates from the United Kingdom. All turnover is to fellow subsidiary undertakings. Turnover relates to one continuing activity, the manufacture and sale of lighting products.

3. Operating expenses

This is stated after charging / (crediting):

	2013	*2012*
	£000	*£000*
Distribution costs	27	80
Administration expenses	1,502	1,589
	1,529	1,669

4. Operating(Loss)/Profit

This is stated after charging/(crediting):

	2013	*2012*
	£000	*£000*
Depreciation on tangible fixed assets	439	414
Operating lease rentals - Land & Buildings	253	441
Operating lease rentals - Other	109	74
Auditors' remuneration	36	28
Research and development	1,022	930
Property rental income	-	(70)

Notes to the financial statements

at 31 December 2013

5. Directors' emoluments

In 2013 one director received remuneration for their qualifying services provided as a director to the company. (2012: one director)

The employee costs shown below include the following remuneration in respect of the directors of the company

	2013	*2012*
	£000	*£000*
Aggregate emoluments:		
Salary including benefit in kind	79	75
Pension contributions	12	11
	91	86

	2013	*2012*
	No.	*No.*
Members of defined contribution pension schemes	1	1
Members of defined benefit pension schemes	-	-

6. Staff costs

	2013	*2012*
	£000	*£000*
Wages and salaries	2,661	2,453
Social security costs	238	220
Other pension costs	196	181
	3,095	2,854

The pension costs include £196,000, (2012 – £181,000) 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:

	2013	*2012*
	No.	*No.*
By activity:		
Production and warehousing	107	100
Management and administration	13	12
	120	112

Notes to the financial statements (continued)

at 31 December 2013

7. Tax

(a) Tax on (Loss)/Profit on ordinary activities

The tax charge is made up as follows:

	2013 £000	2012 £000
Current tax:		
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 23.25% (2012 – 24.5%). The differences are explained below:

The differences are reconciled below:

	2013 £000	2012 £000
(Loss)/Profit on ordinary activities before tax	561	(166)
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	130	(41)
Effects of:		
Expenses not deductible for tax purposes	13	64
Accelerated capital allowances and other timing differences	(58)	(112)
Utilisation of prior year tax losses	(85)	-
Tax losses carried forward	-	89
Current tax for the year	-	-

(c) Deferred tax

The company has tax losses of approximately £10,684,000 (2012 – £11,052,000) to carry forward.

Due to the small profit making position of the company, no deferred tax asset has been recognised (2012 – £nil). Details of the unrecognised deferred tax assets are as follows:

	2013 £000	2012 £000
Decelerated capital allowances	(475)	(552)
Tax losses	(2,004)	(2,444)
Total unrecognisd deferred tax (asset)	(2,479)	(2,996)

Notes to the financial statements (continued)

at 31 December 2013

Tax (continued)

(d) Factors that may affect future tax charges

The UK tax rate was 23% at 31 December 2013 but will fall to 21% from 1 April 2014. At 31 December 2013, a reduction to 21% from 1 April 2014 had been substantively enacted and deferred tax falling after 1 April 2014 has been calculated at 21.7%. UK Chancellor has also announced the reduction of corporation tax further to 20% from April 2015. Each 1% reduction in the UK corporation tax rate will reduce the deferred tax asset at 31 December 2013 by £114,000.

8. Tangible fixed assets

	Plant and Machinery £000	*Fixtures and equipment £000*	*Software and Licenses £000*	*Total* £000
£000				
Cost:				
At 1 January 2013	5,111	362	52	5,525
Additions	692	33	-	725
Disposals	(612)	(14)	-	(626)
At 31 December 2013	5,191	381	52	5,624
Depreciation				
At 1 January 2013	3,943	281	6	4,230
Charge for year	397	33	17	447
Disposals	(609)	(13)	-	(622)
At 31 December 2013	3,731	301	23	4,055
Net book value				
At 31 December 2013	1,460	80	29	1,569
At 1 January 2013	1,168	81	46	1,295

Notes to the financial statements (continued)
at 31 December 2013

9. Stocks

	2013	*2012*
	£000	*£000*
Raw materials	2,892	2,043
Work in progress	103	69
Finished goods	2	-
	2,997	2,112

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

10. Debtors

	2013	*2012*
	£000	*£000*
Trade debtors	40	66
Amounts owed by group undertakings	6,402	5,812
Other debtors	778	460
Amounts receivable for group relief	185	185
Prepayments and accrued income	192	206
	7,597	6,729

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

11. Creditors: amounts falling due within one year

	2013	*2012*
	£000	*£000*
Bank overdrafts	748	-
Trade creditors	2,533	1,941
Amounts owed to group undertakings	3,011	2,777
Taxation and social security	84	82
Accruals and deferred income	965	1,033
	7,341	5,833

Included within accruals and deferred income are outstanding pension contributions payable to the group defined contribution pension scheme of £19,000 (2012 – £19,000).

Notes to the financial statements (continued)
at 31 December 2013

12. Provisions for liabilities

	Onerous leases
	£000
At 1 January 2013	42
Utilised in the Year	42
At 31 December 2013	-

13. Issued share capital

		2013		*2012*
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
Ordinary shares of £1 each	4,007,120	4,007	4,007,120	4,007

14. Movement on reserves

	Capital Contribution	*Profit and loss account*
	£000	*£000*
At 1 January 2013	10,941	(10,687)
Profit for the year	-	561
At 31 December 2013	10,941	(10,126)

15. Reconciliation of shareholders' funds

	2013	*2012*
	£000	*£000*
(Loss)/Profit for the financial year	561	(166)
(Decrease)/Increase in shareholders' funds	561	(166)
Opening shareholders' funds	4,261	4,427
Closing shareholders' funds	4,822	4,261

Notes to the financial statements (continued)

at 31 December 2013

16. 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.

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. 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 is unable to readily identify its share of the underlying assets and liabilities in the Plan on a consistent and reasonable basis. The information regarding the Plan's financial position 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 2012. The estimate is based on the data and results of the latest valuation as at 5 April 2010, applying the principal assumptions shown below:

	2013	*2012*
	%	*%*
Discount rate	4.70	4.60
Rate of increase in non-GMP pensions in payment	2.20	1.80
Salary increases	N/A	N/A
Inflation	2.20	1.80

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

	2013	*2012*
Male	21.2	21.5
Female	23.4	23.7

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

	2013	*2012*
Male	22.5	22.8
Female	24.9	25.2

Notes to the financial statements (continued)
at 31 December 2013

Pension commitments (continued)

Assets are marked to market at 31 December 2013 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 2013 to be approximately £1,281,000 (2012 – deficit £2,721,000), 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.

An additional annual contribution of £1,200,000 each year is being made in order to eliminate the deficit over a period of 10 years, from June 2010.

The cost is being met by Havells Sylvania Fixture UK Ltd, Havells Sylvania UK Ltd and Havells Sylvania Europe Ltd in proportion to the membership of the scheme.

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

Scheme assets and expected rate of return

	Long term rate of return expected at 31 December 2013	*Value at 31 December 2013 £000*	*Long term rate of return expected at 31 December 2012*	*Value at 31 December 2012 £000*
Equities	7.00%	18,316	6.5%	24,711
Gilts	3.60%	22,182	2.7%	4,122
Bonds	4.80%	2,301	4.6%	13,193
Other	2.20%	170	1.8%	150
Diversified Growth	6.50%	2,355		
Property	5.60%	2,412		
Total market value of assets		47,736		42,176
Present value of scheme liabilities		(49,017)		(44,897)
Deficit in the scheme		(1,281)		(2,721)

Reconciliation of present value of scheme liabilities

	2013 £000	*2012 £000*
At 1 January	44,897	43,574
Interest cost	2,028	2,102
Benefits paid	(1,641)	(1,606)
Actuarial loss	3,733	827
At 31 December	49,017	44,897

Notes to the financial statements (continued)

at 31 December 2013

16. Pension commitments (continued)

Reconciliation of fair value of scheme assets

	2013	*2012*
	£000	*£000*
At 1 January	42,176	37,499
Expected return on scheme assets	2,315	2,079
Contributions paid	1,204	1,200
Benefits paid	(1,641)	(1,606)
Actuarial Gain/(Loss)	3,684	3,004
At 31 December	47,736	42,176

The actual return on plan assets in the year was a profit of £5,997,000 (2012 – profit of £5,083,000)

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

	2013	*2012*
	£000	*£000*
Expected return on pension scheme assets	(2,315)	(2,079)
Interest on pension scheme liabilities	2,028	2,102
Total	(287)	23

History of experience gains and losses

	2012	*2012*	*2011*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*
Defined benefit obligation	(49,017)	(44,897)	(43,574)	(39,478)	(43,777)
Plan assets	47,736	42,176	37,499	37,147	33,644
Deficit	(1,281)	(2,721)	(6,075)	(2,331)	(10,133)
Experience adjustments on plan assets	3,682	3,004	(1,864)	1,723	4,009
Experience adjustments on plan liabilities	3,733	827	3,286	(4,603)	8,595
Total amount that would have been recognised in statement of total recognised gains and losses:	(51)	2,177	(5,150)	6,326	(4,586)

Notes to the financial statements (continued)

at 31 December 2013

16. Pension commitments (continued)

Defined contribution scheme

The cost of contributions to the defined contribution scheme amounts to £196,000 (2012 - £181,000).

Contributions accrued as at 31 December 2013 amounts to £19,000 (2012 - £19,000)

17. Other financial commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as set out below:

	2013		*2012*	
	Land and buildings £000	*Other £000*	*Land and buildings £000*	*Other £000*
Operating leases which expire:				
Within one year	14	20	-	42
Between two and five years	-	24	28	146
After five years	89	-	89	-
	103	44	117	188

18. 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 (2012: £20,000).

19. 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 with other wholly owned subsidiaries within the group.

Notes to the financial statements (continued)

at 31 December 2013

20. 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.