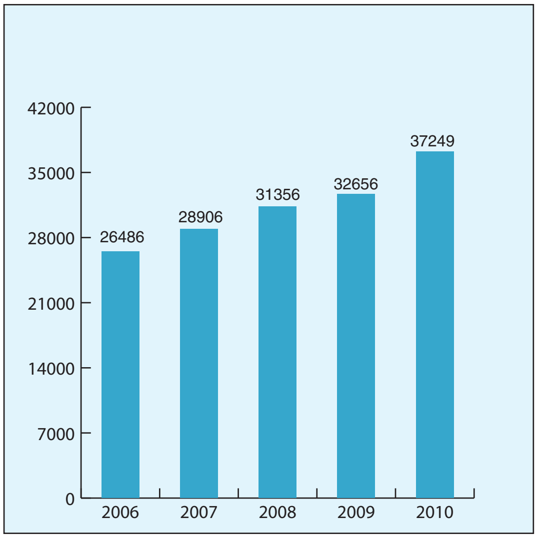
Simply making a difference

Annual report 2010

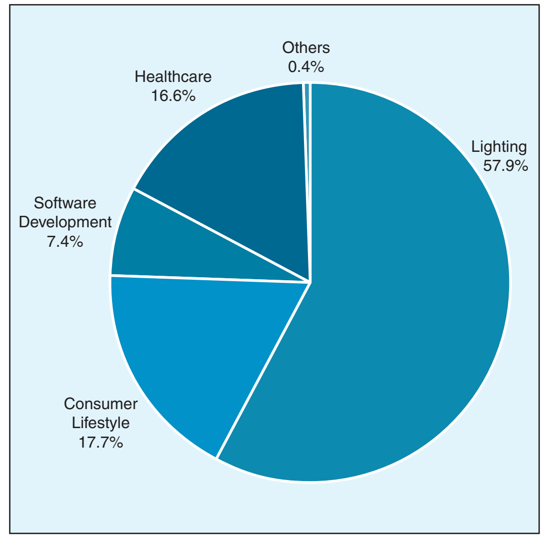
PHILIPS

PHILIPS ELECTRONICS INDIA LIMITED

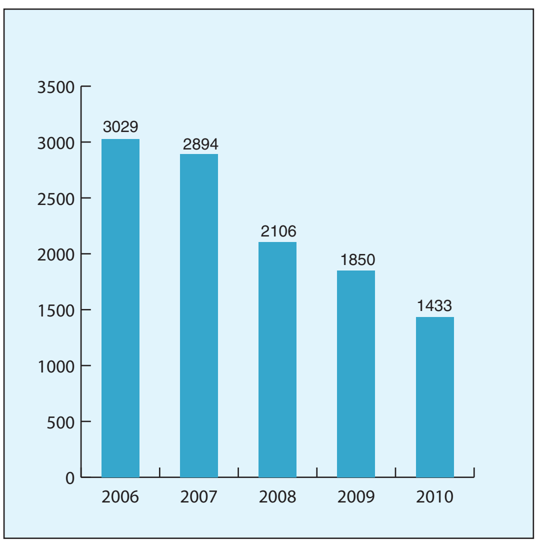
Sales ₹ in Mln



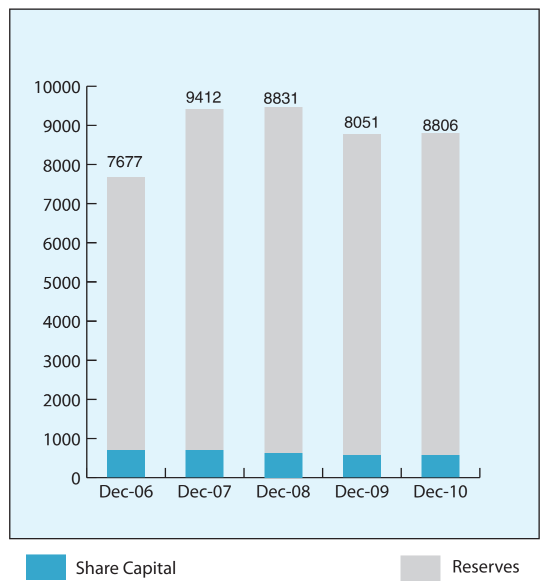
Sales by activities - 2010



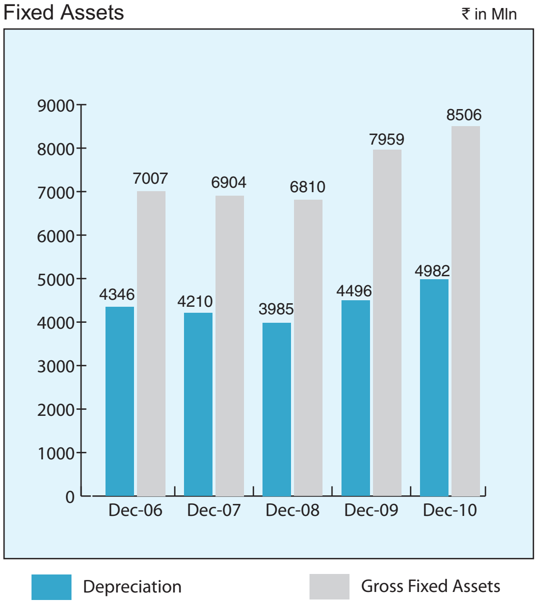
Profit Before Tax ₹ in Mln



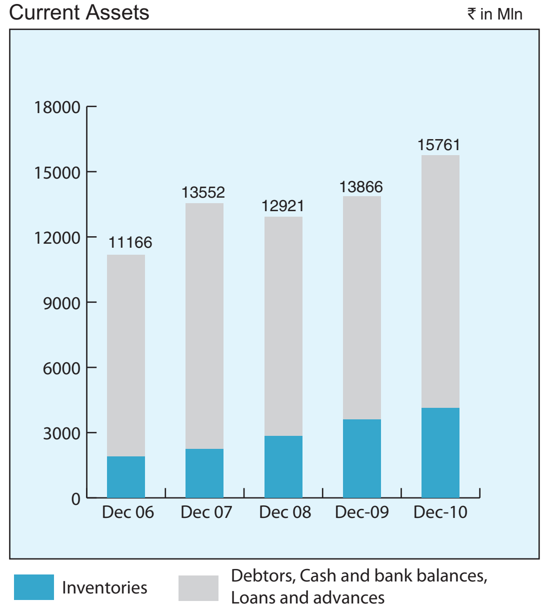
Net Worth ₹ in Mln



Fixed Assets ₹ in Mln



Current Assets ₹ in Mln



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Board of Directors

Chairman
S.M. Datta

Vice-Chairman & Managing Director
Rajeev Chopra

Executive Directors
Jan Hendrik Gerardus Louwman

Non Executive Director
S. Venkataramani

Company Secretary
R. J. Wani

Auditors
B S R & Co.
Chartered Accountants

Bankers
State Bank of India
Citibank N.A.
The Royal Bank of Scotland N.V.
Standard Chartered Bank
Bank of America N.A.
HDFC Bank Ltd.
The Honkong and Shanghai Banking Corporation Ltd.

Registered Office
7, Justice Chandra Madhab Road, Kolkata – 700 020

Annual General Meeting on Friday, June 10, 2011 at 11.00 p.m.
at Vidya Mandir, 1, Moira Street, Kolkata 700 017

You are requested to kindly carry your copy of the Annual Report to the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Eighty-first Annual General Meeting of PHILIPS ELECTRONICS INDIA LIMITED will be held at Vidya Mandir, 1, Moira Street, Kolkata - 700 017 on Friday, June 10, 2011 at 11.00 am to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at December 31, 2010, and the Profit and Loss Account for the year ended on that date and the Reports of the Directors' and Auditors' thereon.
2. To declare a dividend for the year ended December 31, 2010.
3. To appoint Directors in place of those retiring by rotation.
4. To appoint Statutory Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

   "RESOLVED that in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Mr. Rajeev Chopra, be and is hereby appointed as a Director of the Company not liable to retire by rotation, under the provisions of Article 109 of Articles of Association of the Company."

6. To consider and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

   "RESOLVED that, pursuant to the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification(s) or re-enactment thereof, consent of the Company be and is hereby accorded to the remuneration and perquisites being paid or granted to Mr. Rajeev Chopra as a Whole time Director, with effect from January 1, 2011 for a period of five years or up to the date of his retirement as per the rules of the Company whichever is earlier, as set out in the draft Agreement to be entered into between the Company and Mr. Chopra, a copy whereof initialed by the Secretary for the purpose of identification has been placed before this meeting, which Agreement is hereby specifically approved with the liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the power conferred by this Resolution) to increase, reduce, alter or vary the terms of remuneration and perquisites including monetary value thereof as set out in the Agreement, at any time(s) and from time to time and in such manner as the Board may deem fit;

   RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year of the Company during the term of Mr. Chopra's office as a Whole time Director, the remuneration and perquisites set out in the aforesaid Agreement be paid or granted to Mr. Chopra as minimum remuneration, provided that the total remuneration by way of salary, perquisites and any other allowances shall not, unless approved by the Central Government, exceed the ceiling as provided in Section II of Part II of Schedule XIII to the said Act or any equivalent statutory re-enactment(s) thereof;

   RESOLVED FURTHER that the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

By Order of the Board

R. J. Wani
Company Secretary

Gurgaon, February 23, 2011

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ONLY ON A POLL AND THE PROXY NEED NOT BE A MEMBER PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME OF HOLDING THE MEETING.

2. The relevant Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business at item nos. 5 and 6 of the Notice, is annexed hereto.

3. The Share Transfer Books and the Register of Members of the Company will remain closed from May 30, 2011 to June 10, 2011 (both days inclusive).

4. The dividend, if approved, will be paid on or after June 20, 2011 to those members (or their mandatories) whose names appear in the Company's Register of Members on June 10, 2011. In respect of demat shares, the dividend will be payable on the basis of beneficial ownership as per the details furnished by the Depositories for this purpose.

5. Members are requested to contact the Registrar and Share Transfer Agent for all matters connected with Company's shares at:

   Sharepro Services
   Samhita Complex
   Plot No 13AB, Off Andheri-Kurla Road
   Sakinaka, Andheri (East) Mumbai-400 099
   Tel: (022) 67720400/67720360
   Fax: (022) 28508927

   Sharepro Services
   912,Raheja Centre, Free Press Journal Road
   Nariman Point,
   Mumbai- 400 021
   Tel: (022) 22825163/66134700
   Fax: (022) 22825484

6. Pursuant to Section 205A(5) of the Companies Act, 1956 the unpaid dividend that are due for transfer to the Investor Education and Protection Fund (IEPF) are as follows:

Dividend No.	Date of Declaration	For the year ended	Tentative date for transfer to IEPF
58	13.09.2005	31.12.2004	20.10.2012
59	23.06.2006	31.12.2005	30.07.2013
60	19.04.2007	31.12.2006	26.05.2014
61	13.06.2008	31.12.2007	20.07.2015
62	12.06.2009	31.12.2008	19.07.2016
63	29.06.2010	31.12.2009	05.08.2017

   Members who have not encashed their dividend warrants pertaining to the aforesaid years may approach Company/Registrar and Share Transfer Agent, for obtaining payments thereof at least 30 days before they are due for transfer to the said fund.

7. Members holding shares in physical form are requested to notify/send the following to the Company's Registrar and Share Transfer Agent to facilitate better service:

   i. any change in their address/mandate/bank details

   ii. share certificate(s) held in multiple accounts names or joint accounts in the same order of names for consolidation of such shareholdings into one account.

EXPLANATORY STATEMENT

Under Section 173 of the Companies Act, 1956

Item No. 5 & 6

The Board of Directors of the Company ("the Board") appointed Mr. Rajeev Chopra as an Additional Director and a Wholetime Director of the Company with effect from January 1, 2011. Mr. Chopra was designated as the Managing Director of the Company with effect from the same date following the resignation of Mr. Murali Sivaraman from the position of the Vice Chairman and the Managing Director of the Company. The Board of Directors at their meeting held on February 23, 2011 re-designated Mr. Rajeev Chopra as a Vice Chairman and the Managing Director of the Company. According to Section 260 of the Companies Act, 1956 ("the Act"), read with Article 110 of the Articles of Association of the Company, Mr. Chopra holds office as an Additional Director up to the date of this Annual General Meeting. The Company has received due notice from a member under Section 257 of the Act signifying his intention to propose the appointment of Mr. Chopra as a Director of the Company.

Mr. Chopra holds a Masters Degree in Business Administration from Tulane University, USA and a Bachelors Degree from IIT, Kanpur. He has completed an Advanced Management Program from Wharton School in 2010. Prior to joining Philips India in April 2003, Mr. Chopra has held senior management positions in Cisco, HP and Microsoft. Mr. Chopra was posted in Shanghai, China between June 2007 and January 2009, as the Asia Pacific Head of Luminaries business of Philips. On his return to Philips India in March 2009, Mr. Chopra joined as Head of Lighting Sector of Philips India before taking the current position as a Vice Chairman and Managing Director with effect from Jan1, 2011.

Mr. Chopra brings with him huge experience in strategic business development and managing profitable growth in both B2B and B2C business(es). Your Board is confident that Mr. Chopra's appointment as Vice Chairman and Managing Director of the Company will bring the very necessary breadth and depth required to lead the Company's growth phase in the coming years. Your Board therefore recommends Mr. Chopra's appointment as a Wholetime Director for a period of 5 years with effect from January 1, 2011 and as Vice Chairman and Managing Director with effect from February 23, 2011.

The remuneration and perquisites of Mr. Rajeev Chopra are set out in the draft Agreement referred to in the resolution as Item no. 6 of the Notice and are subject to the approval of the shareholders of the Company under Sections 269 and 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII thereto.

The material terms of the said Agreement are as follows:

1. The Agreement is for a period of five years from the date of appointment i.e. from January 1, 2011 up to December 31, 2015.
2. Mr. Chopra shall be entitled to the following remuneration and benefits/perquisites from the Company provided that the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the power conferred by this Resolution), is authorised to increase, reduce, alter or vary the remuneration and perquisites at such time(s) and in such manner as the Board, may deem fit:
   a. **Consolidated Salary:** Rs. 11,20,955/- per month or such higher amount as may be approved by the Board of Directors or any Committee thereof.
   b. **Variable Performance Linked Bonus:** Not exceeding one and a half times the annual Consolidated Salary, payable annually, as may be approved by the Board of Directors or any Committee thereof.
   c. **Perquisites:**
      i. In addition to the aforesaid Consolidated Salary, and Variable Performance Linked Bonus, Mr. Chopra shall also be entitled to perquisites and allowances including but not restricted to accommodation (furnished or otherwise) or house rent allowance in lieu thereof; medical reimbursement and leave travel concession for self and family; club fees; medical insurance; personal accident insurance; stock options; and such other perquisites and allowances in accordance with the Rules of the Company as amended from time to time.

ii. The perquisites and allowances as mentioned above, shall be evaluated as per Income Tax Rules, wherever applicable. In the absence of any such Rules, perquisites shall be evaluated at actual cost.

    Provision for use of the Company's car for the official duties and telephone with fax at residence shall not be included in the computation of perquisites.

iii. Company's contribution to Provident Fund and Pension/Superannuation Fund not exceeding 27% of the consolidated Salary or such other percentage as may be permitted in law from time to time, to the extent these either singly or together are not taxable under the Income Tax Act, 1961.

iv. Gratuity payable as per the Rules of the Company and encashment of leave as per the Rules of the Company at the end of the tenure, shall not be included in the computation of perquisites.

    PROVIDED, however, that the overall remuneration including perquisites payable to Mr. Rajeev Chopra together with the other whole-time Directors of the Company shall be within the limits specified under Sections 198, 269 and 309 of the Act including Schedule XIII to the Act, that is ten percent of the net profits of the Company in any financial year.

d. **Minimum Remuneration:**

Notwithstanding anything hereinabove, where in any financial year during the terms of office of Mr. Rajeev Chopra, the Company has no profits or its profits are inadequate, the Company will pay the aforesaid remuneration by way of Consolidated Salary, Variable Performance Linked Bonus, and Perquisites as Minimum Remuneration. This is subject to the approval of the Central Government, if required.

3. **Other material terms:**

Each party has the right of terminating the Agreement by giving to the other three calendar months' notice in writing.

The Resolution set out at Item No. 5 & 6 of the accompanying Notice is necessary in view of the provisions of Section 269, 309 and other applicable provisions of the Act including Schedule XIII thereof. Members are requested to approve the resolution.

None of the Directors of your Company, other than Mr. Rajeev Chopra is interested in the resolution at Item Nos. 5 & 6.

The Explanatory Statement together with the Notice should be treated as an abstract of the terms of the draft Agreement and Memorandum of Concern or Interest under section 302 of the Act.

The draft Agreement referred to in the resolution at Item No. 6 of the accompanying Notice will be open for inspection by the members at the Registered Office of the Company between the hours of 10 a.m. and 12 noon on any working day except Saturday.

By the Order of the Board

R.J.Wani
Company Secretary

Gurgaon, February 23, 2011

DIRECTORS' REPORT

for the Financial Year Ended December 31, 2010

Your Directors submit their report and audited accounts for the year ended December 31, 2010.

Your Company's performance during the year was encouraging with robust top line growth. The Lighting and Healthcare businesses continue to perform strongly both in terms of turnover, and increase in respective market share. Lighting business recorded an all time high growth of 24%, in 2010. Your Company bagged highest ever order for supply of 14.5 million Compact Flourescent Lamps to Kerala State Electricity Board under the Clean Development Mechanism (Carbon Credit) project. Healthcare posted a phenomenal top line growth of around 35%. Market shares grew across all segments viz, imaging systems, patient monitoring and cardiac care, and home healthcare. The performance of Consumer Lifestyle Sector, dropped substantially mainly on account of change in business model for television business in April 2010. The Philips Innovation Campus (PIC), Bangalore, increased its footprint by expanding its strength in Healthcare and adding capacity for IT/ERP applications.

Going forward, the Company aims to gain a significant share in India's fast growing medical equipment and consumer lifestyle businesses through innovative products and introduce next-generation technological products in audio and lighting business, where it already holds dominant position. In Lighting your Company plan to give major sales thrust to next generation LED (light emitting diode) lights across India. Your Company launched the LED based solar powered street lighting solution which was indigenously developed by its Research and Development facility based in Noida. In Healthcare your Company intends to drive growth through introducing innovative products in categories such as CT Scanners, MRI equipments, ultrasound machines and cardio-vascular x-ray machines. The recent launch of MR (Magnetic resonance)- guided high intensity focused ultrasound (HIFU) solution "Sonalleve" offers a non-surgical alternative to uterine fibroids in women. In Consumer Lifestyle, the Company is focusing on three segments – Kitchen appliance, Personal care and Mother and Child care products, while continuing to maintain it's strong position in Audio-Video and Multimedia Systems.

On January 23, 2011 Koninklijke Philips Electronics N.V announced to acquire the assets of the Preethi business, a leading Domestic Appliance Company in India. This acquisition will make Philips the clear leader in fast growing segment within Indian Domestic Appliance market. This acquisition clearly demonstrates Philips' commitment to drive local innovation, including further building its industrial and commercial footprint in emerging market. India will continue to be a key market for Philips from the growth and development perspective.

1. FINANCIAL PERFORMANCE

1.1 RESULTS

₹ Mln.

	2010	2009
Gross income	37,638	32,981
Operating profit	1,451	1,688
Exceptional Items	74	162
Profit before tax and after exceptional items	1,525	1,850
Prior period expense	(92)	-
Profit before tax	1,433	1,850
Fringe Benefit Tax	-	(24)
Provision for current tax	(498)	(694)
Income tax receivable (net of tax provisions) related to prior years Written off	(57)	-
Provision for deferred tax – Release/(Charge)	11	43
Profit after tax	889	1,175
Transfer to General Reserve	89	118

1.2 SECTORWISE SALES

₹ Mln.

	2010	2009
Lighting	21,581	16,775
Consumer Lifestyle	6,591	9,070
Healthcare	6,195	4,399
Innovation Campus	2,731	2,311
Others	151	101
Total	37,249	32,656

Sales for the year ended December 31, 2010 reported a growth of around 14% but the operating profit dropped by 14% largely due to lower gross margin due to lower efficiency at Vadodara Light Factory on account of ramp up of lamp capacities to meet future export demands, lower margin from government project orders for Compact Fluorescent Lamps and increase in payment for Management Support Services and Research & Development services agreement with Philips Electronics N.V, the Netherland. Exceptional items for the year include profit of ₹ 7 million from the sale of property, release of provision created in previous year to the tune of ₹ 67 million.

1.3 FINANCE & ACCOUNTS

Your Company has delivered positive net cash from operations of ₹ 565 million through improved sales performance. Healthcare industry is growing fast and would require funds to keep the momentum. Keeping the pace with the industry, your Company is providing innovative financing solution to its customers along with the selling of product and services. This gives your Company an edge in the market. As on the date of Balance Sheet, the Company has facilitated equipment financing to its end customers to the tune of ₹ 960 million. The cash surplus was invested in financial instruments in accordance with Company Policy. The investment of ₹ 5.0 million made in Rural Electrification Corporation Limited was redeemed on March 31, 2010. The investments of ₹ 0.3 million made in Anyonya Sahayakari Mandali Co-operative Bank Limited by erstwhile Philips Glass India Limited, which got merged with your Company, was written off. During the current financial year the Company has transferred, unpaid dividend of ₹ 0.9 million to Investor Education and Protection Fund

2. DIVIDEND

Your Directors recommend payment of ₹ 2 per share as dividend on the fully paid equity shares for the financial year ended December 31, 2010. This will absorb ₹115 million as dividend and ₹ 19 million as dividend tax.

3. BUSINESS PERFORMANCE

The Notes to the Profit and Loss Account for the year provide segment results. The required disclosure is made below for the Lighting, Consumer Lifestyle, Innovation Campus (Software) and Healthcare Sectors.

LIGHTING

The Sector grew by 24%, the highest ever in any year, on the back of strong performances across businesses. The growth was driven by continued channel expansion and increased extraction from the existing channel in the consumer segment and some big wins in the professional segment. Growth by businesses were – Lamps 17% ; Professional Luminaires 36% ; Lighting Electronics 24% ; Consumer Luminaires 62% and Automotive 41%.

The year witnessed Philips Lighting successfully completing the supply, installation and commissioning of 14 out of a total number of 16 sports stadia lighting. Besides, some major Street and Airport Lighting jobs were also carried out by Philips for the CWG. During the year, Lighting bagged the single largest order ever under the Global Carbon Credit Clean Definition Mechanism (CDM) scheme of the United Nations from the Kerala State Electricity Board and supplied 14.5 million units of Compact Fluorescent Lamps for distribution to households in Kerala. This order was successfully completed and it has established our credentials strongly in the CDM Market in India. This also augurs well for Philips Lighting at a time when India's Bureau of Energy Efficiency (BEE) has embarked upon an ambitious project called Bachat Lamp Yojana (BLY) which aims at reducing India's carbon footprints by replacing incandescent light bulbs with energy efficient Compact Fluorescent Lamps (CFL) across the country.

In the LED space, a breakthrough was achieved in the month of October 2010 with the launch of a locally developed 5 watt Consumer LED Retrofit Lamp. Initial market response to this product has been good and the plan is to launch this product in 7 key markets in the first phase and aim at targeted distribution. Similarly, 15 new locally developed products have been launched in the Professional Luminaires LED segment.

New products in all categories were introduced. Investments in sunrise businesses like Consumer Luminaires and Modular Switches were made to expand channel, increase range and improve reach and sales. Manufacturing capacity in both factories at Mohali and Vadodara were further enhanced to serve the needs of the local and global market. Our industrial footprint has been realigned to reduce cost and improve quality.

In 2011, the Sector kept its focus on the Consumer segment by continuing to drive energy efficient home solutions through CFLi and Consumer LED retrofit solutions, investing to grow the Consumer Luminaires business with Home Decorative Lighting solutions and managing GLS and TL through their lifecycle while sustaining its leadership position in traditional areas of strength. In the professional segment, the focus will be to drive conversion to LED Lighting solutions with target segments being Roads, Offices, Retail and Hospitality. Plans are in place to embark upon Solar street lighting in semi-urban areas in offgrid applications initially and extending later to ongrid, besides continuing the development of integrated solar LED Lighting solutions. Your Company plans to leverage on the Philips Dynalite solutions. The Sector intends to reap the benefits of the intended focus on LEDs, energy-saving products, new product categories to grow and improve its market share.

CONSUMER LIFESTYLE

In 2010 the sector continued to focus on strengthening market share in key categories such as Home Cinema Systems, Kitchen Appliances, Garments Care and Personal Care segments. These categories enjoyed a growth of 13% in 2010.

In Audio Video Multimedia (AVM), we continued our leadership position in DVD for 12 consecutive months, closing the year with a market share of 24%. In Home Cinema Systems, Philips strengthened its share to 34%, becoming a strong #2 player in the market, by launching full new portfolio in all quartiles in 2010. In Mainstream audio segment, we maintained our market share in line with market development. During the year your Company received the "Best Audio System of the Year" award from NDTV Tech Life. The overall performance of AVM was impacted due to the change in business model in TV. With the announcement of Brand Licensing deal by Koninklijke Philips Electronics N.V ('KPENV') in April 2010, for manufacturing, distribution and sale of Television has impacted the top line for AVM products.

In Domestic Appliances, we strengthened our market share in Kitchen Appliances, becoming a strong # 2 player through distribution expansion and in-store excellence. In Garment Care, we strengthened our leadership position, by driving conversion of dry to steam irons. We continued to build the category of Personal Care in India through integrated media campaign for Hair Care and Grooming resulting in a growth of 54% in 2010. Furthermore, the overall performance was supported by a strong performance in Accessories through focusing on "On the Go" segment. We also launched Mother & Child Care with the Philips AVENT brand in September 2010 strengthening our commitment to grow Health & Wellbeing categories. Philips AVENT won a silver award of "Best Breast Feeding Accessories" category from Mother & Baby magazine. Additionally Consumer Lifestyle continued to focus on building talent, competencies and processes to drive sustainable profitable growth through portfolio choices.

Going forward, Consumer Lifestyle will continue to strengthen its market shares in the key categories: DVD, Home Cinema Sound, Kitchen Appliances, Garment Care, Personal Care and Mother & Child Care. In addition, the Company will actively pursue potential Acquisitions in key categories.

HEALTH CARE

The Healthcare business operates in the Diagnostic Imaging segment, which includes CT, MRI, X-rays, Cardiovascular Systems, Nuclear Medicine, PET-CT and Ultrasound Imaging Systems. The business is also a significant player in patient monitoring/critical care. In 2010 the sector recorded a revenue growth of 43% across all the segments. The imaging systems business recorded a growth of 58% during the year. Service revenues grew by 19% in 2010. The business recorded the highest ever growth in the premium ultrasound segment. The Respironics Home Healthcare business got integrated with the Philips India Healthcare organisation. In the first year of its operation, the business grew by125% . During the year the business expanded its footprints in tier II cities as well and this has contributed to the high order intake for the year. In order to expand the reach and to be closer to customers the healthcare sales and service team was reorganised during the year. New products were launched in patient monitors (Goldway), MRI (Hifu) and Ultrasound (Xmatrix) categories.

In line with the channel expansion strategy in Patient Care & Clinical Informatics business, new channels were added in 2010. Business financing contributed significantly to the business growth during the year. The first Pay per use (PPU) was put in place at Piramal Diagnostics during the year. We have consolidated further with more PPU contracts during the year. In line with the overall growth strategy we plan to bid for public private partnership tenders floated by the Governments.

The ground breaking ceremony for the healthcare plant at Chakan near Pune (Greenfield project) was done in third quarter of 2010. The upcoming plant at Chakan will operate as Philips Centre of manufacturing excellence for imaging systems worldwide, will also have R & D facilities. Slated to go on stream in Mid 2012, it will help position India as global centre for international X-Ray (IXR) Systems for both local and import market. Koninklijke Philips Electronics N.V has chosen India as footprint for cardiovascular space globally.

INNOVATION CAMPUS (PIC)

The innovation campus at Bangalore, besides proven expertise in software architectures, serviceability, viewing, platform and IT Support for the past decade, had also added electrical, mechanical and supply chain management capabilities last year, to its already vast portfolio of competence. Leveraging this in 2010, it has begun to create value products for the Indian market, in the area of pre-natal care. PIC has full ownership and is involved end to end in the creation of these products. In 2010 PIC expanded its area of expertise by starting a Lighting R&D group. It proved its competence in the area of Healthcare product development by getting the ISO 13485 Certificate for Hardware Medical Components and Software Development. IT Applications also proved itself as a reliable partner by winning the ISO 20000 certification for global support. While adding these feathers to its cap, PIC grew by over 300 competent engineers.

The campus hosts highly qualified doctors, techies and domain experts as part of its research team, which won the prestigious Zinnov Award for 'Successful Incubation', for having started incubation centers and successfully driving innovation out of these centers.

Sales (Export in Foreign Currency) amounted to ₹ 2.7 billion in 2010- (₹ 2.4 billion in 2009). PIC's average employee strength during 2010 was 1198 Full Time Equivalents (879 in 2009). During the year personnel in the Healthcare, IT Applications and Lighting increased.

In 2011, PIC will see growth in the activities in all the sectors, with healthcare in the lead. More than 300 engineers will be added, and activities "In India For India" will be ramped up. In addition, PIC has been set up as a global competence center for mobile applications. Together with other development centers in India and China, PIC plays a critical role in expanding the footprint of Philips in emerging markets.

4. AUDIT COMMITTEE

The Audit Committee was constituted on October 30, 1999. The terms of reference of the Audit Committee among others are to review with the Management and/or Internal Audit Department and/or Statutory Auditors:

i. The statutory annual and quarterly financial reporting by the Company.

ii. Changes in the statutory accounting policies of the Company.

iii. The audit programs of the external auditors and any material issues arising from the audits.

iv. The adequacy and effectiveness of accounting and financial controls of the Company compliance with the Compan'y policies and applicable laws and regulations.

v. Recommend to the Board the appointment of external auditors and the remuneration payable to them.

vi. Changes, if any, in accounting policies & practices, and reasons for the same.

vii. Disclosure of any related party transactions.

During the year the Audit Committee comprised of three directors, two of whom are independent directors. The Chairman of the Committee is an independent Director. The Committee met two times during the year 2010, on March 11, 2010 and November 16, 2010. The Chairman of Audit Committee attended the Annual General Meeting held on June 29, 2010 to answer the shareholder's queries.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company remains committed to maintaining internal controls designed to safeguard the efficiency of operations and security of our assets. Accounting records are adequate for preparation of financial statements and other financial information. Through our internal audit processes at the sectoral and corporate levels, both the adequacy and effectiveness of internal controls across various businesses and compliance with laid-down systems and policies are regularly monitored. A trained internal audit team also periodically validates the major IT-enabled business applications for their integration, control and quality of functionality. The Audit Committee of the Board met periodically during the year to review internal control systems as well as financial disclosure.

6. CORPORATE SOCIAL RESPONSIBILITY

Philips understands that sustainable development is one of the most challenging issues facing the developing world. Your Company has been able to make significant contributions in Economic, Environment and Social area by tying up with effective social partners / NGOs. Project SimplyHealthy@Schools, launched in 2009 as a part of global initiative focuses on spreading awareness on "Health and Wellbeing" through an interactive game for children in primary school at Mohali, Bangalore and Gurgaon. Small teams of Company employees spent time with kids suffering from cancer at Oncology department, AIIMS. Other units in Philips also initiated various sustainability programs during the year. The Company's Mohali Light Factory initiated various projects such as 'Baal Vikas', (development of the Child) to support education and social uplift of children, and 'Utthan' to support needy and underprivileged group in nearby village Kambala. MLF bagged certificate of commendation for Strong Commitment, CII-ITC Sustainability Award among the Independent Units for the year 2010. The Company's logistic department supported NGO 'Goonj' in its collection drive across all regional office, during the entire campaign period.

Philips Innovation Campus reaches out to sections of society through its various community-based initiatives. A dedicated team of 100 volunteers called Community Involvement Team (CIT) care for, involve and touch the lives of many people through their activities. This year the team reached out to over 2000 beneficiaries through various projects under education, healthcare and employability.

7. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

As part of our people development efforts, the learning and development needs of employees were identified and addressed on an ongoing basis. In addition to ongoing development programmes, the focus was on identifying and developing talent through a structured talent development process, including development centres and leadership development programmes. Our presence at the premier management campuses has been further strengthened.

During the year we further strengthened the Initiatives under Project CARE ("Capability Building Recognition and Engagement"). The initiative aims to build the capabilities and engagement of frontline sales and service employees, and is recognized as a best practice The programme will include specific Sales Capability Building projects, recognition by way of Awards and Communication programmes. Two Key programs launched included Performance Plus Awards for Service Teams and Wellness workshops for employees. Industrial Relations were cordial. The two new acquisitions Alpha and Meditronics were successfully integrated. Long term wage settlement was successfully concluded at the Mohali Light Factory

Information under Section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report.

8. CONSERVATION OF ENERGY, FOREIGN EXCHANGE OUTGO AND TECHNOLOGY ABSORPTION

Information on conservation of energy, technology absorbtion, foreign exchange and outgo, is required to be given pursuant to Section 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Director) Rules, 1988 is provided in the Annexure to this report.

9. ENVIRONMENT, ENERGY, OCCUPATIONAL HEALTH & SAFETY

Your Company is committed to implementing the Philips Sustainability Policy and is striving to continuously improve its contribution to the environmental, economic and social aspects of sustainability.

Both the manufacturing units of your Company have established and maintained ISO 14001 certified environmental management systems, and BS 18001(Occupational Health and Safety Management System) certified management systems. The Company's Mohali Light Factory is actively involved in implementing Eco vision Program V (2010 to 2013) and reduced 37% of energy consumption as compared to 2009. Hundred per cent of the generated waste was recycled. The Company's Vadodara Light Factory (VLF) is actively involved in implementing the Philips Eco-Vision IV (2009-2012) programme. During 2010 VLF unit consumed 589,568 GJ of energy and 144,383 KL of water, generated 6025 tons of waste and emitted 118 tons of various chemical substances. Hundred per cent of the generated waste was recycled.

10. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

i) In the preparation of the annual accounts, applicable accounting standards have been followed along with proper explanations relating to material departures;

ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on December 31, 2010 and of the profit of the Company for the year ended December 31, 2010;

iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;

iv) The Directors have prepared the annual accounts on a going concern basis.

The Company's Internal Auditors have conducted periodic audits to provide reasonable assurance that established policies and procedures were followed. The Audit Committee constituted by the Board meets regularly with internal and external auditors to review internal control and financial reporting.

11. DIRECTORS

Mr. Murali Sivaraman informed the board of his intention to relinquish the office as a Vice Chairman and Managing Director with effect from January 1, 2011 following his relocation to Amsterdam as a Global Head of Domestic Appliances. Mr. Rajeev Chopra was appointed as the Director of the Company and Managing Director designate with effect from January 1, 2011. At the Board meeting held on February 23, 2011, the Board accepted the resignation received from Mr. Murali Sivaraman as a director of the Company. Your directors wish to record their appreciation of the meritorious services rendered by Mr. Sivaraman. At the said meeting the Board redesignated Mr. Chopra as a Vice Chairman and Managing Director of the Company. Mr. Chopra will hold office up to the date of the Annual General Meeting. Notice have been received from a member pursuant to Section 257 of the Companies Act, 1956, of his intention to move resolution for the appointment of Mr. Chopra as a Director of your Company.

Mr. S.M. Datta retires by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment. Your Directors recommends his re-appointment.

12. AUDITORS

Messrs. B S R & Co. the Statutory Auditors of the Company will retire at the ensuing Annual General Meeting and are eligible for re-appointment as auditors of the Company and, offer themselves for re-appointment. Your Directors recommend their re-appointment for the ensuing year. The Auditor forwarded their certificate stating that their re-appointment, if made will be within the limit specified in that behalf in Sub-section(1B) of Section 224 of the Companies Act, 1956

13. COST AUDITORS

The Central Government has directed your Company to carry out an audit of the Company's cost accounts in respect of electric lamps and fluorescent tubes, pursuant to the provisions of Section 233B of the Companies Act, 1956. Accordingly, your Directors have approved the appointment of Messrs. Nanabhoy & Company, a firm of cost accountants, to conduct the audit for the year ending December 31, 2011.

14. GENERAL

Your Directors acknowledge the close cooperation and support your Company has received during the year from employees, members, its parent company Koninklijke Philips Electronics N.V., its bankers, and business partners including suppliers, co-makers and the trade.

On behalf of the Board

S. M. Datta
Chairman

Gurgaon, Haryana
February 23, 2011

ANNEXURE TO DIRECTORS' REPORT

INFORMATION REQUIRED UNDER SECTION 217 (1)(E) OF THE COMPANIES ACT, 1956.

A) ENERGY CONSERVATION MEASURES

a) The following energy conservation measures were implemented during January / December 2010

1. Adopted strategy to drive the market for energy efficient HF gears and energy saving TL5 / CFL Lamps. Road map is aligned to this strategy.
2. Arresting of Leakages in utility services identified during LEAKSEEK Audit - Shop floor Area.
3. Replace Natural draft cooling tower to Induced draft cooling tower of Vacuum System - Engine Room Area.
4. Reduction of comp. air pressure drop - Engine Room Area.
5. Thermal efficiency improvement by optimizing operation set point of Pump machine - VTL-4 Area.
6. Impeller trimming of Vacuum cooling water supply pump - Engine Room Area.
7. Replacement of miller mixer vibrator by powerless chute - Batch house Area.
8. Install Vacuum reservoir - Engine Room Area.
9. Coating blower on VFD - VTL-7 Area.
10. Conversion of Propane fired to Electrical heated sintering furnace at CFL -2.
11. Optimization of CFL sintering furnace temperatures & air fuel ratio.
12. Optimization of CFL Heat exchanger temperatures & air fuel ratio.
13. Philips Design burner & injector blocks on CFL-5 bending machine.
14. Philips Design injector blocks on CFL-5 (safety package)
15. Usage of energy efficient lighting.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

- Replacement of natural draft cooling tower to Induced draft cooling tower of Vacuum System
- Thermal efficiency improvement by optimizing operation set point of pump machine
- Impeller trimming of Vacuum cooling water supply pump
- Replacement of miller mixer vibrator by powerless chute

c) POWER & FUEL CONSUMPTION AT GLASS FACTORIES

Particulars	Unit	2010	2009
Electricity			
a. Purchased			
Unit	000 kwh	4,096.58	2,627.39
Rate	₹/kwh	6.23	6.06
Total	₹ 000	25,512.11	15,914.09
b. Own generation			
Unit	000 kwh	897.38	1,514.39
Rate	₹/kwh	2.20	2.24
Total	₹ 000	1,974.23	3,391.28
Total electricity	000 kwh	4,993.95	4,141.79
Cost	₹ 000	27,486.34	19,305.37
LPG/Propane/Natural Gas			
Unit	Tonnes/M3	5,684,412.19	6,047,719.85
Rate	₹/Tonne/M3	10.60	7.39
Total	₹ 000	60,254.77	44,683.35
Furnace oil			
Unit	KL	-	429.55
Rate	₹/KL	-	15,302.30
Total	₹ 000	-	6,573.03

Consumption per kg. of glass production

		2010	2009
Product	Unit	TL SHELLS / GLS	TL SHELLS / GLS
Electricity*	KWH	0.21	0.13
Furnace oil	LTR	0.00	0.01
LPG/Propane/Natural Gas	TONNE/M3	0.24	0.23

* The electricity consumption per kg of glass production increased due to unforeseen technical reasons in glass melting furnace.

B) TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

RESEARCH & DEVELOPMENT (R & D) : January - December 2010

1. Specific areas in which R & D is carried out by the Company

The Company's management believes that continuous effort to establish a strong performance in the fields of R & D vis-a-vis product and process development and import substitution are of paramount importance to preserve and strengthen the competitive position the Company holds in various product segments. The Company's R & D laboratories have been instrumental in providing the Company with a sustainable competitive advantage through application of Science and Technology.

The specific areas in which R & D is carried out include:

(1) Energy efficient and Enviromental friendly Lighting product, system and solution for Indian urban and rural market. This involves Luminaire system and solutions driven by conventional and non conventional lighting. Product range also supports infrastructural development including road, port, area, sports lighting etc.

(2) Design, development and testing of Medical Imaging products such as Cardio Vascular Systems, Surgery C-Arms, Analog Radiography systems, Digital radiography systems etc.

2. Benefits derived as a result of R & D

(1) 38 new products for various application involving high performance Electronic Ballasts and energy efficient lamps like PLL/TL5/CDMTT.

(2) Developed Floatex Analog Radiography product (32KW & 50KW): CE marked analog radiography product released to India as well as to ASEAN countries in Quarter 3 ended Sept. 30, 2010.

(3) Developed Allura FC Mini Cathlab: Globally released a CE marked mini cardio vascular system with 80KW and 100KW generator in Aug 2010. The system is currently installed in Africa & Latin America apart from India. Currently orders are booked from Eastern Europe, Middle East and ASEAN countries.

(4) Developed MobileDrive: 3KW and 6KW CE marked mobile x-ray system, released to India market in July 2010.

3. Future plan of action

(1) Have a Roadmap for 2011-2015 with high emphasis on LED Lighting for all application and Solar street Lighting for complete range.

(2) Engage in Research & Development of new generation Value Cathlabs, Mobile C-Arms and Diagnostic XRays. The idea is to blend the Philips technology expertise with the insight from the acquired companies Alpha X-Ray Technologies (India) Private Limited and Meditronics Healthcare Private Limited.

4. Expenditure on R & D

		₹ (in mln)
a.	Capital	-
b.	Recurring	90
c.	Total	90
d.	Total R & D expenditure as % of total turnover	0.24%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation	The technology for using solar power as driver to LED based luminaires from Europe.	
2. Benefits derived as a result of above efforts, e.g. product improvement, cost reduction, product development, import substitution.	Attainment of higher customer satisfaction / better environmental scoring/ growth and profitability in business.	
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following may be furnished.	Technology Imported	Year of Commencement of production
	NIL	Not applicable

C) FOREIGN EXCHANGE EARNINGS AND OUTGOINGS

Activities relating to exports

The company continues to strive to improve its export earnings. The Company exports its products to United States, Hong Kong, Malaysia, Singapore, Sri Lanka, Nepal and Bangladesh.

In addition, the Company's Software Division (Philips Innovation Campus) export embeded Software to Koninklijke Philips Electronics N.V., the Netherland

Total foreign exchange used and earned

		₹ (in mln)
Foreign exchange earned		4,050
Foreign exchange used:		
i. Import of capital goods	324	
ii. Import of raw materials & spares	1,066	
iii. Other expenditure	2,696	4,086

Auditors' Report to the Members of Philips Electronics India Limited

1. We have audited the attached Balance Sheet of Philips Electronics India Limited ('the Company') as at 31 December 2010, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books;

   (c) the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) in our opinion, Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   (e) on the basis of written representations received from the directors of the Company as at 31 December 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director of the Company in terms of clause (g) of sub-section (1) of Section 274 of the Act; and

   (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) in the case of Balance Sheet, of the state of affairs of the Company as at 31 December 2010;

      (ii) in the case of Profit and Loss Account, of the profit of the Company for the year ended on that date; and

      (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **B S R & Co.**
Chartered Accountants
Registration No: 101248W

Vikram Advani
Partner
Membership No: 091765

Place: Gurgaon
Date: 23 February 2011

Annexure to the Auditors' Report

(Referred to in our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company physically verifies its assets over a three year period so as to cover all assets over a three year period, except for certain assets which are verified on the basis of third party confirmations. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this policy, the Company has physically verified certain fixed assets during the year. No material discrepancies were noticed on such verification.

(c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.

(ii) (a) The inventory, excluding materials in transit, has been physically verified by the management during the current year. Inventories with the third parties have either been physically verified by the management or confirmed based on certificates/statements of accounts received from such parties. In our opinion, the frequency of such verification is reasonable.

(b) The procedures for the physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company has maintained proper records of inventory. Discrepancies identified on physical verification of inventories as compared to book records were not material.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories are for the Company's specialized requirements and similarly certain goods and services sold are for the specialized requirement of the buyer and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to sale of goods and services. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the internal control system.

(v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of Electric Lamps and Fluorescent Tubes and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues have been regularly deposited with the appropriate authorities. There are no dues on account of cess under Section 441A of

Annexure to the Auditors' Report (Continued)

the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other material statutory dues were in arrears as at 31 December 2010 for a period of more than six months from the date they became payable. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund during the year.

(b) According to the information and explanations given to us, there are no dues of Wealth tax and Customs duty which have not been deposited on account of any dispute. The dues of Income tax, Sales tax, Service tax and Excise duty as disclosed in Appendix I have not been deposited by the Company on account of disputes.

(x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

(xi) The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **B S R & Co.**
Chartered Accountants
Registration No: 101248W

Vikram Advani
Partner
Membership No: 091765

Place: Gurgaon
Date: 23 February 2011

Annexure to the Auditors' Report (Continued)

Appendix I to Annexure to the Auditors' Report

(₹ in Mln)

Name of the Statue/ Period to which the amount relates	Nature of dues	Forum where dispute is pending				
		Appellate authority upto Commissioner (Appeals)	Tribunal	Honourable High Court	Amount paid under protest	Total (net)
Central Excise Act, 1944						
2008-09	Excise duty including interest and penalty where applicable	-	-	-	-	-
2007-08		-	-	-	-	-
3-7 years		224.38	65.40	-	(62.34)	227.44
Above 7 years		32.17	257.68	3.60	(58.48)	234.97
Service Tax, Finance Act 1994						
2008-09	Service tax including interest and penalty where applicable	-	-	-	-	-
2007-08		-	-	-	-	-
3-7 years		302.40	57.02	-	-	359.42
Above 7 years		-	-	-	-	-
Central Sales Tax Act, 1956 and Individual State Sales Tax Act						
2008-09	Sales tax including interest and penalty where applicable	-	-	-	-	-
2007-08		-	-	-	-	-
3-7 years		104.70	10.10	41.80	-	156.60
Above 7 years		14.30	212.50	12.40	-	239.20
Income Tax Act, 1961						
2008-09	Income tax including interest and penalty where applicable	-	-	-	-	-
2007-08		-	-	-	-	-
3-7 years		423.07	-	-	(120.80)	302.27
Above 7 years		211.59	-	105.00	(175.79)	140.79

Profit and Loss Account for the year ended December 31, 2010

Amounts in ₹ Mln

	Notes	Year ended December 31, 2010		Year ended December 31, 2009	
INCOME					
Sales and other operating income (gross)	1	37,482		32,844	
Less: Excise duty recovered		480		317	
Sales and other operating income (net)		37,002		32,527	
Other income	2	156		137	
			37,158		32,664
EXPENDITURE					
Cost of goods sold	3	21,834		18,980	
Expenses	4	13,080		11,238	
Interest		39		51	
Depreciation / amortisation		754		707	
		35,707		30,976	
			35,707		30,976
OPERATING PROFIT			1,451		1,688
Exceptional items	11		74		162
PROFIT BEFORE TAX AND AFTER EXCEPTIONAL ITEMS			1,525		1,850
Prior period expense	16		(92)		—
PROFIT BEFORE TAX			1,433		1,850
Fringe benefit tax			—		(24)
Provision for current tax			(498)		(694)
Income tax receivables (net of tax provisions) related to Prior years written off			(57)		—
Deferred tax - Release / (Charge)			11		43
PROFIT AFTER TAX			889		1,175
Balance brought forward			3,684		2,762
Available for appropriation			4,573		3,937
Transfer to General Reserve		89		118	
Proposed equity dividend		115		115	
Tax on proposed equity dividend		19		20	
Balance carried forward		4,350	4,573	3,684	3,937
Basic and diluted earnings per equity share of ₹10 each (in ₹)	15		15.46		18.97

The statement of accounting policies and notes 1-19 to the Profit and Loss Account form an integral part of the accounts.

In terms of our report of even date

For B S R & Co.
Chartered Accountants
Registration No: 101248W

VIKRAM ADVANI
Partner
Membership No: 091765

Gurgaon, February 23, 2011

For and on behalf of the Board

Chairman S.M.DATTA

Managing Director RAJEEV CHOPRA

Director JAN HENDRIK GERARDUS LOUWMAN

Secretary R.J.WANI

Balance Sheet as at December 31, 2010

Amounts in ₹ Mln

	Notes	As at December 31, 2010		As at December 31, 2009	
SOURCES OF FUNDS					
Shareholders' funds					
Share Capital	1	575		575	
Reserves and surplus	2	8,231		7,476	
			8,806		8,051
Loan funds					
Secured loans	3	102		105	
Unsecured loans	4	—		45	
			102		150
			8,908		8,201
APPLICATION OF FUNDS					
Fixed assets	5				
Gross block		8,264		7,783	
Less: Depreciation/amortisation		4,982		4,496	
Net block		3,282		3,287	
Capital work-in-progress		242	3,524	176	3,463
Investments	6		—		5
Deferred tax assets - net	7		363		352
Current assets, loans and advances					
Inventories	8	4,131		3,608	
Sundry debtors	9	4,161		3,167	
Cash and bank balances	10	4,018		4,251	
Loans and advances	11	3,451		2,840	
		15,761		13,866	
Less: Current liabilities and provisions					
Liabilities	12	8,856		7,743	
Provisions	13	1,884		1,742	
		10,740		9,485	
Net current assets			5,021		4,381
			8,908		8,201

The statement of accounting policies and notes 1-17 to the Balance Sheet form an integral part of the accounts.

In terms of our report of even date

For B S R & Co.
Chartered Accountants
Registration No: 101248W

VIKRAM ADVANI
Partner
Membership No: 091765

Gurgaon, February 23, 2011

For and on behalf of the Board

Chairman S.M.DATTA

Managing Director RAJEEV CHOPRA

Director JAN HENDRIK GERARDUS LOUWMAN

Secretary R.J.WANI

STATEMENT OF ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared and presented under historical cost convention, on the accrual basis of accounting in accordance with the generally accepted accounting principles followed in India ('Indian GAAP') and the relevant provisions of the Companies Act, 1956 and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules, 2006, issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

2. REVENUE RECOGNITION

Sales are recorded net of trade discounts, rebates, sales tax but include excise duty.

Sales of goods / equipments are recognized on transfer of risks and rewards of ownership in the goods to the customers / completion of installation.

Income from annual maintenance service contracts is recognized on a straight-line basis over the period of contracts and income from other service contracts is recognized on completion of the service rendered.

Revenues from software development are billed to clients on cost plus basis as per the terms of the specific contracts. Cost and earnings in excess of billings are classified as unbilled revenue.

Interest income is recorded on a time proportion basis taking into account the amounts invested and the rate of interest.

3. INTANGIBLE ASSETS

Intangible assets are amortized on the straight line basis based on the useful lives, which, in management's estimate represent the period during which economic benefit will be derived from their use. The period of amortization for intangible assets is as (a) Goodwill – 60 months, (b) Software – 36 months, (c) Brands – 60 months and (d) Non-compete fees – 36 months.

4. FIXED ASSETS AND DEPRECIATION

Fixed assets are valued at cost. Depreciation is provided on the original cost on a straight line method at the rates given in Schedule XIV of the Companies Act, 1956, (as amended vide notification GSR 756 [E] dated 16.12.1993) except in case of following class of assets for which higher depreciation, at the rates mentioned, is provided:

(a) CE-test and measuring instruments 15%, (b) soda lime glass furnace 22.22%-24%, (c) press tools and moulds – 20%-40%, (d) furniture and fittings 7%-30.8%, (e) room air conditioners 7%-14%, (f) office machinery 7%-34.7%, (g) computers 20%-50%, (h) cars 12%-45% and (i) feeder line 20%.

Assets costing less than ₹5000 are fully depreciated in the year of purchase.

5. LEASES

Operating lease payments are recognized as an expense in the Profit and Loss Account on straight line basis over the period of the lease.

Assets acquired under finance lease from April 1, 2001 are capitalised at the lower of their fair value and the present value of the minimum lease payments at the inception of lease. Assets obtained on finance lease are depreciated over the lease period.

Assets given out on financial leases are recognised as receivable at an amount equal to the net investment in the lease. The rentals received on such leases are apportioned between the financial charge using the implicit rate of return, which is recognized as income over the period of lease and against principal outstanding, which is reduced from the amounts receivable.

6. IMPAIRMENT OF ASSETS

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount (higher of net realizable value and value in use) of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

7. INVENTORIES

Inventories are valued at cost or net realisable value whichever is lower. In case of medical equipments / systems, cost is determined on the basis of "First in First Out" method due to nature of the business. For all other items cost, is determined on the basis of the weighted average method and includes all costs incurred in bringing the inventories to their present location and condition. Finished goods and work-in-progress include appropriate proportion of costs of conversion. Obsolete, defective and unserviceable stocks are duly provided for.

8. INVESTMENTS

Long-term investments are stated at cost less any decline, other than temporary, in value, determined on an individual investment basis.

9. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded in the books of the Company at standard exchange rates fixed every month on the basis of a review of the actual exchange rates. The difference between the actual rate of settlement and the standard rate is charged or credited to Profit and Loss Account.

In respect of monetary assets and monetary liabilities, the overall net loss or gain, if any, on conversion at the exchange rates prevailing on the date of the Balance Sheet is charged to revenue.

The premium or discount arising at the inception of forward exchange contracts, which are not intended for trading or speculation purposes, are amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in Profit and Loss Account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contracts is recognised as income or as expense for the period.

Forward contracts which are not covered by Accounting Standard (AS) 11 are measured using "Mark to Market" principle with resulting net losses thereon being recorded in the Profit and Loss Account.

10. REPLACEMENT GUARANTEE

The Company periodically assesses and provides for the estimated liability on guarantees given on sale of its products based on past performance of such products.

11. RETIREMENT BENEFITS

Liability for defined benefit plan is provided on the basis of actuarial valuation carried out by an independent Actuary at year end using the Projected Unit Credit Method. Actuarial gains and losses are recognized immediately in the Profit and Loss Account. Company's contributions to defined contribution plans are charged to Profit and Loss account as incurred. The discount rate used for determining the present value of the obligation under defined benefit plans, is based on the market yield on government securities of a maturity period equivalent to the weighted average maturity profile of the related obligations at the Balance Sheet date. Termination benefits are recognized as and when incurred.

The Company covers a part of the liability towards employees' gratuity by way of contributing to a registered trust. Liability with respect to the Gratuity plan, determined on basis of actuarial valuation as described above, and any differential between the fund amount as per the trust and the liabilities as per actuarial valuation is recognised as an asset or liability.

Annual contributions are made to the employee's gratuity fund, established with the LIC based on an actuarial valuation carried out by the LIC as at 31 March each year. The fair value of plan assets is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on net basis. Actuarial gains and losses are recognised immediately in the profit and loss account. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

12. BORROWING COST

Borrowing costs that are directly attributable to acquisition or construction of qualifying assets are capitalized. A qualifying asset is one that necessarily takes a substantial period of time to get ready for intended use. All other borrowing costs are recognised as an expense in the year in which they are incurred.

13. PROVISIONS AND CONTINGENCIES

A provision is recognized when:

- The Company has a present obligation as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is possible obligation or a present obligation that may, but probably will not, require outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

14. TAXATION

Income-tax expense comprises current tax and deferred tax charge or release. Current tax is determined as the amount of tax payable in respect of taxable income for the period. The deferred tax charge or credit is recognized using current tax rates. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognized only if there is virtual certainty of realization of such assets. Other deferred tax assets are recognized only to the extent there is reasonable certainty of realization in future. Such assets are reviewed as at each Balance Sheet date to reassess realization.

For and on behalf of the Board

Chairman	S.M.DATTA
Managing Director	RAJEEV CHOPRA
Director	JAN HENDRIK GERARDUS LOUWMAN
Secretary	R.J.WANI

Gurgaon, February 23, 2011

Notes to Profit and Loss Account

Amounts in ₹ Mln

1. SALES AND OTHER OPERATING INCOME

a) Sales of goods / services (gross)

	Unit	Year ended December 31, 2010 Quantity*	Year ended December 31, 2010 ₹	Year ended December 31, 2009 Quantity*	Year ended December 31, 2009 ₹
Class of Goods					
Lamps	pcs in '000	548,507	13,615	431,909	10,430
Fittings	pcs in '000	11,176	5,652	8,365	4,230
Diagnostic imaging equipments	pcs	1,924	3,697	1,174	2,349
Software development services			2,731		2,311
Domestic appliances	pcs in '000	3,146	2,694	2,215	2,420
Portable systems	pcs in '000	1,765	2,578	2,550	3,679
Accessories for fittings	pcs in '000	24,857	1,245	17,844	1,029
Patient monitoring equipments	pcs	8,696	1,160	6,740	957
Product maintenance revenue			1,092		916
Electronic HF ballasts	pcs in '000	5,229	701	3,388	555
Accessories for portable systems	pcs in '000	1,849	460	510	245
Home cinema systems	pcs in '000	56	434	57	379
Services			419		258
Television receivers	pcs in '000	59	322	353	2,347
Modular switches	pcs in '000	2,362	275	2,609	102
Operation theatre lights	pcs	1,656	84	1,688	80
Glass shells	pcs in '000	62,623	61	205,774	367
Filaments	pcs in '000	79,908	29	5,800	2
* Figures do not include Free of cost supplies and breakages					
			37,249		32,656

b) Other operating income

	2010 ₹	2009 ₹
Liabilities no longer required written back	34	9
Export incentives	9	9
Hire charges of tools	17	11
Surplus on disposal of fixed assets - net	30	1
Insurance and other claims	16	9
Service tax credit availed for prior years	36	110
Finance income - leases	20	—
Scrap sales	48	—
Others *	23	39
*includes Fringe Benefit Tax Recovery ₹Nil (Previous year ₹3)		
	233	188
	37,482	32,844

2 OTHER INCOME

	2010 ₹	2009 ₹
Interest on deposits - gross		
[tax deducted thereon ₹11 (Previous year ₹30)]	111	137
Income from other investments		
Others	45	—
	156	137

Amounts in ₹ Mln

	Year ended December 31, 2010		Year ended December 31, 2009	
3. COST OF GOODS SOLD				
Stocks as at beginning				
Raw materials	421		137	
Finished goods	2,558		2,123	
Excise duty on finished goods	12		34	
Work-in-progress	272	3,263	261	2,555
Add: Acquired on Amalgamation *				
Raw materials	—		78	
Finished goods	—		9	
Work-in-progress	—	—	11	98
Add: Purchases				
Raw materials	3,436		2,742	
Finished goods	18,545	21,981	16,848	19,590
		25,244		22,243
Deduct: Stocks as at end				
Raw materials	513		421	
Finished goods	2,388		2,558	
Excise duty on finished goods	45		12	
Work-in-progress	464	3,410	272	3,263
		21,834		18,980

* Refer Note 14 to Profit and Loss Account

Raw materials consumed

	Unit	Quantity	₹	Quantity	₹
Circuits	pcs in '000	20,662	728	7,249	248
Caps	pcs in '000	485,303	345	439,712	389
Lamps consumables*			1,668		1,575
Medical equipment components*			603		337
			3,344		2,549

* It is not practicable to furnish quantitative information in view of the considerable number of items diverse in size and nature. Further none of the items individually account for more than 10% of the total value.

Purchases

Raw materials

	Unit	Year ended December 31, 2010 Quantity	₹	Year ended December 31, 2009 Quantity	₹
Circuits	pcs in '000	19,883	704	8,184	276
Caps	pcs in '000	503,122	353	444,280	393
Lamps consumables*			1,670		1,702
Medical equipment components*			709		371
			3,436		2,742

* It is not practicable to furnish quantitative information in view of the considerable number of items diverse in size and nature. Further none of the items individually account for more than 10% of the total value.

Notes to Profit and Loss Account

Amounts in ₹ Mln

Finished goods

Class of goods	Unit	Quantity	₹	Quantity	₹
Lamps	pcs in '000	138,795	5,444	73,538	3,281
Television receivers	pcs in '000	31	120	370	1,771
Portable systems	pcs in '000	1,727	1,686	2,499	2,614
Home cinema systems	pcs in '000	59	348	61	269
Fittings	pcs in '000	11,030	3,999	8,938	3,388
Domestic appliances	pcs in '000	3,404	1,899	2,286	1,457
Service consumables			703		240
Diagnostic imaging equipments	pcs	698	1,643	520	936
Accessories for fittings	pcs in '000	24,949	1,144	17,532	938
Modular switches	pcs in '000	864	50	5,223	106
Accessories for portable systems	pcs in '000	2,016	384	449	144
Patient monitoring equipments	pcs	8,934	574	6,805	1,235
Electronic HF ballasts	pcs in '000	5,440	494	3,504	438
Operation theatre lights	pcs	1,697	57	1,655	31
			18,545		16,848

Stocks as at		Year ended December 31, 2010		Year ended December 31, 2009		Year ended December 31, 2008	
Raw materials	**Unit**	**Quantity**	**₹**	Quantity	₹	Quantity	₹
Circuits	pcs in '000	156	5	935	29	—	—
Caps	pcs in '000	26,945	15	9,126	8	4,558	4
Lamps consumables*			264		261		133
Medical equipment components*			229		123		—
			513		421		137

* It is not practicable to furnish quantitative information in view of the considerable number of items diverse in size and nature. Further none of the items individually account for more than 10% of the total value.

Finished goods

Class of goods	Unit	Quantity	₹	Quantity	₹	Quantity	₹
Lamps	pcs in '000	24,858	788	35,173	865	17,352	441
Television receivers	pcs in '000	9	3	59	504	42	479
Portable systems	pcs in '000	201	182	246	283	297	299
Home cinema systems	pcs in '000	10	68	8	48	4	29
Fittings	pcs in '000	616	330	892	292	383	130
Domestic appliances	pcs in '000	574	353	306	38	235	228
Service consumables			283		119		115
Diagnostic imaging equipments	pcs	246	151	299	189	76	103
Accessories for fittings	pcs in '000	1,155	96	1,132	46	1,200	89
Modular switches	pcs in '000	1,050	28	2,614	56	—	—
Accessories for portable systems	pcs in '000	261	95	151	25	205	97
Patient monitoring equipments	pcs	776	26	538	67	473	97
Electronic HF ballasts	pcs in '000	306	26	244	36	183	24
Glass shells	pcs in '000	—	—	—	—	1,126	
Glass tubings	tonnes	—	—	—	—	1,675	21
Operation theatre lights	pcs	153	4	112	2	145	5
			2,433		2,570		2,157

Amounts in ₹ Mln

4. EXPENSES

	Year ended December 31, 2010	Year ended December 31, 2009
Salaries, wages and bonus	**3,542**	2,888
Contribution to provident and other funds	**180**	158
Staff welfare	**353**	265
Rent	**431**	411
Rates and taxes	**236**	220
Excise duty	**34**	93
Power and fuel	**520**	456
Insurance	**69**	57
Repairs to buildings	**119**	73
Repairs to plant and machinery	**269**	178
Auditors' fees and expenses	**14**	14
Travelling and conveyance	**724**	492
Publicity	**1,221**	1,208
Packing, freight and transport	**506**	424
Communication and IT costs	**249**	762
Provision for doubtful debts and advances	**74**	80
Replacement guarantee	**316**	412
Management support services	**2,225**	1,630
Research and development services	**428**	300
Legal and professional	**337**	241
Provision for contingency (refer Note 13 (b) to Balance Sheet)	**188**	—
Miscellaneous	**1,045**	876
	13,080	11,238

(a) Remuneration to managing directors and other directors as salaries and fees - **₹69** (Previous year - ₹76) include perquisites **₹21** (Previous year - ₹25), contribution to provident and other funds **₹4.3** (Previous year - ₹6.6). These figures exclude gratuity and leave encashment provisions which are actuarially determined on an overall basis.

(b) Excise duty recovered through sales is disclosed as a reduction from sales and excise duty in opening and closing stock of finished goods is disclosed separately in Note 3 to Profit and Loss Account. The excise duty not recovered from sales is disclosed as "excise duty" expense above.

(c) Rental expenses are net of recovery - **₹60** (Previous year - ₹52).

(d) Repairs to plant and machinery includes stores and spare parts consumed - **₹159** (Previous year - ₹127).

(e) Auditors' fees and expenses include fees - **₹7** (Previous year - ₹7), tax audit fees - **₹2** (Previous year - ₹2), taxation matters - **₹3** (Previous year - ₹2.5), other matters - **₹1.1** (Previous year - ₹1.4) and expenses - **₹0.9** (Previous year - ₹0.6).

(f) Miscellaneous include undepreciated value of fixed assets written off / provided for - **₹14** (Previous year - ₹19), exchange loss (net) - **₹68** (Previous year - loss (net) ₹53), handling charges - **₹108** (Previous year - ₹73), commission - **₹127** (Previous year - ₹84), lease rental towards non-cancellable operating lease for vehicles - **₹3** (Previous year - ₹6) and donation - **₹5** (Previous year - ₹8).

(g) Pursuant to the agreement entered into by the Company with Koninklijke Philips Electronics N.V.("KPENV"), the Company has incurred **₹2,225** (Previous year - ₹1,630) towards the support services provided by KPENV and **₹428** (Previous year - ₹300) for accessing the benefit resulting from common research and development programmes.

(h) Maximum obligations on long-term non-cancellable operating lease for office premises and vehicles are - payable within 1 year - **₹298** (Previous year - ₹307) and payable between 1-5 years - **₹319** (Previous year - ₹281).

Notes to Profit and Loss Account

Amounts in ₹ Mln

5. COMPUTATION OF MANAGERIAL REMUNERATION

Description	Year ended December 31, 2010	Year ended December 31, 2009
Net profit as per Profit & Loss account	889	1,175
1. Add: Provision for tax (including Fringe Benefit Tax in previous year)	555	718
2. Add: Provision for deferred tax	(11)	(43)
3. Add: Provision for doubtful debts, loans and advances	74	80
	1,507	1,930
4. Less: Profits of capital nature including sale of fixed assets (net)	(46)	(324)
Profit as per Section 349 of the Companies Act, 1956	1,461	1,606
Add: Managerial Remuneration	69	76
Profit under Section 198 of the Companies Act, 1956	1,530	1,682
Commission to directors:		
Subject to a ceiling of 1% of profit as computed above	15	17
Commission actually paid	—	—
Remuneration to directors:		
Subject to a ceiling of 11% of profits as computed above	168	185
Actual remuneration	69	76

6 CAPACITY AND PRODUCTION

Class of goods	Unit	Year ended December 31, 2010 Licensed Capacity	Installed Capacity	Production*	Year ended December 31, 2009 Licensed Capacity	Installed Capacity	Production*
Lamps	pcs in '000	719,633	526,636	408,909	762,920	449,707	385,422
Glass shells	pcs in '000	668,000	569,951	448,245	668,000	566,636	534,889
Filaments	pcs in '000	1,500,000	1,050,000	598,027	750,000	657,450	563,051
Molybdenum wire	kgs	12,000	12,000	—	12,000	12,000	76
Diagnostic imaging equipments	pcs	NA	1,390	1,173	NA	1,141	857

Licensed capacity excludes permissible increases as per various Government schemes. For delicensed industries, it includes registered capacities as per Industrial Entrepreneurs' Memoranda filed with Government where commercial production against the same has commenced. Installed capacity is on single shift basis except for some items of lamps and lamp components and is as certified by management and has not been verified by the auditors, as it is a technical matter.

* Figures do not include wastages and internal consumption.

Notes to Profit and Loss Account

7 RELATED PARTY TRANSACTIONS

(a) **Names of companies where control exists:**

Holding and ultimate holding company	:	**Koninklijke Philips Electronics N.V**
Subsidiary Companies	:	**Alpha X-Ray Technologies (India) Private Limited (AXTPL)***
		Meditronics Healthcare Private Limited (MHPL)*

* Ceased to be Subsidiary companies with effect from April 1, 2009.

(b) **Other related parties with whom transactions have taken place during the year:**

(i) **Fellow Subsidiary Companies** : As per list given below

Overseas Fellow Subsidiary Companies:

Chicago Magnet Wire Corp.
Dynalite Intelligent Light Pty. Limited
Genlyte Thomas Group LLC
JJI Lighting Group Inc.
Philips & Yaming Lighting Co., Ltd.
Philips (China) Investment Company, Ltd.
Philips Argentina Sociedad Anónima
Philips Austria GmbH
Philips Automotive Lighting Hubei Co., Ltd.
Philips Chilena S.A.
Philips Colombiana de Comercialización S.A.
Philips Consumer Lifestyle B.V.
Philips Consumer Luminaires (Shenzhen) Co., Ltd.
Philips Danmark A/S
Philips do Brasil Ltda.
Philips Egypt (Limited Liability Company)
Philips Electronics (Thailand) Ltd.
Philips Electronics and Lighting, Inc.
Philips Electronics Australia Limited
Philips Electronics Hong Kong Limited
Philips Electronics Ltd
Philips Electronics Nederland B.V.
Philips Electronics North America Corporation
Philips Electronics Singapore Pte Ltd
Philips Electronics UK Limited
Philips Electronics Vietnam Limited
Philips Eletrônica do Nordeste S.A.
Philips Export B.V.
Philips France
Philips Industries Hungary Electronical Mechanical Manufacturing and Trading Limited Liability Company
Philips Innovative Applications

Overseas Fellow Subsidiary Companies:

Philips International B.V.
Philips IPSC Tamasi Kft.
Philips Lighting B.V.
Philips Lighting Bielsko Sp.z.o.o.
Philips Lighting Central America, Sociedad Anónima de Capital Variable
Philips Lighting Electronics (Shanghai) Co., Ltd.
Philips Lighting Electronics (Xiamen) Co. Ltd.
Philips Lighting Industry (China) Co., Ltd.
Philips Lighting Luminaires (Shanghai) Co., Ltd.
Philips Lighting Maseru Pty. Ltd.
Philips Lighting Poland S.A.
Philips LumiLeds Lighting Company LLC
Philips Malaysia Sdn. Berhad
Philips Medical Systems (Cleveland), Inc.
Philips Medical Systems DMC GmbH
Philips Medical Systems MR, Inc.
Philips Medical Systems Nederland B.V.
Philips Medical Systems Technologies Ltd.
Philips Medizin Systeme Böblingen GmbH
Philips Mexicana, S.A. de C.V.
Philips Peruana S.A.
Philips Polska Sp.z.o.o.
Philips Solid-State Lighting Solutions, Inc.
Philips South Africa (Proprietary) Limited
Philips Taiwan Ltd.
Philips Technologie GmbH
Philips Ultrasound, Inc.
Philips Warehouse & Services B.V.
PT. Philips Indonesia
Respironics, Inc.
Witt Biomedical Corporation

(ii) **Names of the Employee Trusts with whom transactions have taken place during the year:**

Philips Electronics India Ltd Management Staff Provident Fund Trust
Philips India Ltd Superannuation Fund.

(iii) **Directors**

(1) **Executive Directors:**

(i) Mr. Murali Sivaraman *
(ii) Mr. Cornelis J.M.Reuvers **
(iii) Mr. Alexius Collette **
(iv) Mr. Jan Hendrik Gerardus Louwman ***
(v) Mr. Rajeev Chopra ****

* Ceased to be Executive Director w.e.f. February 23, 2011.
** Ceased to be Executive Directors w.e.f. April 1, 2010.
*** Executive Director w.e.f. April 1, 2010.
**** Executive Director w.e.f. January 1, 2011.

(2) **Non-Executive Directors:**

(i) Mr. S.M.Datta
(ii) Mr. S.Venkataramani

Notes to Profit and Loss Account

Amounts in ₹ Mln

(c) NATURE OF TRANSACTIONS	Year ended December 31, 2010 Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	Key Managerial Personnel	Employee Trusts	Year ended December 31, 2009 Holding Company	Subsidiary Companies	Fellow Subsidiary Companies	Key Managerial Personnel	Employee Trusts
PURCHASES										
Goods	—	—	7,482	—	—	—	—	6,565	—	—
Fixed assets	—	—	183	—	—	—	—	97	—	—
Services	2,436	—	118	—	—	1,761	—	591	—	—
Others	21	—	—	—	—	31	—	—	—	—
SALES										
Goods	—	—	468	—	—	—	—	128	—	—
Services	233	—	3,401	—	—	138	—	2,595	—	—
DEPUTATION OF PERSONNEL										
Charge	—	—	3	—	—	—	—	9	—	—
Recovery	—	—	64	—	—	—	—	14	—	—
MANAGERIAL REMUNERATION										
Mr. Murali Sivaraman	—	—	—	33	—	—	—	—	23	—
Mr. Cornelis J.M.Reuvers	—	—	—	7	—	—	—	—	33	—
Mr. Alexius Collette	—	—	—	3	—	—	—	—	18	—
Mr. Jan Hendrik Gerardus Louwman	—	—	—	24	—	—	—	—	—	—
Mr. S. M. Datta	—	—	—	1	—	—	—	—	1	—
Mr. S. Venkataramani	—	—	—	1	—	—	—	—	1	—
FINANCE										
Dividend paid	111	—	—	—	—	122	—	—	—	—
Interest paid	—	—	—	—	—	—	—	1	—	—
Equity buy back	—	—	—	—	—	1,405	—	—	—	—
Interest received	—	—	—	—	—	—	1	—	—	—
Others	—	—	45	—	—	—	—	—	—	—
Inter corporate deposits	—	—	—	—	—	—	30	—	—	—
Contributions to Employees' Benefit Plans	—	—	—	—	249	—	—	—	—	218
OUTSTANDINGS										
Payable	510	—	1,760	—	19	196	—	1,778	—	18
Receivable	213	—	648	—	—	53	—	108	—	—

Amounts in ₹ Mln

Relationship / Name of the related party	Description of the nature of transaction	Value of the transactions 2010*	2009*
(i) Fellow subsidiary Companies:			
Philips & Yaming Lighting Co., Ltd.	Purchase of goods	—	776
Philips Electronics Singapore Pte Ltd	Purchase of goods	—	1,278
Philips Electronics Hong Kong Limited	Purchase of goods	3,223	2,462
Philips Electronics Vietnam Limited	Purchase of fixed assets	39	—
Philips Innovative Applications	Purchase of fixed assets	—	22
Philips Lighting Poland SA	Purchase of fixed assets	20	19
Philips Lighting BV	Purchase of fixed assets	75	48
Philips Electronics Hong Kong Limited	Purchase of services	—	—
Philips Electronics Nederland BV	Purchase of services	69	522
Philips Electronics Singapore Pte Ltd	Purchase of services	25	—
Philips Argentina Sociedad Anónima	Sale of goods	164	—
Philips Electronics Singapore Pte Ltd	Sale of goods	—	42
Philips Consumer Lifestyle B.V.	Sale of goods	—	18
Philips Export B.V.	Sale of goods	—	13
Philips Medical Systems Nederland B.V.	Sale of goods	87	—
Philips Mexicana, S.A. de C.V.	Sale of goods	50	—
PT Philips Indonesia	Sale of goods	—	14
Philips Electronics Hong Kong Limited	Sale of services	237	—
Philips Electronics Nederland BV	Sale of services	2,899	2,331
Philips Consumer Lifestyle B.V.	Sale of services	—	8
Respironics, Inc.	Sale of services	—	12
Philips Electronics Nederland BV	Deputation charge	1	4
Philips Electronics Singapore Pte Ltd	Deputation charge	—	1
Philips Electronics UK Limited	Deputation charge	—	3
Philips Industries Hungary Electronical Mechanical Manufacturing and Trading Limited Liability Company	Deputation charge	1	—
Philips Medical Systems DMC GmbH	Deputation charge	1	—
Philips Consumer Lifestyle B.V.	Deputation recovery	—	2
Philips Electronics Hong Kong Limited	Deputation recovery	—	2
Philips Electronics Nederland BV	Deputation recovery	8	—
Philips Electronics Singapore Pte Ltd	Deputation recovery	—	2
Philips Electronics UK Limited	Deputation recovery	—	4
Philips Medical Systems Nederland B.V.	Deputation recovery	51	—
Philips Electronics Hong Kong Limited	Payable	476	407
Philips Electronics Nederland BV	Payable	—	228
Philips Lighting B.V.	Payable	211	—
Philips Ultrasound, Inc.	Payable	—	45
Philips Consumer Lifestyle B.V.	Receivable	—	21
Philips Electronics Hong Kong Limited	Receivable	82	37
Philips Electronics Nederland B.V.	Receivable	186	—
Philips Electronics Singapore Pte Ltd.	Receivable	—	16
Philips Medical Systems (Cleveland), Inc.	Receivable	77	—
Philips Ultrasound, Inc.	Others	45	1
(ii) Names of the Employee Trusts:			
Philips Electronics India Ltd Management Staff Provident Fund Trust	Contributions	214	185
Philips India Ltd Superannuation Fund.	Contributions	35	33
Philips India Ltd Superannuation Fund.	Payable	—	2
Philips Electronics India Ltd Management Staff Provident Fund Trust	Payable	19	16

* represents transactions with parties which comprise more than 10% of aggregate value of transactions.

Notes to Profit and Loss Account

8 INFORMATION ABOUT BUSINESS SEGMENTS

Amounts in ₹ Mln

Description	Year Ended Dec 31, 2010	Year Ended Dec 31, 2009
(A) PRIMARY SEGMENT INFORMATION:		
(1) SEGMENT REVENUE		
a. Lighting	21,231	16,546
b. Consumer Lifestyle	6,591	9,066
c. Software development services	2,764	2,397
d. Healthcare	6,189	4,397
e. Other segments	19	11
TOTAL	36,794	32,417
(2) INTER SEGMENT REVENUE		
a. Lighting	-	-
b. Consumer Lifestyle	-	-
c. Software development services	-	-
d. Healthcare	-	-
e. Other segments	-	-
TOTAL	-	-
(3) Other unallocable income	208	110
NET SALES AND OTHER OPERATING INCOME (1+3)	37,002	32,527
(4) SEGMENT RESULT		
a. Lighting	1,615	1,976
b. Consumer Lifestyle	(251)	145
c. Software development services	242	300
d. Healthcare	627	(13)
e. Other segments	(2)	(17)
TOTAL	2,231	2,391
(5) Interest	(39)	(51)
(6) Other unallocable expenditure net of income	(741)	(652)
(7) OPERATING PROFIT (4+5+6)	1,451	1,688
(8) Exceptional items		
a. Lighting	-	-
b. Consumer Lifestyle	67	(175)
c. Software development services	-	-
d. Healthcare	-	-
e. Other segments	-	(1)
f. Other unallocable	7	338
TOTAL	74	162
(9) PROFIT BEFORE TAX AND AFTER EXCEPTIONAL ITEMS	1,525	1,850
(10) PRIOR PERIOD EXPENSE	(92)	-
(11) PROFIT BEFORE TAX	1,433	1,850
(1) Fringe benefit tax	-	(24)
(2) Provision for current tax	(498)	(694)
(3) Income tax receivables (net of tax provisions) related to Prior years written off	(57)	-
(4) Deferred tax - Release / (Charge)	11	43
(12) PROFIT AFTER TAX	889	1,175
(B) SECONDARY SEGMENT INFORMATION:		
Revenue		
a. Within India	32,952	29,860
b. Outside India	4,050	2,667
TOTAL	37,002	32,527
Capital Expenditure		
a. Within India	856	1,276
b. Outside India	-	-
TOTAL	856	1,276

Description	Year Ended Dec 31, 2010	Year Ended Dec 31, 2009
OTHER INFORMATION		
(13) SEGMENT ASSETS		
a. Lighting	7,754	7,116
b. Consumer Lifestyle	1,842	2,615
c. Software development services	600	500
d. Healthcare	4,373	2,463
e. Other segments	6	10
f. Other unallocable	3,620	3,647
TOTAL	18,195	16,351
(14) SEGMENT LIABILITIES		
a. Lighting	4,565	4,119
b. Consumer Lifestyle	909	1,205
c. Software development services	600	389
d. Healthcare	3,085	2,315
e. Other segments	10	16
f. Other unallocable	1,170	1,040
TOTAL	10,339	9,084
(15) CAPITAL EXPENDITURE *		
a. Lighting	583	786
b. Consumer Lifestyle	11	34
c. Software development services	57	62
d. Healthcare	118	25
e. Other segments	-	1
f. Other unallocable	87	368
TOTAL	856	1,276
(16) DEPRECIATION/AMORTISATION		
a. Lighting	(307)	(279)
b. Consumer Lifestyle	(28)	(35)
c. Software development services	(44)	(67)
d. Healthcare	(141)	(79)
e. Other segments	(1)	(2)
f. Other unallocable	(233)	(245)
TOTAL	(754)	(707)
(17) Non-cash expenses other than depreciation/amortisation		
a. Lighting	(31)	(15)
b. Consumer Lifestyle	(3)	(6)
c. Software development services	(11)	(1)
d. Healthcare	(70)	(63)
e. Other segments	(1)	-
f. Other unallocable	(6)	-
TOTAL	(122)	(85)
Assets		
a. Within India	17,120	16,194
b. Outside India	1,075	157
TOTAL	18,195	16,351

Segment figures of "Healthcare" for the current year are not comparable with those of prior year in view of the amalgamation (refer Note 14 to Profit & Loss Account)
* Previous year figure does not include effect of movement in Capital work-in-progress.

The secondary segment revenue and assets in the geographical segments considered for disclosure are as follows:

(1) Revenue and assets within India.

(2) Revenue and assets outside India.

Amounts in ₹ Mln

(C) OTHER DISCLOSURES:

Inter segment revenue / result:

- Inter-segment revenue has been recognised at competitive prices.
- Allocation of corporate expenses to other segments is at cost.
- All profits / losses on inter segment transfers are eliminated at Company level.

Types of products and services in each business segment:

Business Segments	Type of products / services
a. Lighting	Lamps, Glass shells, Fittings, Accessories for fittings, Electronic HF Ballasts, Glass tubings and Modular Switches
b. Consumer Lifestyle	Portable systems, Home cinema systems, Television receivers, Domestic Appliances
c. Software development services	Development of embedded software
d. Healthcare	Medical electronics equipments
e. Other segments	Philips Design

	Year ended December 31, 2010		Year ended December 31, 2009	
9. CONSUMPTION OF RAW MATERIALS AND SPARES	% of total consumption	₹	% of total consumption	₹
Raw materials:				
Imported	30.4	1,015	33.6	856
Indigenous	69.6	2,329	66.4	1,693
Spares:				
Imported	17.6	28	22.0	28
Indigenous	82.4	131	78.0	99
10 INCOME AND EXPENDITURE IN FOREIGN EXCHANGE AND DIVIDEND REMITTANCE				
Income				
Exports at F.O.B. including ₹312 (Previous year - ₹11) through rupee trade arrangements		1,033		482
Service revenue		3,017		2,580
Expenditure				
Management support service fees		2,043		1,486
Research and development service fees		393		275
Consultation fees and professional charges, etc		53		502
Others		207		153
Dividend remittance				
Number of equity shares held on which dividend was remitted		55,290,242		61,094,012
Period to which dividend relates to		January-December'09		January-December'08
Number of non-resident shareholders		2		2
Amount remitted		111		122
Imports at C.I.F.				
Raw materials		1,038		698
Spares		28		28
Capital goods		324		250

11 EXCEPTIONAL ITEMS INCLUDE:

(a) **₹7** (Previous year - ₹342) - Profit on sale of property.

(b) Pursuant to restructuring of "Consumer Lifestyle" segment operations

(i) **₹4** (Previous year - Charge ₹46) release of provision no longer required, created during the previous year for inventory write down to the realizable value.

(ii) **₹63** (Previous year - Charge ₹129) release of provision no longer required, created during the previous year for expenses in connection with restructuring.

(c) **Nil** (Previous year - ₹5) - Employees' Voluntary Retirement Scheme.

Notes to Profit and Loss Account

Amounts in ₹ Mln

12 The Company uses forward exchange contracts to hedge its exposure in foreign currency. The information on forward contracts is as follows:

(a) Forward contracts outstanding as at 31 December 2010

Details	USD Currency				Euro Currency			
	As at Dec 31, 2010		As at Dec 31, 2009		As at Dec 31, 2010		As at Dec 31, 2009	
	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)
Receivables	-	-	-	-	-	-	-	-
Payables	51.55	1,130.20	593.90	8,843.23	144.12	2,401.75	-	-

(b) Foreign exchange currency exposures not covered by Forward Contracts as at December 31, 2010

Details	As at Dec 31, 2010		As at Dec 31, 2009		As at Dec 31, 2010		As at Dec 31, 2009	
	USD Exposure				Euro Exposure			
	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)
Receivables	297.58	6,641.00	91.27	1,956.94	386.41	6,460.55	7.50	111.72
Payables	1,249.41	27,902.57	1,202.60	25,784.76	838.42	14,025.93	576.54	8,584.66

Details	SGD Exposure				DKK Exposure			
	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)
Receivables	-	-	-	-	-	-	-	-
Payables	0.14	4.05	5.05	151.75	0.29	36.23	-	-

Details	AUD Exposure				GBP Exposure			
	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)
Receivables	-	-	-	-	-	-	-	-
Payables	3.15	68.99	2.77	65.97	2.50	36.06	3.55	47.21

Details	HKD Exposure				CAD Exposure			
	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)	INR	FC (in 000s)
Receivables	-	-	-	-	-	-	-	-
Payables	-	-	0.18	29.87	5.33	118.79	-	-

Details	BRL Exposure			
	INR	FC (in 000s)	INR	FC (in 000s)
Receivables	-	-	-	-
Payables	4.35	161.04	-	-

Amounts in ₹ Mln

13 Employees' Share-based Payments:

Certain employees of the company are eligible for stock options granted by the Holding Company ("KPENV"). In conformity with the guidance note on "Accounting for Employee Share-based Payments" notified in the Companies (Accounting Standards) Rules, 2006 in respect of the grants made on or after 01 April 2005, the following disclosures are made:

(a) Method adopted for valuation:

Stock compensation expenses under the "Fair Value Method" are determined based on the "Fair Value of the Options" and amortised over the vesting period. The "Fair Value of the Options" is determined using "Black-Scholes" option pricing model.

(b) Nature and extent of Employee Share-based Payment Plans:

As from 2003 onwards, the Holding Company (KPENV) issued restricted share rights that vest in equal annual installments over a three-year period. Restricted shares are KPENV's shares that the grantee will receive in three successive years, provided the grantee is still with the Company on the respective delivery dates. If the grantee still holds the shares after three years from the delivery date, Philips will grant 20% additional (premium) shares, provided the grantee is still with Philips. As from 2002, the Holding Company granted fixed stock options that expire after 10 years. Generally, the options vest after 3 years; however, a limited number of options granted to certain employees of acquired businesses contain accelerated vesting. In prior years, fixed and variable (performance) options were issued with terms of ten years, vesting one to three years after grant.

(c) Number and exercise price of Stock Options (EUR)

Grant Date	Exercise Price (in Euros)	Outstanding as at 01.01.2010	Grants	Cancellation	Transfer in / (out)	Exercise	Outstanding as at 31.12.2010	Exercisable
February 17, 2000	42.03	10,500	-	(10,500)	-	-	-	-
April 19, 2000	45.90	4,900	-	(11,900)	7,000	-	-	-
October 17, 2000	42.90	16,985	-	(14,885)	(2,100)	-	-	-
February 8, 2001	37.60	17,938	-	-	(7,438)	-	10,500	10,500
April 17, 2001	29.14	19,694	-	(2,450)	(4,488)	-	12,756	12,756
October 16, 2001	24.35	5,250	-	-	(4,000)	-	1,250	1,250
February 7, 2002	30.17	22,080	-	-	(7,200)	-	14,880	14,880
April 16, 2002	34.78	20,676	-	(1,872)	(3,852)	-	14,952	14,952
April 15, 2003	16.77	12,861	-	-	(3,006)	(2,574)	7,281	7,281
April 13, 2004	24.13	16,956	-	(315)	(6,471)	(531)	9,639	9,639
April 18, 2005	19.41	22,860	-	162	(8,406)	(1,728)	12,888	12,888
October 17, 2005	21.64	1,197	-	-	-	-	1,197	1,197
April 18, 2006	26.28	31,086	-	(1,368)	(10,089)	(306)	19,323	19,323
April 16, 2007	30.96	30,339	-	(2,583)	(12,051)	-	15,705	15,705
October 15, 2007	30.33	720	-	-	(720)	-	-	-
January 21, 2008	24.18	23,800	-	-	-	-	23,800	-
April 14, 2008	23.11	40,671	-	(4,032)	(13,932)	-	22,707	-
July 14, 2008	20.67	1,800	-	-	-	-	1,800	-
April 14, 2009	12.63	33,600	-	(4,800)	(9,300)	-	19,500	-
April 19, 2010	24.90	-	23,292	(4,716)	-	-	18,576	-
July 19, 2010	24.01	-	7,125	-	-	-	7,125	-
October 18, 2010	22.88	-	2,850	-	-	-	2,850	-
		333,913	**33,267**	**(59,259)**	**(86,053)**	**(5,139)**	**216,729**	**120,371**
Prior Year		351,763	33,600	(42,398)	(9,052)	-	333,913	202,983

(d) Number and exercise price of Stock Options (USD)

Grant Date	Exercise Price (in USD)	Outstanding as at 01.01.2010	Grants	Cancellation	Transfer in / (out)	Exercise	Outstanding as at 31.12.2010	Exercisable
February 8, 2001	34.50	-	-	-	350	-	350	350
April 17, 2001	25.68	-	-	-	1,750	-	1,750	1,750
April 16, 2002	30.70	720	-	-	5,400	-	6,120	6,120
April 16, 2007	41.95	-	-	-	333	-	333	333
		720	**-**	**-**	**7,833**	**-**	**8,553**	**8,553**
Prior Year		41,507	-	(23,788)	(24,316)	7,317	720	720

Notes to Profit and Loss Account

Amounts in ₹ Mln

(e) **Number and weighted average fair value of Restricted Shares:**

Grant Date	Weighted average grant-date fair value of the share (in Euros)	Outstanding as at 01.01.2010	Grants	Cancellation	Transfer in / (out)	Delivered	Outstanding as at 31.12.2010
April 16, 2007	29.30	3,371	-	(103)	(1,265)	(2,003)	-
October 15, 2007	28.51	79	-	-	(79)	-	-
January 21, 2008	22.22	1,400	-	-	-	(700)	700
April 14, 2008	21.15	9,038	-	(548)	(3,096)	(2,871)	2,523
July 14, 2008	18.20	400	-	-	-	(200)	200
April 14, 2009	10.93	9,000	-	(952)	(2,481)	(2,079)	3,488
April 19, 2010	23.52	-	5,829	(1,182)	-	-	4,647
July 19, 2010	22.63	-	2,375	-	-	-	2,375
October 18, 2010	21.50	-	951	-	-	-	951
		23,288	**9,155**	**(2,785)**	**(6,921)**	**(7,853)**	**14,884**
Prior year		26,300	9,000	(1,715)	2,118	(12,415)	23,288

Restricted shares exclude 20% additional (premium) shares that may be received if shares awarded under the resticted share rights plan are not sold for a three-year period.

(f) **Method and assumptions for arriving at the Fair Value of Restricted Shares:**

The fair value of restricted shares is equal to the Fair Value of the stock at grant date net of the present value of dividends which will not be received up to the vesting date. The expected dividend used is the dividend of the preceding year.

(g) **Details and Key Assumptions of Options Pricing Model used for Fair Valuation of Options granted during the year:**

1. Exercise Price	The stock price of the share at the moment of grant
2. Average Life time	6.5 Years
3. Expected Volatility	30% (Determined on the basis of 5 year historical stock price)
4. Risk free interest rate	2.36%
5. Yield factor	0.039

(h) Expense recognised on account of "Employee Share-Based Payment" is **₹21** (Previous year - ₹31) and carrying liability as at 31.12.2010 is **₹106** (Previous year - ₹99)

14 **Amalgamation of Alpha X-Ray Technologies (India) Private Limited (AXTPL) and Meditronics Healthcare Private Limited (MHPL) with the Company**

(a) Pursuant to the Scheme of Amalgamation of the erstwhile Alpha X-Ray Technologies (India) Private Limited (AXTPL) and Meditronics Healthcare Private Limited (MHPL) with the Company as sanctioned by the Hon'ble High Court Mumbai on February 26, 2010 and filed with the Registrar of Companies on March 26, 2010, the undertakings of AXTPL and MHPL were transferred to and vested in the Company on going concern basis from appointed date of April 1, 2009.

(b) The amalgamation had been accounted for under the "Pooling of Interests" method as prescribed by Accounting Standard (AS) 14 on "Accounting for Amalgamations" notified in the Companies (Accounting Standards) Rules, 2006. Accordingly, the assets, liabilities and reserves of erstwhile AXTPL and MHPL as at April 1, 2009 were taken over at their book values during the previous year.

(c) As provided in the Scheme of Amalgamation, 957,600 and 5,000,000 equity shares of ₹10/- each held in AXTPL and MHPL respectively were cancelled.

(d) Net deficit of ₹888 between the "Investments in AXTPL and MHPL" ₹947 and "Nominal value of Equity Share Capital in AXTPL and MHPL" ₹59 was debited to "General Reserve" in the previous year.

(e) In view of the aforesaid amalgamation with effect from April 1, 2009, the figures for the current year are not comparable to those of the prior year.

Notes to Profit and Loss Account

		Amounts in ₹ Mln	
15	**Earnings per share**	**2010**	2009
	Calculation of earnings per share		
	(a) Number of shares at the beginning of the year	**57,517,242**	63,400,721
	(i) Total number of equity shares outstanding at the end of the year	**57,517,242**	57,517,242
	(ii) Equity shares outstanding till 9 September 2009	—	63,400,721
	(iii) Equity shares outstanding from 10 September 2009 to 31 December 2009	—	57,517,242
	(iv) Weighted average number of equity shares outstanding during the year	**57,517,242**	61,929,851
	(b) Profit after tax attributable to equity share holders	**889**	1,175
	(c) Basic and diluted earnings per share (in ₹)	**15.46**	18.97

16 Expense relates to amount payable for prior years to Philips Electronics Nederland, B.V.

17 All amounts are in ₹ Million, figures in this annual report below ₹1 million are shown as blank.

18 Fiscal year for the Company being the year ending March 31, 2011, the ultimate tax liability will be determined on the basis of the results for the period April 1, 2010 to March 31, 2011.

19 Prior year's figures have been regrouped, recast and restated where necessary to conform to the current year's classification.

In terms of our report of even date

For B S R & Co.
Chartered Accountants
Registration No: 101248W

VIKRAM ADVANI
Partner
Membership No: 091765

Gurgaon, February 23, 2011

For and on behalf of the Board

Chairman S.M.DATTA

Managing Director RAJEEV CHOPRA

Director JAN HENDRIK GERARDUS LOUWMAN

Secretary R.J.WANI

Notes to Balance Sheet

Amounts in ₹ Mln

	December 31, 2010	December 31, 2009
1 SHARE CAPITAL		
Authorised		
92,000,000 (Previous year - 92,000,000) equity shares of ₹10 each	920	920
20,000,000 (Previous year - 20,000,000) non convertible cumulative redeemable preference shares of ₹10 each	200	200
	1,120	1,120
Issued and subscribed		
57,517,242 (Previous year - 63,400,721) equity shares of ₹10 each, fully paid up	575	634
Less: Nil (Previous year - 5,883,479) equity shares of ₹10 each bought back and extinguished during the year in accordance with Sec 77A of the Companies Act, 1956 (refer note 2 below)	—	59
Add: Forfeited shares (amount paid up)		
57,517,242 (Previous year - 57,517,242) equity shares of ₹10 each, fully paid up	575	575

(1) Of the above:

(a) **55,290,182** (Previous year - 55,290,182) equity shares are held by Koninklijke Philips Electronics N.V.("KPENV"), the ultimate holding company.

(b) **24,757,798** (Previous year - 24,757,798) equity shares were allotted without payment being received in cash, comprising **21,875** (Previous year - 21,875) equity shares allotted pursuant to a contract and **24,735,923** (Previous year - 24,735,923) equity shares allotted pursuant to the schemes of amalgamation in earlier years.

(c) **16,366,000** (Previous year - 16,366,000) bonus shares were issued as fully paid up by capitalisation of reserves in earlier years.

(2) The Company bought back and extinguished **Nil** (Previous year - 5,883,479) equity shares at a price of **₹Nil** (Previous year - ₹242/-) per equity share.

	December 31, 2010	December 31, 2009
2 RESERVES AND SURPLUS		
Capital reserve - amalgamation	168	168
	168	168
Capital reserve - others - (refer note 1 below)	1	1
	1	1
Capital redemption reserve	228	169
Add: Transfer from General reserve (refer note 4 below)	—	59
	228	228
Capital subsidy - (refer note 2 below)	9	9
	9	9
Securities premium	1,153	679
Add: On Amalgamation (refer note 5 below)	—	474
	1,153	1,153
General reserve - as at beginning	2,233	4,409
Add: On amalgamation (refer note 5 below)	—	18
Less: Net Deficit arising on Amalgamation (refer Note 14 to Profit and Loss Account)	—	888
Less: Utilised for buy back of equity shares in accordance with Sec 77 A of the Companies Act, 1956 (refer note 3 below)	—	1,365
Less: Transfer to capital redemption reserve in accordance with Sec 77AA of the Companies Act, 1956 (refer note 4 below)	—	59
Add: Transfer from Profit and Loss Account	89	118
	2,322	2,233
Profit and Loss Account	4,350	3,684
	8,231	7,476

(1) Represents excess amounts received by the erstwhile Philips Medical Systems India Limited (PMSIL) from Philips Medical Systems International BV, which have arisen on account of the change in method of foreign exchange conversion prescribed by the Reserve Bank of India. An application to the Reserve Bank of India had been filed by the erstwhile PMSIL for approval to retain these amounts. Such approval is awaited as at date.

(2) Pertains to land subsidy - **₹6** (Previous year - ₹6) and investment incentive - **₹3** (Previous year - ₹3) received from Punjab State Government in earlier years.

(3) The Company bought back and extinguished **Nil** (Previous year - 5,883,479) equity shares at a price of **₹Nil** (Previous year - ₹242/-) per equity share. The difference between the nominal value and the amount spent for buy back, amounting to **₹Nil** (Previous year - ₹1365) was appropriated from General Reserve.

(4) The Company has transferred **₹Nil** (Previous year - ₹59) representing the nominal value of shares bought back, from General Reserve to Capital Redemption Reserve in accordance with Section 77 AA of the Companies Act, 1956.

(5) Taken over / arising from amalgamation. Refer Note 14 to Profit and Loss Account.

Amounts in ₹ Mln

		December 31, 2010	December 31, 2009
3	**SECURED LOANS**		
	From others - Finance lease	**102**	105
		102	105

Finance lease is secured by underlying assets (Leased Vehicles)
(refer Note 5 to Balance Sheet)

The total minimum lease liability for assets obtained on finance lease is ₹**122** (Previous year - ₹122) which includes interest of ₹**20** (Previous year - ₹17). The maturity profile of finance lease obligation is as follows:

	December 31, 2010	December 31, 2009
Minimum lease payments		
Payable within 1 year	**52**	56
Payable between 1-5 years	**70**	66
Present value		
Payable within 1 year	**41**	47
Payable between 1-5 years	**61**	58

		December 31, 2010	December 31, 2009
4	**UNSECURED LOANS**		
	Others:		
	External Commercial Borrowings	—	23
	Interest accrued and due	—	22
		—	45

5 **FIXED ASSETS**

	Gross block at cost				Depreciation / amortisation				Net block	
	As at beginning	Additions*	Disposals and adjustments	As at end	As at beginning	For the year*	On disposals and adjustments	As at end	As at 31.12.2010	As at 31.12.2009
				(1+2-3)				(5+6-7)	(4-8)	(1-5)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Intangibles										
- Software	20	2		**22**	20	2		**22**		
- Non-compete fees	150	—	—	**150**	40	50	—	**90**	**60**	110
- Goodwill	165	—	—	**165**	30	33	—	**63**	**102**	135
- Brands	230	—	—	**230**	41	46	—	**87**	**143**	189
Land	32	—	—	**32**	—	—	—	**—**	**32**	32
Buildings	782	14	4	**792**	213	25	2	**236**	**556**	569
Leaseholds										
- Land	13	80	—	**93**			—		**93**	13
- Improvements	611	3	11	**603**	357	106	8	**455**	**148**	254
- Vehicles	191	57	49	**199**	90	50	37	**103**	**96**	101
Machinery and equipment	5,081	610	231	**5,460**	3,406	396	210	**3,592**	**1,868**	1,675
Furniture and fittings	495	24	11	**508**	290	45	10	**325**	**183**	205
Vehicles	13	—	3	**10**	9	1	1	**9**	**1**	4
	7,783	**790**	**309**	**8,264**	**4,496**	**754**	**268**	**4,982**	**3,282**	**3,287**
Prior year	6,310	1,721	248	7,783	3,985	725	214	4,496	3,287	

(a) Buildings include property held for sale at net book value - ₹**2** (Previous year - ₹2).

(b) Commitments on capital account - ₹**94** (Previous year - ₹80) net of advances.

(c) Based on expected future cash flows, no impairment provision has been made in the current and previous year.

* Additions to gross block and depreciation for the year includes ₹**Nil** (Previous year - ₹445) and ₹**Nil** (Previous year - ₹18) respectively relating to amalgamation as referred to in Note 14 to Profit and Loss Account

Notes to Balance Sheet

Amounts in ₹ Mln

		December 31, 2010	December 31, 2009
6	**INVESTMENTS**		
	Other investments at cost - unquoted and non-trade		
	Nil (Previous year - 29,861) fully paid equity shares of ₹10 each (amounting to ₹298,610) in **Anyonya Sahayakari Mandali Co-operative Bank Ltd**	—	
	Nil (Previous year - 500) - 5.25% fully paid up bonds of ₹10,000/- each in **Rural Electrification Corporation Limited**	—	5
		—	5
7	**DEFERRED TAX ASSETS - NET**		
	Deferred tax assets		
	Voluntary retirement scheme	3	26
	Retirement benefits	118	122
	Doubtful debts & Loans and advances	122	105
	Others	268	188
		511	441
	Deferred tax liabilities		
	Depreciation	32	89
	Assets given on Finance Lease	116	—
		148	89
		363	352
8	**INVENTORIES**		
	Raw materials	513	421
	Finished goods	2,433	* 2,524
	Work in progress	464	272
	Goods in transit	642	320
	Stores and spare parts	79	71
	* Refer Note 11 (b) (i) to Profit and Loss Account		
		4,131	3,608

Amounts in ₹ Mln

		December 31, 2010	December 31, 2009
9	**SUNDRY DEBTORS**		
	Secured - considered good *		
	Over six months	533	4
	Others	203	230
	Unsecured		
	Considered good		
	Over six months	226	183
	Others	3,199	2,750
	[Include ₹**539** (Previous year - ₹108) due from certain Overseas Companies and ₹**213** (Previous year - ₹53) due from Holding Company as per list given in Note 7 (b) to Profit and Loss Account]		
	- These are all companies under the same management within the meaning of Section 370 (1)(B) of the Companies Act, 1956		
	Considered Doubtful		
	Over six months	254	185
	Others	—	—
		4,415	3,352
	Less : Provision for doubtful debts	254	185
		4,161	3,167

* Secured by hypothecation of underlying assets. This includes finance lease receivables amounting to ₹**349** (Previous year - ₹131) relating to medical equipments leased out on finance lease by the Healthcare division of the Company. The lease term varies up to 7 years. The total minimum lease payments for assets given on finance lease is ₹**488** (Previous year - ₹193) which includes unearned interest of ₹**139** (Previous year - ₹62). The maturity profile of finance lease obligation is as follows:

		December 31, 2010	December 31, 2009
	Minimum lease payments		
	Receivable within 1 year	68	21
	Receivable between 1-5 years	324	116
	Receivable after 5 years	96	56
	Total	488	193
	Present value		
	Receivable within 1 year	32	7
	Receivable between 1-5 years	230	74
	Receivable after 5 years	87	50
	Total	349	131
	Unearned interest	139	62
10	**CASH AND BANK BALANCES**		
	Cash in hand		
	Cheques on hand	1,096	1,083
	With scheduled banks:		
	Current accounts	390	422
	Deposit accounts	2,532	2,746
		4,018	4,251

Notes to Balance Sheet

Amounts in ₹ Mln

		December 31, 2010	December 31, 2009
11	**LOANS AND ADVANCES**		
	Unsecured considered good (unless otherwise stated):		
	Loans and advances recoverable in cash or in kind or for value to be received *	**1,961**	1,736
	[Include ₹**109** (Previous year - ₹Nil) due from certain Overseas Companies as per list given in Note 7 (b) to Profit and Loss Account]		
	- These are all companies under the same management within the meaning of Section 370 (1)(B) of the Companies Act, 1956		
	Maximum amount due at any time during the year		
	- ₹**332** (Previous Year - ₹138) from Philips Ultrasound, Inc.		
	- ₹**84** (Previous Year - ₹6) from Philips Electronics North America Corporation		
	- ₹**152** (Previous Year - ₹72) from Philips Medical Systems (Cleveland), Inc.		
	- ₹**123** (Previous Year - ₹56) from Philips Medizin Systeme Böblingen GmbH		
	- ₹**402** (Previous Year - ₹267) from Philips Medical Systems Nederland B.V.		
	- ₹**33** (Previous Year - ₹Nil) from Philips Medical Systems DMC GmbH		
	- ₹**120** (Previous Year - ₹63) from Philips Electronics Singapore Pte Ltd.		
	Balances with customs, port trust, excise, etc.	**400**	121
	Advance income tax (net of provision)	**1,090**	983
	Advances considered doubtful	**113**	122
		3,564	2,962
	Less : Provision for doubtful loans and advances	**113**	122
		3,451	2,840

* The Company settled its outstanding lease rental obligations under the existing sale and lease back arrangements with the respective lessors. However, the formal transfer of legal ownership rights in favour of the Company is under process. Pending the transfer of legal ownership, the lease margin accounts of concerned lessors amounting to ₹**40** (Previous year - ₹40) have been retained and are included in loans and advances recoverable in cash or in kind or for value to be received.

		December 31, 2010	December 31, 2009
12	**LIABILITIES**		
	Acceptances	**802**	441
	Creditors		
	Micro and Small Enterprises	**1**	1
	Other than Micro and Small Enterprises *#	**7,520**	7,293
	Other Liabilities	**525**	—
	Unpaid / unclaimed dividends	**8**	8
		8,856	7,743

* Previous year figure includes Other Liabilities amounting to ₹390

Includes ₹**52** (Previous year - ₹49) relating to provision towards pending statutory forms

		December 31, 2010	December 31, 2009
13	**PROVISIONS**		
	Proposed dividend	**115**	115
	Tax on proposed dividend	**19**	20
	Provision for taxation (net of advances)	**401**	401
	Retirement benefits (refer Note 13 a)	**370**	369
	Others (refer Note 13 b)	**979**	837
		1,884	1,742

Amounts in ₹ Mln

13 a Disclosure relating to Defined Benefit Plans / Long Term Compensated Absences - As per Actuarial Valuation as on December 31, 2010 and recognised in the financial statements in respect of Retirement Benefits:

Particulars	Gratuity				Leave Encashment		Provident Fund	
	2010		2009		**2010**	2009	**2010**	2009
	Funded	**Unfunded**	Funded	Unfunded				
A. Present value of obligations as at beginning of the year	**141**	**156**	140	151	**145**	143	**1,163**	883
Difference in Opening Projected Benefit Obligation	**—**	**—**	—	—	**—**	—	**—**	* 117
Add: Addition on Amalgamation **	**—**	**—**	—	2	**—**	1	**—**	—
(1) Current service cost	**16**	**16**	16	17	**32**	32	**90**	79
(2) Interest cost	**11**	**9**	11	12	**12**	10	**108**	86
(3) Benefits settled	**(4)**	**(28)**	(9)	(13)	**(25)**	(28)	**(158)**	(100)
(4) Past service cost	**15**	**—**	—	—	**—**	—	**—**	—
(5) Amalgamations	**—**	**—**	—	—	**—**	—	**—**	—
(6) Curtailments	**—**	**—**	—	—	**—**	—	**—**	—
(7) Settlements	**—**	**—**	—	—	**—**	—	**(46)**	(58)
(8) Actuarial (gain) / loss	**(5)**	**3**	(17)	(13)	**1**	(13)	**(16)**	6
(9) Interest guarantee	**—**	**—**	—	—	**—**	—	**—**	—
(10) Employees' contribution	**—**	**—**	—	—	**—**	—	**120**	105
(11) Transfer in	**6**	**(6)**	—	—	**—**	—	**41**	45
Present value of obligations as at end of the year	**180**	**150**	141	156	**165**	145	**1,302**	1,163
B. Change in Plan Assets								
Plan assets as at beginning of the year	**78**	—	54	—	—	—	**1,163**	919
(1) Expected return on plan assets	**6**	—	4	—	—	—	**107**	87
(2) Contributions	**47**	—	28	—	—	—	**—**	—
(3) Benefits settled	**(4)**	—	(9)	—	—	—	**—**	—
(4) Employer and Employee contribution	**—**	—	—	—	—	—	**211**	229
(5) Transfer in	**—**	—	—	—	—	—	**41**	—
(6) Benefit payments	**—**	—	—	—	—	—	**(158)**	(100)
(7) Asset gain / (loss)	**13**	—	1	—	—	—	**(4)**	86
(8) Settlements	**—**	—	—	—	—	—	**(46)**	(58)
(9) Acquisition adjustment	**2**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Plan assets as at end of the year	**142**	**—**	78	—	—	**—**	**1,314**	1,163
Surplus	**—**	**—**	**—**	**—**	**—**	**—**	**12**	0.4

The above surplus of **₹12** (Previous year - ₹0.4) has not been recognised in the financial statements in accordance with Paragraph 59 of Accounting Standard (AS15), Employee Benefits, since the surplus is not available to the Company either in form of refunds or as reduction of future contributions.

* December 2008 valuation was done based on unaudited balance sheet of the PF Trust. Post audit, there were differences in settlements, benefits, interest cost and value of the plan assets and corrected in 2009.

C. Actual return on plan assets	**8**	**—**	4	—	**—**	—	—	—

Notes to Balance Sheet

Amounts in ₹ Mln

Particulars	Gratuity				Leave Encashment		Provident Fund	
	2010		2009		2010	2009	2010	2009
	Funded	Unfunded	Funded	Unfunded				
D. Reconciliation of present value of the obligation and the fair value of the plan assets:								
(1) Present value of obligations at end of the year	**(180)**	**(150)**	(141)	(156)	**(165)**	(145)		
(2) Fair value of Plan assets	**142**	**—**	78	—	**—**	—		
Liability recognised in Balance Sheet	**(38)**	**(150)**	(63)	(156)	**(165)**	(145)		
E. Components of Employer Expense:								
(1) Current service cost	**16**	**16**	16	17	**32**	32		
(2) Interest cost	**11**	**9**	11	12	**12**	10		
(3) Expected return on plan assets(estimated)	**(6)**	**—**	(4)	—	**—**	—		
(4) Curtailments	**—**	**—**	—	—	**—**	—		
(5) Past service cost	**15**	**—**	—	—	**—**	—		
(6) Actuarial (gain) / loss	**(17)**	**3**	(17)	(13)	**1**	(13)		
Total expense recognised in Profit and Loss Account	**19**	**28**	6	16	**45**	29		
The gratuity and leave encashment expenses have been recognised in "Salaries, wages and bonus" under Note # 4 to Profit and Loss Account								
F. Assumptions								
(1) Discount factor	**8.0%**	**8.0%**	7.3%	7.3%	**8.1%**	7.3%		
(2) Estimated rate of return on plan assets	**9.0%**		9.3%					
(3) Mortality	LIC (1994-96) Ultimate		LIC (1994-96) Ultimate					
(4) Disability	None		None					
(5) Salary Increase	9.05%		9%					
(6) Attrition rate	For management grade employees, Upto age 30 - 18% Age 31 - 40 - 14% Thereafter - 12% For Non-management grade employees, Upto age 30 - 8% Age 31 - 40 - 5% Thereafter - 3%		17% for Management, Nil for Others (except erstwhile AXTPL and MHPL) For erstwhile AXTPL, 18% for Management, 20% for Others For erstwhile MHPL, 3% for Management, Nil for Others					
(7) Retirement age	58 years		58 years					

G. Experience Adjustments	Gratuity (Funded)			Gratuity (Unfunded)			Provident Fund		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Defined Benefit Obligations	**180**	141	140	**150**	156	151	**1,302**	1,163	883
Plan Assets	**142**	78	54	**—**	—	—	**1,314**	1,163	919
Surplus/(Deficit)	**(38)**	(63)	(86)	**(150)**	(156)	(151)	**12**	—	36
Experience adjustments on Plan assets/liabilities (gain)/loss	**5**	(17)	(33)	**8**	(13)	(1)	**4**	(86)	(38)

Notes:

1. Plan assets comprise of contribution to Group Gratuity Schemes of Life Insurance Corporation of India in case of gratuity and investments under Philips Electronics India Limited Employees' Provident Fund Plan in case of Provident Fund.
2. Actuarial (gain) / loss is due to change in actuarial assumptions relating to discount rates and increment rates in salary in current year as compared to prior year.
3. The company provides retirement benefits in the form of Provident Fund, Gratuity, Leave Encashment, Superannuation and other benefits. Provident fund contributions made to "Government Administered Provident Fund" are treated as defined contribution plan since the Company has no further obligations beyond it's monthly contributions. Provident Fund contributions made to "Trust" administered by the Company are treated as Defined Benefit Plan. As per actuarial valuation, the trust has surplus fund to cover shortfall, if any, on account of guaranteed interest benefit obligation.
4. The actuarial valuation in respect of gratuity and leave encashment has been done as at end December 31, 2010. In case of Mohali Light factory, Healthcare and Software Centre the gratuity liabilities are provided as per the actuarial valuation and are funded through Group Gratuity Schemes of Life Insurance Corporation of India (LIC) to the extent requested by LIC.

   ** Refer Note 14 to Profit and Loss Account

Amounts in ₹ Mln

13 b Disclosure relating to provisions:

(1) Movement in provisions:

Particulars of disclosure	Class of provisions				
	Replacement guarantee	Legal and regulatory	Personnel related	Other risks	Total
Opening balance	226	306	52	253	**837**
Accruals during the year	317	216	103	63	**699**
Utilisation	(350)	(2)	(81)	(60)	**(493)**
Write back	(1)	—	—	(63)	**(64)**
Closing balance	**192**	**520**	**74**	**193**	**979**

(2) Nature of provisions:

(i) **Provision for replacement guarantee**

The Company provides for the estimated liability on guarantees given on sale of its products based on past performance of such products. The provision represents the expected cost of replacement and free of charge services and it is expected that the expenditure will be incurred over the contractual guarantee period which usually ranges from 6 months to 24 months.

(ii) **Legal and regulatory**

The Company has made provision for taxes and duties relating to cases that are pending assessments before Adjudicating Authorities where possible outflow of resources may arise in future which would depend on the ultimate outcome on conclusion of the cases.

(iii) **Personnel related**

The Company has made provisions in respect of amounts payable to certain employees based on their retention and performance, which are payable over a three year and one year period respectively.

(iv) **Other risks**

This represents provisions created following the accounting concept of conservatism towards possible outflow of resources in respect of:

a. Obligations amounting to **₹6** (Previous year - ₹129) arising through contractual terms or otherwise in respect of anticipated costs arising from the realignment of product portfolio within the Consumer Lifestyle business segment and

b. Provision towards defective lamps **₹118** (Previous year - ₹71)

c. Other claims against the Company amounting to **₹69** (Previous year - ₹53)

14 **Contingent liabilities**

(a) Claims not acknowledged as debts by the Company - **₹253** (Previous year - ₹32).

(b) In respect of disputed excise demands - **₹346** (Previous year - ₹162), income tax demands - **₹635** (Previous year - ₹518) and service tax demands - **₹375** (Previous year - ₹328).

(c) In respect of suppliers' / customers' demands and certain tenancy / customs / sales tax / service tax disputes for which the liability is not ascertainable.

The Company does not expect any reimbursements in respect of the above contingent liabilities. It is not practicable to estimate the timing of cash outflows, if any, in respect of (a), (b) and (c) above pending resolution of the legal proceedings.

15 The Company has identified enterprises which have provided goods and services and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at December 31, 2010 has been made in Note 12 to the balance sheet. The details of overdue amount and interest payable are set out below.

	Description	Dec 31, 2010	Dec 31, 2009
(i)	a) Principal amount remaining unpaid to any supplier as at the end of the year	1	1
	b) Interest due on the above amount		—
(ii)	Amount of interest paid in terms of section 16 of the Micro, Small and Medium Enterprises Act, 2006 and amounts of payment made to the suppliers beyond the appointed day during the year.	—	—
(iii)	Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under this Act.	—	—
(iv)	Amount of interest accrued and remaining unpaid at the end of the year.	—	—
(v)	Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises.	—	—

16 All amounts are in ₹ Million, figures in this annual report below ₹1 million are shown as blank.

17 Prior year's figures have been regrouped, recast and restated where necessary to conform to the current year's classification.

	In terms of our report of even date	For and on behalf of the Board	
	For B S R & Co. Chartered Accountants	Chairman	S.M.DATTA
	Registration No: 101248W	Managing Director	RAJEEV CHOPRA
	VIKRAM ADVANI Partner	Director	JAN HENDRIK GERARDUS LOUWMAN
Gurgaon, February 23, 2011	Membership No: 091765	Secretary	R.J.WANI

Notes to Balance Sheet

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	21-06663			State Code	21
Balance Sheet Date	31	12	2010		
	Date	Month	Year		

II. Capital raised during the year (Amounts in ₹ '000)

Public Issue	Rights Issue
Nil	Nil
Bonus Issue	Private Placement
Nil	Nil

III. Position of Mobilisation and Deployment of Funds (Amounts in ₹ '000)

Total Liabilities	Total Assets
19,647,040	19,647,040

Sources of Funds

Paid-up capital	Reserves & Surplus
575,537	8,363,886
Secured Loans	Unsecured Loans
102,028	Nil

Application of Funds

Net Fixed Assets	Investments
3,524,504	Nil
Net current assets	Misc. expenditure
5,154,325	Nil
Accumulated losses	Deferred tax assets - net
Nil	362,622

IV. Performance of Company (Amounts in ₹ '000)

Total income	Total expenditure
37,157,631	35,724,370
Profit before tax	Profit after tax
1,433,262	888,570
Earning per share in ₹	Dividend rate %
15.46	20

V. Generic Names of Three Principal Products / Services of Company

Item Code No. (ITC Code)	8539
Product description	Lamps
Item Code No. (ITC Code)	HSN 94 05
Product description	Lamps Fittings
Item Code No. (ITC Code)	9018 13 00
Product description	Diagnostic imaging equipments

For and on behalf of the Board

Chairman S.M.DATTA

Managing Director RAJEEV CHOPRA

Director JAN HENDRIK GERARDUS LOUWMAN

Secretary R.J.WANI

Gurgaon, February 23, 2011

Cash Flow Statement for the year ended December 31, 2010

Amounts in ₹ Mln

		Year ended December 31,2010		Year ended December 31,2009	
A.	**Cash flow from operating activities**				
	Profit before tax		1,433		1,850
	Exceptional items		(74)		(162)
	Net profit before tax and exceptional items		1,359		1,688
	Adjusted for				
	(Profit) / loss on sale of fixed assets	(30)		(1)	
	Write off / other adjustment of fixed assets	14		19	
	Depreciation / Amortisation (net)	754		707	
	Unrealised foreign exchange (gain) / loss (net)	34		(13)	
	Provision for doubtful debts, loans and advances	74		80	
	Liabilities no longer required written back	(34)		(9)	
	Interest received	(131)		(137)	
	Interest charged	39	720	51	697
	Operating profit before working capital changes		2,079		2,385
	Changes in:				
	Trade and other receivables	(1,620)		(386)	
	Inventories	(519)		(707)	
	Trade payables / other liabilities	1,280	(859)	1,618	525
	Cash generated from operations		1,220		2,910
	Net Income Tax paid		(655)		(888)
	Net cash flow before exceptional items		565		2,022
	Employees' Voluntary retirement scheme		—		(4)
	NET CASH FROM OPERATING ACTIVITIES		565		2,018
B.	**Cash flow from investing activities**				
	Purchase of fixed assets		(821)		(962)
	Proceeds from sale of fixed assets		64		357
	Proceeds from sale of investments		5		—
	Investment in subsidiaries (refer Note 14 to Profit and Loss Account)		—		(729)
	Interest received		128		147
	NET CASH USED IN INVESTING ACTIVITIES		(624)		(1,187)
C.	**Cash flow from financing activities**				
	Interest paid		(37)		(48)
	Redemption of equity share capital		—		(1,424)
	Repayment of long term borrowings		(59)		—
	Proceeds from long term borrowings		57		—
	Dividend paid (including tax thereon)		(135)		(141)
	NET CASH USED IN FINANCING ACTIVITIES		(174)		(1,613)
	DECREASE IN CASH & CASH EQUIVALENTS (A+B+C)		(233)		(782)
	CASH & CASH EQUIVALENTS - OPENING BALANCE				
	Cash & Bank Balances (refer to Note 10 of Balance Sheet)		4,251		5,060
	Inter Corporate Deposits		—		20
	TOTAL		4,251		5,080
	Cash & Cash Equivalents taken over on amalgamation		—		13
	Inter Corporate deposits extinguished on amalgamation		—		(60)
	CASH & CASH EQUIVALENTS - CLOSING BALANCE				
	Cash & Bank Balances (refer to Note 10 of Balance Sheet)		4,018		4,251
	TOTAL		4,018		4,251

Note: (1) The amalgamation of erstwhile AXTPL & MHPL with the Company is a non-cash transaction.
(2) In view of the amalgamation (refer Note 14 to Profit and Loss Account), the figures for the current year are not comparable with those of prior year.

In terms of our report of even date

For B S R & Co.
Chartered Accountants
Registration No: 101248W

VIKRAM ADVANI
Partner
Membership No: 091765

Gurgaon, February 23, 2011

For and on behalf of the Board

Chairman S.M.DATTA

Managing Director RAJEEV CHOPRA

Director JAN HENDRIK GERARDUS LOUWMAN

Secretary R.J.WANI

TEN YEAR REVIEW

Amounts in ₹ Mln

PARTICULARS	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Income and Dividends										
Sales	15,256	16,019	16,367	23,637	28,389	26,486	28,906	31,356	32,656	37,249
Operating profit	387	1,080	1,257	1,425	1,057	1,485	2,456	1,900	1,688	1,451
As percentage of sales	2.5	6.7	7.7	6.0	3.7	5.6	8.5	6.1	5.2	3.9
Profit / (Loss) before tax	(401)	1,227	1,050	1,492	983	3,029	2,894	2,106	1,850	1,433
As percentage of sales	(2.6)	7.7	6.4	6.3	3.5	11.4	10.0	6.7	5.7	3.8
Profit / (Loss) after tax	(211)	1,043	671	1,029	807	2,130	1,903	1,351	1,175	889
As percentage of sales	(1.4)	6.5	4.1	4.4	2.8	8.0	6.6	4.3	3.6	2.4
As percentage of net worth	(13.4)	32.9	18.5	20.5	14.1	27.7	20.2	15.3	14.6	10.1
Earnings per share (₹)	(4.65)	17.75	11.32	15.43	11.49	30.32	27.08	19.71	18.97	15.46
Dividend per equity share (₹)	—	1.5	1.5	1.5	1.5	2.0	2.0	2.0	2.0	2.0
Assets and Liabilities										
Net fixed assets	1,462	2,951	2,650	2,837	2,871	2,661	2,694	2,825	3,463	3,524
Investments	161	7	11	11	11	11	16	442	5	-
Deferred tax assets - net	313	159	117	189	268	254	240	296	352	363
Inventories	1,004	1,349	1,608	2,519	2,243	1,902	2,255	2,849	3,608	4,131
Debtors, loans & advances and cash & bank balances	2,261	2,988	3,442	5,905	6,417	9,264	11,297	10,072	10,258	11,630
Current liabilities & provisions	2,968	3,803	4,041	6,309	5,983	6,307	6,951	7,493	9,485	10,740
Net current assets	297	534	1,009	2,115	2,677	4,859	6,601	5,428	4,381	5,021
Net Investment	2,233	3,651	3,787	5,152	5,827	7,785	9,551	8,991	8,201	8,908
Represented by										
Equity share capital	455	455	582	582	703	703	703	634	575	575
Share capital suspense	-	226	-	121	-	-	-	-	-	-
Revaluation reserve	99	107	74	71	31	17	-	-	-	-
Other reserves	1,018	2,383	2,968	4,255	4,974	6,957	8,709	8,197	7,476	8,231
Shareholders' interest (net worth)	1,572	3,171	3,624	5,029	5,708	7,677	9,412	8,831	8,051	8,806
Debentures	-	83	-	-	-	-	-	-	-	-
Loans	661	397	163	123	119	108	139	160	150	102
Total	2,233	3,651	3,787	5,152	5,827	7,785	9,551	8,991	8,201	8,908
General										
Exports (F.O.B)	355	243	331	712	1,011	454	330	418	482	1,033
Salaries, bonus & staff welfare (excluding V.R.S)	1,036	1,085	1,170	2,176	3,016	3,268	2,635	3,019	3,311	4,075
Debt : Equity Ratio	30:70	13:87	4:96	2:98	2:98	1:99	1:99	2:98	2:98	1:99
Number of employees at year end	2,410	3,403	2,788	3,986	3,952	3,440	3,135	3,317	3,775	4,762

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