

Havells Sylvania Europe Limited

Annual Report and Financial Statements

31 December 2014

Directors

Y Bansal
M Carpenter
C Schraft
J Storey
P Walsh (appointed 22/01/15)

Auditors

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

Bankers

Deutsche Bank AG
Rossmarkt 18
D-06311
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Germany

HSBC Bank Plc
HSBC House,
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Solicitors

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Registered Office

Avis Way
Newhaven
East Sussex BN9 0ED

Strategic report

The directors present their strategic report for the year end 31 December 2014.

Principal activities and review of the business

The company's principal activity is the sale of lighting products. Sales are made primarily through a Commissionaire agency structure. Under this structure the company is an undisclosed Principal, purchasing finished goods from Havells' group factories and third party suppliers and selling to its customers both directly and through other group companies in Europe that act as commissionaire agents on behalf of the company

The company has two main objectives, to improve its profitability and increase its market share mainly through innovative energy saving products. As the company is part of a group the strategy is implemented at group level.

In order to achieve this, the group will take the following measures.

- Improve its order fulfilment process and its supply chain.
- Improve the product mix sold to its customers to include more innovative higher margin products.
- Expand in geographic areas including Far East, Eastern Europe and India.
- Increase its sourcing from low cost countries.

2014 saw improvement in sales growth in some European territories which was offset in part by weaker markets in other countries. There was a continued focus on launching innovative LED based lighting fixtures, which are likely to replace more traditional lighting sources in the near future.

During the year, the company received revenue from contracts with large construction or refurbishment projects in the Middle East and Europe, which began to come to fruition towards the end of the previous year. This coupled with the development of LED applications should contribute to improved future growth and profitability.

Key performance indicators (KPIs)

The directors consider the critical KPI's for the company to be turnover and gross profit margin.

	2014	2013
	€000	€000
Turnover	267,033	252,867
Gross Profit Margin	33.4%	34.4%

Various other KPIs are monitored at European management level. These are not considered meaningful at company level due to transfer pricing considerations and group strategy implementation. The critical KPIs noted above are considered to be satisfactory for the current period.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks affecting the company are set out below:

Competition

The company operates in a highly competitive market particularly around price. This competition places pressure on margin and growth. To mitigate this risk the company continuously monitors the market to assist in pricing decisions and to sell more profitable products in the market. The company also invests in improving its customer services, brand recognition and new products.

Strategic report (continued)

Supply chain

The company operates in an environment where raw materials and sub assemblies are procured from low cost countries in the Far East which could cause a suspension in the flow of supply chain. To mitigate this risk the Company lays emphasis on selecting its suppliers carefully and continuously monitors them to ensure they meet the strict quality standards of the company.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk, cash flow risk and foreign exchange 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.

Credit risk

Credit risk arises from deposits with banks and financial institutions and exposures to customers. The company has implemented policies that require appropriate credit checks on potential customers before sales are made. For banks and financial institutions, only parties approved by Group Treasury are accepted.

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.

Cash flow risks

Cash flow risks are risks that are mainly associated with unexpected movements in the group's cash flows on income flowing in, incurred costs to be paid and financing charges.

Foreign exchange risk

The Treasury Policy allows and requires the management of foreign exchange cash inflows and outflows by entering into foreign exchange contracts in a cost effective manner to protect the local currency value of material payments and receipts.

Future developments

Continuing high energy prices is leading to increased demand for energy efficient products. The group aims to meet this demand through continuous product development.

Research and development

The Group engages in researching and developing more profitable and effective products to meet customer needs.

On behalf of the Board



Yogesh Bansal
Director

Date : 30/03/2015

Directors' report

The directors present their report and financial statements for the year ended 31 December 2014.

Directors

The directors who served the company during the year and those appointed subsequently were as follows:

Y Bansal
M Carpenter
J Storey
C Schraft (appointed 10 January 2014)
T Everett (resigned 26 June 2014)
M Kaushik (resigned 22nd January 2015)
P Walsh (appointed 22nd January 2015)

Results and dividends

The loss for the year after taxation amounted to €110,000 (2013 – profit of €1,813,000), after charging an exceptional item of €2,022,000, pertaining to the write off of the investment in Havells Sylvania Turkey.

The directors do not recommend the payment of a dividend (2013 – €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, having made appropriate 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.

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.


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 they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report (continued)

By order of the Board


Yogesh Bansal
Director

Date: 30/03/2015

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' 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 these 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 Europe Limited

We have audited the financial statements of Havells Sylvania Europe Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 24. 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 Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 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 Europe 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: *1 / 4 / 2015*

Profit and loss account

for the year ended 31 December 2014

	<i>Notes</i>	<i>2014</i> €000	<i>2013</i> €000
Turnover	2	267,033	252,867
<i>Cost of sales</i>		(177,797)	(165,802)
Gross Profit		89,236	87,065
Distribution costs	3	(74,490)	(72,425)
Administrative expenses before exceptional items		(11,088)	(10,372)
Exceptional charges	4	(2,185)	(732)
Administrative expenses		(13,272)	(11,104)
Operating profit before exceptional items		3,658	4,268
Exceptional items	4	(2,185)	(732)
Operating Profit	5	1,474	3,536
Interest receivable and similar income	8	4,155	4,360
Interest payable and similar charges	9	(5,019)	(5,902)
Profit on ordinary activities before taxation		610	1,994
Tax	10	(720)	(181)
(Loss)/Profit for the financial year	18	(110)	1,813

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2014

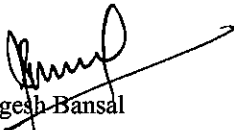
There are no recognised gains or losses other than the loss attributable to the shareholders of the company of €110,000 for the year ended 31 December 2014 (2013 – profit of €1,813,000).

Balance Sheet

As at 31 December 2014

	<i>Notes</i>	<i>2014</i> €000	<i>2013</i> €000
Fixed assets			
Tangible assets	11	2,966	3,507
Investments	12	22,841	24,863
		<u>25,807</u>	<u>28,370</u>
Current assets			
Stocks	13	29,966	29,172
Debtors	14	167,515	180,358
Cash at bank and in hand		18,357	12,762
		<u>215,838</u>	<u>222,292</u>
Creditors: amounts falling due within one year	15	<u>(150,253)</u>	<u>(144,990)</u>
Net current assets		<u>65,585</u>	<u>77,302</u>
Total assets less current liabilities		<u>91,392</u>	<u>105,672</u>
Creditors: amounts falling due after more than one year	16	<u>(32,420)</u>	<u>(46,590)</u>
Net assets		<u><u>58,972</u></u>	<u><u>59,082</u></u>
Capital and reserves			
Called up share capital	17	-	-
Capital contribution	18	69,018	69,018
Profit and loss account	18	<u>(10,046)</u>	<u>(9,936)</u>
Shareholders' funds	19	<u><u>58,972</u></u>	<u><u>59,082</u></u>

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


Yogesh Bansal
Director

Date: 30/03/2015

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation

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

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.

In accordance with SSAP 20 'Foreign Currency Translation', the financial statements are prepared in Euros as the majority of the company's income, expenditure, assets and liabilities are denominated in Euros. The Euro exchange rate into Sterling as at 31 December 2014 was £1: €1.2791 (2013 – £1: €1.1963) and the average rate for 2014 was £1: €1.2458 (2013 – £1: €1.1748).

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Group financial statements

The company has not prepared group financial statements as permitted by the Companies Act 2006 Section 401 as the company is included within the group financial statements of a parent company. These financial statements therefore present information about the company as an individual undertaking and not about its group.

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 having made appropriate enquires 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 group 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 (Revised 1996).

Turnover

Turnover comprises the income from the supply of goods and services 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.

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:

Software and licences	–	20% – 33% straight line
Leasehold Buildings	–	0%
Fixtures, fittings and equipment	–	20% – 33% straight line

The leasehold building is a long-lease building which is not depreciated since its residual value is considered equal or higher than its cost.

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.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Operating leases

Rentals for operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

Investments

Investments in group undertakings are stated at cost. As permitted by section 612 of the Companies Act 2006, where the relief afforded under section 610 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

Investments 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.

Cost of sales

Cost of sales represents the direct and indirect expenses attributable to turnover excluding commission paid to its commissionaire agents which is classified as distribution cost.

Stocks

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

The cost comprises of expenditure which has been incurred in the normal course of business in bringing the product to its present location and condition.

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 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 denominated in foreign currencies are recorded at the rate ruling at the date of the settlement 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.

Notes to the financial statements

at 31 December 2014

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 the company has accounted for the pension scheme as a defined contribution scheme. Details of the pension scheme are disclosed in note 20.

In accordance with the provisions of paragraph 12 of FRS 17 the net defined benefit pension liability is recognised in the group financial statements of an intermediate holding company, Havells Malta Limited.

The company has also previously operated a defined contribution pension scheme, this was wound up in the year and replaced with a Group Personal Pension Plan. 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.

Trade payables

Trade payables are carried at payment or settlement amounts.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

Provision for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. Where the effect of the time value of money is material the provisions are discounted.

2. Turnover

Turnover relates to one continuing activity, the sale of lighting products. Turnover by destination is not significantly different from turnover by origin.

An analysis of turnover by geographical market is given below:

	2014 €000	2013 €000
European Union countries	243,344	232,068
Other European countries	9,073	11,146
Other countries	14,616	9,653
	<u>267,033</u>	<u>252,867</u>

3. Distribution costs

Distribution costs include €49,856,000 (2013 – €48,155,000) of commission paid under the group's commissionaire arrangements.

4. Administrative expenses

	2014 €000	2013 €000
Exceptional charges:		
Severance pay	163	732
Impairment of investment in subsidiary	2,022	-
	<u>2,185</u>	<u>732</u>

5. Operating (Loss)/Profit

This is stated after charging/(crediting):

	2014 €000	2013 €000
Auditors' remuneration– audit of financial statements	86	90
Depreciation on tangible fixed assets	668	597
Operating lease rentals – Land & Buildings	371	321
Impairment of tangible fixed assets (Tooling for Sourced products)	281	-

Notes to the financial statements

at 31 December 2014

6. Directors' remuneration

	<i>2014</i>	<i>2013</i>
	<i>€000</i>	<i>€000</i>
Aggregate emoluments in respect of qualifying services:		
Salary including benefits in kind	1053	963
Contractual severance payments	67	246
Pension contributions	57	45
	<u>1,177</u>	<u>1,254</u>

The amounts in respect of the highest paid director included above are as follows:

	<i>2014</i>	<i>2013</i>
	<i>€000</i>	<i>€000</i>
Salary including benefits in kind	386	255
Contractual severance	-	-
Pension contributions	21	15
	<u>407</u>	<u>270</u>

The number of directors to whom retirement benefits were accruing under the defined benefit scheme in respect of qualifying services is nil (2013 nil) and under the group personal pension plan is 5 (2013 – 4).

Notes to the financial statements

at 31 December 2014

7. Staff costs

	<i>2014</i>	<i>2013</i>
	<i>€000</i>	<i>€000</i>
Wages and salaries	7,616	7,570
Social security costs	1,052	1,103
Other pension costs	501	556
	<u>9,168</u>	<u>9,229</u>
	<u><u>9,168</u></u>	<u><u>9,229</u></u>

The average monthly number of employees, including directors, during the year was made up as follows:

	<i>2014</i>	<i>2013</i>
	<i>No.</i>	<i>No.</i>
Sales and marketing	49	49
Management and administration	41	41
	<u>90</u>	<u>90</u>
	<u><u>90</u></u>	<u><u>90</u></u>

8. Interest receivable and similar income

	<i>2014</i>	<i>2013</i>
	<i>€000</i>	<i>€000</i>
Bank interest receivable	9	229
Interest receivable on loans to group undertakings	3,610	4,131
Foreign exchange gain on loans to group undertakings	536	-
	<u>4,155</u>	<u>4,360</u>
	<u><u>4,155</u></u>	<u><u>4,360</u></u>

9. Interest payable and similar charges

	<i>2014</i>	<i>2013</i>
	<i>€000</i>	<i>€000</i>
Bank loans and overdrafts	2,372	2,774
Amortisation of deferred finance related fees	1,328	1,287
Loans from group undertakings	1,319	1,427
Foreign exchange loss on loans to group undertakings	-	414
	<u>5,019</u>	<u>5,902</u>
	<u><u>5,019</u></u>	<u><u>5,902</u></u>

Notes to the financial statements

at 31 December 2014

10. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2014 €000	2013 €000
<i>Current tax:</i>		
UK corporation tax	961	493
Prior year adjustment	540	(312)
Current tax charge	<u>1,501</u>	<u>181</u>
Deferred tax charge/(credit)	(781)	-
Total tax charge	<u><u>720</u></u>	<u><u>181</u></u>

The prior year adjustment includes a €360,000 charge (2013: € nil) relating to the waiver of group relief balances due from other group entities.

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%). The differences are explained below:

	2014 €000	2013 €000
Profit on ordinary activities before tax	610	1,994
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%)	<u>131</u>	<u>464</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	493	52
Accelerated capital allowances and other timing differences	337	(23)
Prior year adjustment	540	(312)
Current tax charge for the year	<u><u>1,501</u></u>	<u><u>181</u></u>

Notes to the financial statements

at 31 December 2014

10. Tax (continued)

(c) Deferred tax

The following deferred tax liability/(asset) has been recognised:

	2014 €000	2013 €000
Decelerated capital allowances	(181)	-
Short-term timing differences	(600)	-
Losses carried forward	-	-
Recognised deferred tax (asset)	<u>(781)</u>	<u>-</u>

The company has tax losses of €1,608,000 (2013 – €1,608,000) to carry forward.

Due to the uncertainty of the timing of recoverability no deferred tax asset on losses has been recognised (2013 – € nil). Details of unrecognised deferred tax are as follows:

	2014 €000	2013 €000
Accelerated capital allowances	-	253
Short-term timing differences	-	(326)
Losses carried forward	(346)	(338)
Unrecognised deferred tax liability/(asset)	<u>(346)</u>	<u>(411)</u>

(d) Factors that may affect future tax charges

Future tax charges will be impacted by the availability of tax losses carried forward as detailed above. The UK tax rate was 21% at 31 December 2014 but will fall to 20% from 1 April 2015. At 31 December 2014, a reduction to 20% from 1 April 2015 had been substantively enacted and deferred tax falling after 1 April 2015 has been calculated at 20%.

Notes to the financial statements

at 31 December 2014

11. Tangible fixed assets

	<i>Leasehold Buildings</i> €000	<i>Fixtures and equipment</i> €000	<i>Software & Licenses</i> €000	<i>Total</i> €000
Cost:				
At 1 January 2014	2,219	2,381	2,110	6,710
Additions	-	309	99	407
At 31 December 2014	2,219	2,690	2,209	7,118
Depreciation:				
At 1 January 2014	-	1,368	1,835	3,203
Charge for the year	-	407	261	668
Impairment Loss	-	281	-	281
At 31 December 2014	-	2,056	2,096	4,152
Net book value:				
At 31 December 2014	2,219	634	113	2,966
At 1 January 2014	2,219	1,013	275	3,507

12. Investments

	<i>Share in group undertakings</i> €000
Cost:	
At 1 January 2014 and 31 December 2014	24,863
Provision:	
At 1 January 2014	-
Impairment charge in the year	(2,022)
At 31 December 2014	(2,022)
Net book value:	
At 1 January 2014	24,863
At 31 December 2014	22,841

The directors consider the carrying value of the investments to be supported by their underlying net assets, except where impairment charges have been made.

The directors have impaired the investment in Havells Sylvania Turkey by €2,022k as the activity of the business has now ceased. The company is in the process of appointing a liquidator to wind up the entity.

Notes to the financial statements

at 31 December 2014

12. Investments (continued)

The main trading investment balances held are:

<i>Name of undertaking</i>	<i>Proportion of voting rights and ordinary share capital held</i>	<i>Country of incorporation</i>	<i>Nature of business</i>
Havells Sylvania Fixtures UK Limited	100%	England and Wales	Lighting products
Havells Sylvania UK Limited	100%	England and Wales	Lighting products
Havells Sylvania Dubai FZCO	83%	United Arab Emirates	Lighting products
Havells Sylvania Poland S.p.Z.o.o	1%	Poland	Lighting products
Havells Sylvania TR Elek. Urunleri Tic.Ltd.Sti	99.95%	Turkey	Lighting products

13. Stocks

	<i>2014</i> <i>€000</i>	<i>2013</i> <i>€000</i>
Finished goods	29,966	29,172

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

14. Debtors

	<i>2014</i> <i>€000</i>	<i>2013</i> <i>€000</i>
Trade debtors	54,107	55,641
Amounts owed by group undertakings	108,237	117,591
Other debtors	788	747
Group relief receivable	-	360
Overseas tax recoverable	-	326
UK Corporation tax recoverable	-	674
Prepayments and accrued income	3,602	5,019
Deferred tax asset	781	-
	<u>167,515</u>	<u>180,358</u>

Included in the amounts owed by group undertakings are loans of €98,107,000 (2013: €108,533,000) that bear interest at market rates. The maturity of the loans are within one to twelve months of the balance sheet date. Prepayments and accrued income include €141,000 (2013 – €224,000) of VAT deposits due after more than one year.

Included in the prepayments and accrued income is the set up costs for the refinancing for the group of €1,882,000 (2013 - €3,210,000) these costs have been amortised over the period of the loan (48 months).

Notes to the financial statements

at 31 December 2014

15. Creditors: amounts falling due within one year

	2014 €000	2013 €000
Bank overdrafts	38	9
Bank loans	15,530	13,930
Trade creditors	7,680	7,723
Amounts owed to group undertakings	105,556	102,690
Other taxation and social security	207	184
Accruals and deferred income	20,166	19,961
Corporation tax payable	1,076	493
	<u>150,253</u>	<u>144,990</u>

Included in the amounts owed to group undertakings are loans of €54,059,000 (2013:€49,011,000) that bear interest at market rates. The maturity of the loans is within one to twelve months of the balance sheet date.

16. Creditors: amounts falling after more than one year

	2014 €000	2013 €000
Bank loans between 1 to 5 years	31,060	46,590
Accruals and deferred income	1,360	-
	<u>32,420</u>	<u>46,590</u>

The bank loans above bear interest at market rates (LIBOR and agreed percentages).

Maturity of debt

	Bank Loan 2014 €000	Bank Loan 2013 €000	Group U/takings 2014 €000	Group U/takings 2013 €000
Due in less than one year	15,530	13,930	54,059	49,011
Due in 1-5 years	31,060	46,590	-	-
	<u>46,590</u>	<u>60,520</u>	<u>54,059</u>	<u>49,011</u>

Notes to the financial statements

at 31 December 2014

17. Issued share capital

		2014		2013
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>€</i>	<i>No.</i>	<i>€</i>
Ordinary shares of £1 each	100	142	100	142

18. Movement on reserves

	<i>Capital contribution</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>€000</i>	<i>€000</i>	<i>€000</i>
At 1 January 2014	69,018	(9,936)	59,082
Loss for the year	-	(110)	(110)
At 31 December 2014	69,018	(10,046)	58,972

19. Reconciliation of shareholders' funds

	2014	2013
	€000	€000
Opening shareholders' funds	59,082	57,269
Loss for the year	(110)	1,813
Closing shareholders' funds	58,972	59,082

20. 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 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 is 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 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 including additional annual contributions by the company, as described below, to eliminate the deficit is a real cost to the Company.

Notes to the financial statements

at 31 December 2014

20. Pension commitments (continued)

The Plan actuary has provided the following estimate of the Plan financial position following the guidance in FRS 17 as at 31 December 2014. The estimate is based on the data and results of the latest full valuation as at 5 April 2013, applying the principal assumptions shown below:

	<i>2014</i>	<i>2013</i>
Discount rate	3.60%	4.70%
Rate of increase in non-GMP pensions in payment	1.90%	2.20%
Salary increases	N/A	N/A
Inflation	1.90%	2.20%

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

	<i>2014</i>	<i>2013</i>
Men	21.2	21.2
Women	23.4	23.4

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

	<i>2014</i>	<i>2013</i>
Men	22.6	22.5
Women	24.9	24.9

Assets are marked to market at 31 December 2014 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 2014 to be approximately €3,798,000 (2013 – €1,532,000), 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 is being made in order to eliminate the deficit over a period of 10 years, from June 2014.

This additional contribution is being met by Havells Sylvania Fixtures UK Ltd, Havells Sylvania UK Ltd and Havells Sylvania Europe Ltd in proportion to the membership of the scheme.

Notes to the financial statements

at 31 December 2014

20. Pension commitments (continued)

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

Scheme assets and expected rate of return

	<i>Long-term rate of return expected at 31 December 2014</i>	<i>Value at 31 December 2014 €000</i>	<i>Long-term rate of return expected at 31 December 2013</i>	<i>Value at 31 December 2013 €000</i>
Equities	5.80%	25,096	7.00%	21,912
Gilts	2.40%	35,712	3.60%	26,537
Bonds	3.80%	3,066	4.80%	2,753
Cash	1.80%	111	2.20%	203
Property	4.40%	3,576	5.60%	2,886
Diversified Growth	5.30%	3,065	6.50%	2,817
		70,626		57,108
Present value of assets:				
Present value of scheme liabilities		(74,424)		(58,640)
Deficit in the scheme		(3,798)		(1,532)

Reconciliation of present value of scheme liabilities

	<i>2014 €000</i>	<i>2013 €000</i>
At 1 January	58,640	54,859
Interest cost	2,819	2,382
Benefits paid	(2,126)	(1,927)
Actuarial Loss	10,724	4,385
Foreign exchange revaluation	4,367	(1,059)
At 31 December	74,424	58,640

Reconciliation of fair value of scheme assets

	<i>2014 €000</i>	<i>2013 €000</i>
At 1 January	57,108	51,535
Expected return on scheme assets	3,076	2,719
Contributions	1,494	1,414
Benefits paid	(2,126)	(1,927)
Actuarial gain	6,870	4,325
Foreign exchange revaluation	4,204	(958)
At 31 December	70,626	57,108

The actual return on scheme assets in the year was a gain of €9,946,000 (2013 – gain of €7,044,000).

Notes to the financial statements

at 31 December 2014

20. Pension commitments (continued)

Analysis of the amount that would have been charged/(credited) to the profit and loss account:

	2014 €000	2013 €000
Expected return on pension scheme assets	(3,076)	(2,719)
Interest on pension scheme liabilities	2,819	2,382
	<u>(257)</u>	<u>(337)</u>

History of experience gains and losses

	2014 €000	2013 €000	2012 €000	2011 €000	2010 €000
Defined benefit obligation	(74,424)	(58,640)	(54,859)	(51,931)	(45,747)
Plan assets	70,627	57,107	51,534	44,691	43,046
Deficit	<u>(3,797)</u>	<u>(1,532)</u>	<u>(3,325)</u>	<u>(7,240)</u>	<u>(2,701)</u>
Experience adjustments on plan assets	6,870	4,325	3,694	(2,141)	2,176
Experience adjustments on plan liabilities	10,724	4,385	1,017	3,775	(5,812)
Total amount that would have been recognised in the statement of total recognised gains and losses	<u>(3,854)</u>	<u>(60)</u>	<u>2,677</u>	<u>(5,916)</u>	<u>7,988</u>

Defined contribution schemes (Group Personal Pension Plan)

The cost of contributions to the group personal pension plan and defined contribution scheme amount to €392,000 (2013 – €308,000).

Contributions accrued as at 31 December 2014 amounts to €37,000 (2013 – €24,000).

21. Other financial commitments

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as set out below:

	2014		2013	
	<i>Plant and machinery</i> €000	<i>Land and buildings</i> €000	<i>Plant and machinery</i> €000	<i>Land and buildings</i> €000
Operating leases which expire:				
Within one year	-	-	-	-
Between two and five years	-	351	-	328
	<u>-</u>	<u>351</u>	<u>-</u>	<u>328</u>

Notes to the financial statements

at 31 December 2014

22. Contingent liabilities

Following the acquisition by Havells India Limited, the shares of the company are pledged as security for the bank loans taken out by the group to fund the acquisition.

The company has guarantees issued on behalf of other group companies totalling €0 (2013 – €13,741).

23. Related party transactions

As a wholly owned subsidiary of the ultimate parent company, Havells India Limited for which group financial statements are prepared, advantage has been taken of the exemption afforded by FRS 8 not to disclose any related party transactions with other wholly owned subsidiaries within the group.

24. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Flowil International Lighting (Holding) BV, a company incorporated in the Netherlands.

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 undertaking 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 group 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.