Tridonic UK Limited

Annual report and financial statements

Registered number 00887600

30 April 2017

Contents

Officers and professional advisers

Directors
Richard Charles Strode
David Barnby
Patrick Macdonald

Company Secretary
Simon Steele

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Chineham Business Park
Crockford Lane
Chineham
Basingstoke
Hampshire
RG24 8LB

Bankers
Barclays Bank PLC
8 Market Place
Basingstoke
Hampshire
RG21 7QA

Independent Auditor
KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Strategic report

The directors present their strategic report for the year ended 30 April 2017.

Principal activities

The principal activity of the company during the year was the manufacture and supply of components for light fittings.

Business model

The primary routes to market continue to be through OEM (Original Equipment Manufacturer), Wholesale and Distribution channels. The OEM channel constitutes the most significant proportion of sales. Tridonic deploys a Key Account Management strategy to ensure effective coverage and prioritisation of target accounts.

To support OEM market penetration Tridonic has developed a segment approach with primary focus on Retail, Hospitality, Office and Education. This model is designed to ensure a full understanding of the specific needs of the end user customers from a lighting specification stand point and from an energy efficiency and performance perspective. To support this approach Tridonic have invested in a Solutions Sales Manager to focus solely on end user customers to help create a stronger pull for our products and solutions through our defined channels and to ensure the product development roadmap is aligned with the specific market need.

Business review

Performance

The company's profit for the year after taxation amounted to £3,844,000 *(2016: £2,253,000)*. Interim dividend paid during the year amounted to £2,100,000 *(2016: £8,000,000)*

On the whole the year was quite challenging and whilst sales were down against budget we still saw significant turnover and gross profit growth compared with 2016. This was against a back drop of increased price pressure due to stiff competition from higher volumes of imported fixtures and UK OEMs moving their manufacturing offshore which was compounded by the commoditisation of the LED module business. To address this, Tridonic have continued to develop the product portfolio and cost control has been a major focus supported by several global programmes directed at designing cost out through product design and optimisation and by looking at production on a 'Local for local' basis to reduce logistical costs and reduce inventory. The impact of Brexit compounded by the election has definitely seen projects cancelled, descaled or delayed in many private sector areas, Retail being a case in point and a major target market for Tridonic. If the delay in new construction projects continues then the focus will revert to the retrofit market which is not as sensitive to high capital investment. Tridonic are well positioned to exploit this opportunity with a strong portfolio of 'Ready to use' products and with a strategy targeted at the end user customer which offsets our dependence on the OEM channel.

Technology has also played a major part in the evolution of the lighting industry over the last ten years. Firstly, with the advent of LED and more recently with IP connected lighting we have enjoyed huge success and have now launched a new IPv6 Connected Lighting platform enabling us to exploit the IOT (Internet of things) giving us a compelling business case to target the end user community directly or as part of a solutions based ECO system.

In short, Tridonic remains at the forefront of the industry and new product development remains a key feature of our approach, particularly in an industry of reduced product life cycles and increasing complexity. To help facilitate this approach, investment in people and processes continues to be an essential focus for the business as the market moves towards increasingly advanced and integrated solutions. Ensuring we have the necessary skills and experiences in our people is an intrinsic feature of our strategic approach to lighting, allowing us to differentiate our products by providing excellent customer service with our business partners.

Strategic report *(continued)*

Business review *(continued)*

Measurement

Key performance indicators (KPIs) for the business in current and preceding years are:

	2017	2016
Turnover (£000)	**84,671**	81,088
Percentage change from prior year	*4.4%*	*3.6%*
Gross profit (£000)	**8,378**	7,420
Gross profit as a percentage of turnover	*9.9%*	*9.2%*
Inventories (£000)	**8,932**	8,771
Trade receivables from third parties (£000)	**3,793**	4,004
Trade payables to third parties (£000)	**(3,418)**	(3,637)
Working capital (£000)	**9,307**	9,138
Working capital as a percentage of turnover	*11%*	*11.3%*

The directors do not consider that there are appropriate non-financial KPIs relevant to the understanding of the business and therefore none are disclosed.

Principal risks and uncertainties

The company is exposed to financial risk through its financial assets and liabilities. It is also exposed to product lifecycle and product shift changes.

The primary product risks are due to potential market saturation in the LED product market leading to commoditisation and lower prices. As new lighting technologies move forward the reduction in volumes of traditional products is a further risk. Additionally due to the speed of the development cycle there is a higher risk of inventory obsolescence for previous generation products. Having identified these risks they are subject to increased scrutiny by supply chain management.

The company continues to make significant investment in the development of new, value add products, to mitigate the impact of the risks indicated above.

The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk relate to interest rates, currency, credit, liquidity, cash flow and price risk. Due to the nature of the company's business and the assets and liabilities contained within the company's balance sheet the only financial risks the directors consider relevant to this company are credit risk, liquidity risk and currency risk. The first two risks are mitigated by the nature of the debtor balances owed, who are able to repay if required and the debtor insurance policy currently in place. The currency risk is mitigated by the use of forward exchange contracts (see note 14).

Strategic report *(continued)*

Business review *(continued)*

Future developments

The market continues to shift away from existing electronic based lighting components towards newer LED based lighting solutions and control systems. The advent of IP (Internet Protocol) based technology and cloud solutions is also becoming more prevalent within the lighting industry and will undoubtedly form the basis of future developments within the widely referred IOT (Internet of Things) explosion. This trend is expected to increase as the industry seeks to provide ever more energy and cost efficient solutions.

By order of the board

R C Strode
Director

7 Lindenwood
Chineham Business Park
Crockford Lane
Chineham
Basingstoke
Hampshire
RG24 8LB

29 September 2017

Directors' report

The directors present their directors' report and financial statements for the year ended 30 April 2017.

Proposed dividend

Dividends paid during the year comprise an interim dividend in respect of the year ended 30 April 2017 of £2,100,000 *(2016: £8,000,000).*

The directors do not recommend the payment of a final dividend *(2016: £nil).*

Directors

The directors who held office during the year were as follows:

R C Strode	
D Barnby	
A Waugh	(resigned 8 December 2016)
P Macdonald	(appointed 8 December 2016)

Political contributions

The company made no political donations or incurred any political expenditure during the year *(2016: £nil).*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to ensure that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

By order of the board

R C Strode
Director

7 Lindenwood
Chineham Business Park
Crockford Lane
Chineham
Basingstoke
Hampshire
RG24 8LB

29 September 2017

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of Tridonic UK Limited

We have audited the financial statements of Tridonic UK Limited for the year ended 30 April 2017 set out on pages 9 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006

Independent auditor's report to the members of Tridonic UK Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Moran (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

29 September 2017

Profit and Loss Account and Other Comprehensive Income

for the year ended 30 April 2017

	Note	2017 £000	2016 £000
Turnover	2	**84,671**	81,088
Cost of sales		**(76,293)**	(73,668)
Gross profit		**8,378**	7,420
Distribution costs		**(680)**	(692)
Administrative expenses		**(3,245)**	(3,668)
Other operating income		**37**	135
Operating profit		**4,490**	3,195
Other interest receivable and similar income	6	**221**	21
Interest payable and similar expenses	7	**(64)**	(384)
Profit before taxation	3-5	**4,647**	2,832
Tax on profit	8	**(803)**	(579)
Profit for the financial year	19	**3,844**	2,253
Other comprehensive income		-	-
Total comprehensive income for the year		**3,844**	2,253

Balance Sheet
at 30 April 2017

	Note	2017		2016	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*9*		**-**		-
Tangible assets	*10*		**4,961**		5,254
			4,961		5,254
Current assets					
Stocks	*11*	**8,932**		8,771	
Debtors	*12*	**17,329**		15,978	
Cash at bank and in hand		**1,198**		537	
		27,459		25,286	
Creditors: amounts falling due within one year	*13*	**(14,170)**		(13,446)	
Net current assets			**13,289**		11,840
Total assets less current liabilities			**18,250**		17,094
Provisions for liabilities	*16*		**(1,264)**		(1,852)
Net assets			**16,986**		15,242
Capital and reserves					
Called up share capital	*18*		**8,789**		8,789
Profit and loss account	*19*		**8,197**		6,453
Shareholders' funds			**16,986**		15,242

These financial statements were approved by the board of directors on 29 September 2017 and were signed on its behalf by:

R C Strode
Director

Company registered number: 00887600

Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total £000
Balance at 1 May 2015	8,789	12,200	20,989
Total comprehensive income for the year			
Profit for the year	-	2,253	2,253
Transactions with owners, recorded directly in equity			
Dividends	-	(8,000)	(8,000)
Balance at 30 April 2016	8,789	6,453	15,242
Balance at 1 May 2016	8,789	6,453	15,242
Total comprehensive income for the year			
Profit for the year	-	3,844	3,844
Transactions with owners, recorded directly in equity			
Dividends	-	(2,100)	(2,100)
Balance at 30 April 2017	**8,789**	**8,197**	**16,986**

Notes
(forming part of the financial statements)

1 Accounting policies

Tridonic UK Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Zumtobel Group AG includes the Company in its consolidated financial statements. The consolidated financial statements of Zumtobel Group AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address outlined in note 21.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Zumtobel Group AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Critical accounting estimates and judgements

In the preparation of the financial statements, it is necessary for the management of the Company to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

Notes *(continued)*

1 Accounting policies *(continued)*

Critical accounting estimates and judgements (continued)

Stock provisioning - the Company designs, manufactures and sells products which are subject to changing technological advances. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 11 for the net carrying amount of the inventory and associated provision.

Impairment of debtors - the Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 12 for the net carrying amount of the debtors and associated impairment provision.

Provisions - provision is made for warranty costs. This provision require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

Going concern

Further information on the company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. The company has net assets of £17.0 million at the year end and recorded a profit for the year of £3.8 million. The company meets its day to day working capital requirements through its positive cash balances and has no external debts.

The directors therefore have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they believe that it remains appropriate to prepare the financial statements on a going concern basis.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

1 Accounting policies *(continued)*

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	-	over the period of the lease
Computer equipment	-	2 to 4 years
Plant and machinery	-	5 to 10 years
Fixtures and fittings	-	5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes *(continued)*

1 Accounting policies *(continued)*

Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Capitalised development costs are amortised on a straight line basis over the product life cycle.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

Impairment excluding stocks and deferred tax assets (continued)

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the Company which is legally responsible for the plan, which is Thorn Lighting Limited, a fellow group company. The Company recognises a cost equal to its contribution payable for the period. The contributions payable by the Company are calculated based on the number of its participating employees in the scheme.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Turnover

Turnover comprises the value of invoiced sales (excluding value added tax) for products and services provided in the normal course of business. Turnover is recognised upon despatch of goods.

Notes *(continued)*

1 Accounting policies *(continued)*

Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and finance charges on shares classified as liabilities recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Turnover

	2017	2016
	£000	£000
Sale of goods	**84,671**	81,088

All turnover originates in the UK and comprises sales of lighting and ancillary products excluding value added tax but including transactions with fellow subsidiary undertakings of the parent undertaking. By destination all turnover is to the UK and the rest of Europe.

Turnover includes an adjustment for sales deductions (primarily customer discounts and rebates) of £1,259,000 *(2016: £1,082,000)*.

Notes *(continued)*

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	1,275	1,175
Loss on disposal of tangible fixed assets	-	36
Amortisation of internally generated intangible assets	-	132
Impairment loss on trade and other debtors	54	80
Reversal of impairment loss recognised on trade and other debtors	(23)	(32)
Operating lease charges	379	390
Research and development cost expensed as incurred	2,159	2,028

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	19	20
Amounts receivable by the auditor and its associates in respect of:		
Other assurance services	3	3

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2017	 2016
Warehouse	5	5
Selling	7	8
Production	150	153
Development	32	31
Administration/technical	18	17
Finance	5	5
	217	219

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	6,237	6,331
Social security costs	622	615
Contributions to defined contribution plans (note 17)	159	175
Expenses related to defined benefit plans (note 17)	71	69
	7,089	7,190

Notes *(continued)*

5 Directors' remuneration

	2017	2016
	£000	£000
Directors' emoluments	**176**	219
Company contributions to money purchase pension schemes	**7**	7

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £176,000 *(2016: £219,000)*, and company pension contributions of £7,000 *(2016: £7,000)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1
Defined benefit schemes	**-**	-

6 Other interest receivable and similar income

	2017	2016
	£000	£000
Net gain on financial instruments designated as fair value through profit or loss (note 14)	**209**	-
Interest receivable from group undertakings	**12**	21
	221	21

7 Interest payable and similar expenses

	2017	2016
	£000	£000
Net loss on financial instruments designated as fair value through profit or loss (note 14)	**-**	317
Debt factoring fees	**64**	67
	64	384

Notes *(continued)*

8 Taxation

Recognised in the profit and loss account

	2017		2016	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax on income for the period		-		-
Group relief payable in the current year		**817**		487
Total current tax		**817**		487
Deferred tax (see note 15)				
Origination and reversal of timing differences	**218**		47	
Effect of reduction in tax rate	**35**		44	
Adjustment in respect of previous year	**(267)**		1	
Total deferred tax		**(14)**		92
Total tax expense recognised in profit and loss		**803**		579

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Profit for the year	**3,844**	2,253
Total tax expense	**803**	579
Profit excluding taxation	**4,647**	2,832
Tax using the UK corporation tax rate of 19.92% *(2016: 20%)*	**926**	566
Reduction in tax rate on deferred tax balances	**35**	44
Non-deductible expenses	**109**	30
Non-taxable income	**-**	(62)
Group relief claimed	**817**	487
Payment for group relief	**(817)**	(487)
(Over)/under provided in prior years	**(267)**	1
Total tax expense recognised in profit and loss	**803**	579

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2016) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted by the balance sheet date. The deferred tax balances at 30 April 2017 have been calculated based on these rates.

Notes *(continued)*

9 Intangible assets

	Development costs £000
Cost	
At 1 May 2016 and 30 April 2017	2,744
Amortisation	
At 1 May 2016 and 30 April 2017	2,744
Net book value	
At 30 April 2017	-
At 30 April 2016	-

Capitalised development costs are development costs on electronic components which are amortised over the lifecycle of the product which is typically 2-5 years.

10 Tangible fixed assets

	Plant and machinery £000	Leasehold improvements £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost					
Balance at 1 May 2016	11,348	2,414	224	144	14,130
Additions	947	20	1	34	1,002
Disposals	(58)	-	-	-	(58)
Balance at 30 April 2017	12,237	2,434	225	178	15,074
Depreciation					
Balance at 1 May 2016	7,848	741	189	98	8,876
Charge for year	1,039	186	17	33	1,275
On disposals	(38)	-	-	-	(38)
Balance at 30 April 2017	8,849	927	206	131	10,113
Net book value					
At 30 April 2017	**3,388**	**1,507**	**19**	**47**	**4,961**
At 30 April 2016	3,500	1,673	35	46	5,254

Notes *(continued)*

11 Stocks

	2017	2016
	£000	£000
Raw materials	**3,554**	3,418
Finished goods and goods held for resale	**5,378**	5,353
	8,932	8,771

There is no material difference between the balance sheet value of stocks and their replacement costs.

Stocks are stated after an obsolescence provision of £745,000 *(2016: £941,000)*. The charge to profit in respect of obsolescence, including inventory disposed of in the year, was £352,000 *(2016: £190,000)*.

Changes in finished goods recognised as cost of sales in the year amounts to £68,496,000 *(2016: £66,182,000)*.

12 Debtors

	2017	2016
	£000	£000
Trade debtors	**3,793**	4,004
Amounts owed by group undertakings	**12,011**	10,699
Other debtors	**293**	73
Deferred tax assets (note 15)	**951**	937
Other financial assets designated as fair value through profit or loss (note 14)	**73**	20
Prepayments and accrued income	**208**	245
	17,329	15,978
Due within one year	**16,378**	15,041
Due after more than one year	**951**	937
	17,329	15,978

Debtors are stated after provisions for impairment of £54,000 *(2016: £23,000)*.

Trade debtors are subject to a factoring arrangement and the amount shown is net of a factored amount £5,048,000 *(2016: £5,045,000)*. The factoring contract is such that the risk transfers to the factoring bank and therefore the trade debtors have been derecognised.

Amounts owed to group undertakings include interest-bearing borrowings to the group cash pooling facility. Interest is receivable at variable rates of LIBOR plus 0.8% per annum.

13 Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	**3,418**	3,637
Amounts owed to group undertakings	**5,662**	5,635
Taxation and social security	**2,540**	2,109
Other creditors	**1,515**	690
Accruals and deferred income	**953**	1,137
Other financial assets designated as fair value through profit or loss (note 14)	**82**	238
	14,170	13,446

Notes *(continued)*

14 Other financial assets/(liabilities)

	2017 £000	2016 £000
Amounts falling due within one year		
Financial assets designated as fair value through profit or loss (note 12)	**73**	20
Financial liabilities designated as fair value through profit or loss (note 13)	**(82)**	(238)
	(9)	(218)

Derivative financial instruments

The Company is party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Company's principal markets.

As at the balance sheet date, total notional amount of outstanding forward exchange contracts and fair values that the Company has committed are as below:

2017					2016				
Currency	**Nominal value £000**	**Currency**	**Nominal value in currency '000**	**Market value £000**	Currency	Nominal value £000	Currency	Nominal value in currency '000	Market value £000
GBP	**150**	**JPY**	**21,000**	**(5)**	GBP	118	JPY	20,429	13
GBP	**2,625**	**USD**	**3,300**	**(77)**	GBP	2,010	USD	2,948	7
GBP	**4,611**	**EUR**	**5,368**	**73**	GBP	3,920	EUR	5,323	(238)
				(9)					(218)

Changes in the fair value of the above non-hedging currency derivatives amounted to £209,000 and have been recognised as a gain in the profit and loss account in the year (note 6). In 2016, this represented a loss of £317,000 (note 7).

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2017 £000	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Accelerated tax depreciation	**906**	797	**-**	-	**906**	797
Derivative financial instruments	**2**	39	**-**	-	**2**	39
Other	**43**	101	**-**	-	**43**	101
Net tax assets/(liabilities)	**951**	937	**-**	-	**951**	937

Notes *(continued)*

15 Deferred tax assets and liabilities *(continued)*

Movement in deferred tax during the year

	1 May 2016 £000	Recognised in profit and loss account £000	Recognised in other comprehensive income £000	30 April 2017 £000
Accelerated tax depreciation	797	109	-	906
Derivative financial instruments	39	(37)	-	2
Other	101	(58)	-	43
	937	14	-	951

Movement in deferred tax during the prior year

	1 May 2015 £000	Recognised in profit and loss account £000	Recognised in other comprehensive income £000	30 April 2016 £000
Accelerated tax depreciation	1,025	(228)	-	797
Derivative financial instruments	(20)	59	-	39
Other	24	77	-	101
	1,029	(92)	-	937

16 Provisions

	Dilapidation provision £000	Warranty provision £000	Total £000
At 1 May 2016	126	1,726	1,852
Utilised during the financial year	-	(588)	(588)
At 30 April 2017	**126**	**1,138**	**1,264**

Dilapidations provision

The dilapidation provision relates to the estimated costs of restoring the leased premises of the company to their original condition on termination of the lease agreements. Estimated dilapidation costs, arising on the fit out of the leased premises, were capitalised and included within tangible fixed assets. The actual amount of dilapidation costs will be determined following lease termination and settlement with the landlord, and as such the timing and value of the transfer of economic benefits required to settle the obligation have been determined based on the directors' best estimate at the balance sheet date.

Warranty costs

Provisions for warranty costs are created on an individual basis as required by specific circumstances. In addition, lump sum provisions are created for unreported claims in accordance with Group guidelines based on set percentages of annual turnover.

Notes *(continued)*

17 Employee benefits

Defined benefit plan

The company participates in the Thorn Lighting Pension Fund operated by Thorn Lighting Limited a fellow group company. The scheme is a group defined benefit scheme which closed to future accrual on 30 April 2009. Full details of the pension scheme can be found in the accounts of Thorn Lighting Limited.

As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the Company which is legally responsible for the plan, which is Thorn Lighting Limited. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £71,000 *(2016: £69,000)*. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The latest full actuarial valuation of the pension scheme as a whole was carried out at 31 March 2016 and was updated for FRS 101 purposes to 30 April 2017 by a qualified independent actuary. The assumptions which have the most significant effect on the results of the valuation are those relating to the discount rate applied to the scheme liabilities and the rates of increase in salaries and pensions.

The actuarial valuation of the pension scheme as a whole at 30 April 2017 showed that the market value of the scheme's assets was £150,148,000 *(2016: £127,037,000)* and that the actuarial value of those assets represented 78% *(2016: 81%)* of the benefits that had accrued to members. The contributions of the group during the year were £1,360,000 *(2016: £3,653,000)*.

Defined contribution plans

The company also contributes to defined contribution pension plans for employees. The pension cost charge for the period represents contributions payable by the company to the plan and amounted to £159,000 *(2016: £175,000)*.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

18 Called up share capital

	2017	2016
	£000	£000
Allotted, called up and fully paid		
954,000 Ordinary shares of £1 each	**954**	954
7,835,000 Redeemable deferred ordinary shares of £1 each	**7,835**	7,835
	8,789	8,789
Shares classified in shareholders' funds	**8,789**	8,789

The redeemable deferred ordinary shares rank pari passu with the ordinary shares in all respects and may only be redeemed, at par, at any time by the company giving three months' notice to the shareholder.

The holders of ordinary shares and the redeemable deferred ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends paid during the year comprise an interim dividend in respect of the year ended 30 April 2017 of £2,100,000 *(2016: £8,000,000)*.

Notes *(continued)*

19 Reserves

	Profit and loss account	
	2017	2016
	£000	£000
Balance at 1 May	**6,453**	12,200
Profit for the financial year	**3,844**	2,253
Dividends on shares classified in shareholders' funds	**(2,100)**	(8,000)
Balance at 30 April	**8,197**	6,453

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017	2016
	£000	£000
Less than one year	**155**	146
Between one and five years	**397**	360
More than five years	**144**	144
	696	650

21 Ultimate parent company and parent company of larger group

The immediate parent and controlling undertaking is Tridonic Holding GmbH, a company incorporated in Austria.

The ultimate parent and controlling undertaking of the largest and smallest group for which consolidated financial statements are prepared, is Zumtobel Group AG, a company incorporated in Austria. A copy of these financial statements can be obtained from Zumtobel Group AG, Höchsterstrasse 8, A6850 Dornbirn, Austria.