

Tridonic UK Limited

Annual report and financial statements

Registered number 00887600

30 April 2019

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Contents

Officers and professional advisers	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements	5
Independent auditor's report to the members of Tridonic UK Limited	6
Profit and Loss Account and Other Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11
Notes	12

Officers and professional advisers

Directors

Richard Charles Strobe
Christoph Zimmermann
Alexander Jankovsky

Company Secretary

Simon Steele

Registered Office

7 Lindenwood
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 2019.

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 demand for our products and solutions and to ensure the product development roadmap is aligned with market requirements. In addition, this approach enables us to access the newly emerging 'IoT' and 'Connected Lighting' markets.

Business review

Performance

The company's profit for the year after taxation amounted to £2,445,000 (2018: £3,262,000). Interim dividend paid during the year amounted to £3,261,804 (2018: £3,500,000).

On the whole the year was very challenging with both sales and gross profit down against prior year. Despite the overall reduction, domestic OEM performance was strong especially in the second half of the year. Whilst the company was impacted by lower export sales the domestic performance is considered more than satisfactory by the directors.

In general, the operating environment is still feeling the same uncertainty and downward price pressures with some projects delayed and some being cancelled altogether. These effects have been most prevalent in the Retail sector. To offset this we continue to bring new designs to market, place great emphasis on rigorous cost reduction processes and employ methods to drive efficiency. Our large portfolio and flexibility of supply has also been instrumental in winning business from our competitors and as a result gross profit as a percentage of turnover remained a satisfactory 9% for the year.

We continue to invest internally in our people and methods to ensure we can maximise our opportunities and satisfy our customer expectations. Interaction and close working relationships with our customers allows us to fully understand their requirements and perform in a manner that maximises their opportunities as well as our own. Through a progressive approach and evaluation of the market we aim to develop and provide optimal solutions to maintain the strong UK performance we have established in previous years.

Measurement

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

	2019	2018
Turnover (£000)	72,402	78,253
<i>Percentage change from prior year</i>	<i>(7.5%)</i>	<i>(7.6%)</i>
Gross profit (£000)	6,668	7,801
<i>Gross profit as a percentage of turnover</i>	<i>9%</i>	<i>10%</i>
Inventories (£000)	8,546	10,357
Trade receivables from third parties (£000)	2,815	2,239
Trade payables to third parties (£000)	(3,867)	(4,259)
Working capital (£000)	7,494	8,337
<i>Working capital as a percentage of turnover</i>	<i>10%</i>	<i>11%</i>

Strategic report *(continued)*

Business review *(continued)*

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 company's operations expose it to a variety of financial risks including foreign exchange risk, credit risk and liquidity risk. The directors monitor these risks in order to minimise any adverse effects on financial performance. The foreign exchange risk is mitigated by the use of forward exchange contracts (see note 14). Credit risk is managed by policies that require appropriate credit checks and by on-going credit control assessments based on the customer financial position as well as past experience and other factors. In addition, the Company has a debtor insurance policy in place. The company manages and uses available working capital to ensure that it has sufficient funds for on-going operations and future investments.

Future Market Trends

As the LED evolution is moving towards the saturation phase we are building upon existing luminaire designs and system architectures giving higher efficiencies than conventional solutions. Tridonic is constantly working with their business partners as we head towards increasingly complex connected lighting platforms which present unique new opportunities for 'out of the box' ideas and business opportunities. The Internet of Things is a massive opportunity for all who provide building system solutions, with 40% of IoT expected to be in commercial buildings. Successful companies in the future will need to create new business models that will allow them to develop the capabilities they need to provide services and solutions that supplement their traditional product offerings. These new revenue streams will earn up to 5 times through subsequent service opportunities compared to the initial product sale. In short, companies will need to change where and how they play by creating their own network or by partnering with companies within and beyond industry borders.

By order of the board



R C Strode
Director

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

18 November 2019

Directors' report

The directors present their directors' report and financial statements for the year ended 30 April 2019.

Proposed dividend

Dividends paid during the year comprise an interim dividend in respect of the year ended 30 April 2019 of £3,261,804 (2018: £3,500,000).

The directors do not recommend the payment of a final dividend (2018: £nil).

Directors

The directors who held office during the year, and changes since the year end, were as follows:

R C Strode	
J Kessler	(resigned 31 March 2019)
G Tartwijk	(resigned 30 September 2018)
A Jankovsky	(appointed 11 October 2018)
C Zimmermann	(appointed 1 April 2019)

Political contributions

The company made no political donations or incurred any political expenditure during the year (2018: £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

18 November 2019

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of Tridonic UK Limited ("the company") for the year ended 30 April 2019 which comprise the Profit and loss account and other comprehensive income, the Balance sheet, the Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

The purpose of our audit work and to whom we owe our responsibilities

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.



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

19 November 2019

Profit and Loss Account and Other Comprehensive Income
for the year ended 30 April 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2	72,402	78,253
Cost of sales		(65,734)	(70,452)
Gross profit		6,668	7,801
Distribution costs		(765)	(738)
Administrative expenses		(3,082)	(3,083)
Other operating income		11	115
Operating profit		2,832	4,095
Other interest receivable and similar income	6	33	83
Interest payable and similar expenses	7	(184)	(63)
Profit before taxation	3-5	2,681	4,115
Tax on profit	8	(236)	(853)
Profit for the financial year	19	2,445	3,262
Other comprehensive income		-	-
Total comprehensive income for the year		2,445	3,262

Balance Sheet
at 30 April 2019

	Notes	2019 £000	2018 £000
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	5,283	5,950
		<u>5,283</u>	<u>5,950</u>
Current assets			
Stocks	11	8,546	10,357
Debtors	12	14,159	14,128
Cash at bank and in hand		155	1,047
		<u>22,860</u>	<u>25,532</u>
Creditors: amounts falling due within one year	13	<u>(11,769)</u>	<u>(13,701)</u>
Net current assets		<u>11,091</u>	<u>11,831</u>
Total assets less current liabilities		<u>16,374</u>	<u>17,781</u>
Provisions for liabilities	16	<u>(443)</u>	<u>(1,033)</u>
Net assets		<u>15,931</u>	<u>16,748</u>
Capital and reserves			
Called up share capital	18	8,789	8,789
Profit and loss account	19	7,142	7,959
Shareholders' funds		<u>15,931</u>	<u>16,748</u>

These financial statements were approved by the board of directors on 18 November 2019 and were signed on its behalf by:



18/11/2019

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 2017	8,789	8,197	16,986
Total comprehensive income for the year			
Profit for the year	-	3,262	3,262
Transactions with owners, recorded directly in equity			
Dividends	-	(3,500)	(3,500)
Balance at 30 April 2018	8,789	7,959	16,748
Balance at 1 May 2018	8,789	7,959	16,748
Total comprehensive income for the year			
Profit for the year	-	2,445	2,445
Transactions with owners, recorded directly in equity			
Dividends	-	(3,262)	(3,262)
Balance at 30 April 2019	8,789	7,142	15,931

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").

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:

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.

Notes (continued)

1 Accounting policies (continued)

Critical accounting estimates and judgements (continued)

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 requires 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 £15.9 million at the year end and recorded a profit for the year of £2.4 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. These financial statements have been prepared on a going concern basis, which the directors believe to be appropriate, on the grounds that the company's intermediate parent undertaking, Zumtobel Lighting GmbH, has indicated that it will continue to provide ongoing financial support to the Company, as may be needed, to allow the company to conduct its business for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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.

Notes (continued)

1 Accounting policies (continued)

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.

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.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets (continued)

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.

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.

Notes (continued)

1 Accounting policies (continued)

Impairment excluding stocks and deferred tax assets (continued)

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.

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 probable 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.

Notes (continued)

1 Accounting policies (continued)

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 represents the amount receivable in the ordinary course of business from the provision of goods and services to customers. Turnover is measured at the fair value of the right to consideration net of sales related rebates, discounts and value added tax. The company recognises turnover at the point of despatch of goods.

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.

Notes (continued)

2 Turnover

	2019 £000	2018 £000
Sale of goods	72,402	78,253

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.

A geographical analysis of the Company's revenue by destination is as follows:

	2019 £000	2018 £000
UK	59,197	62,252
Europe	13,188	15,998
Rest of World	17	3
	<u>72,402</u>	<u>78,253</u>

Turnover includes an adjustment for sales deductions (primarily customer discounts and rebates) of £1,029,000 (2018: £1,072,000).

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2019 £000	2018 £000
Depreciation of tangible fixed assets	1,376	1,268
Loss on disposal of tangible fixed assets	-	18
Impairment loss on trade and other debtors	80	53
Reversal of impairment loss recognised on trade and other debtors	(53)	(54)
Operating lease charges	490	413
Research and development cost expensed as incurred	2,297	2,306
Release of warranty provision (note 16)	(590)	-

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	20	20
Amounts receivable by the auditor and its associates in respect of:		
Other assurance services	3	3

Notes (continued)

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	
	2019	2018
Warehouse	6	6
Selling	9	9
Production	142	145
Development	31	31
Administration/technical	15	15
Finance	4	5
	<u>207</u>	<u>211</u>

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	6,797	6,625
Social security costs	678	644
Contributions to defined contribution plans (note 17)	199	161
Expenses related to defined benefit plans (note 17)	78	72
	<u>7,752</u>	<u>7,502</u>

5 Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	156	152
Company contributions to money purchase pension schemes	7	7

	Number of directors	
	2019	2018
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

	2019 £000	2018 £000
Net gain on financial instruments designated as fair value through profit or loss (note 14)	-	73
Interest receivable from group undertakings	33	10
	<u>33</u>	<u>83</u>

Notes (continued)

7 Interest payable and similar expenses

	2019 £000	2018 £000
Net loss on financial instruments (note 14)	66	-
Debt factoring fees	118	63
	<u>184</u>	<u>63</u>

8 Taxation

Recognised in the profit and loss account

	2019 £000	2018 £000
<i>UK corporation tax</i>		
Current tax on income for the period	557	-
Group relief payable in the current year	-	724
Adjustments in respect of prior years	(401)	-
Total current tax	<u>156</u>	<u>724</u>
<i>Deferred tax (see note 15)</i>		
Origination and reversal of timing differences	80	116
Effect of reduction in tax rate	-	(12)
Adjustment in respect of previous year	-	25
Total deferred tax	<u>80</u>	<u>129</u>
Total tax expense recognised in profit and loss	<u>236</u>	<u>853</u>

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit for the year	2,445	3,262
Total tax expense	236	853
Profit excluding taxation	<u>2,681</u>	<u>4,115</u>
Tax using the UK corporation tax rate of 19% (2018: 19%)	510	782
Reduction in tax rate on deferred tax balances	(11)	(12)
Non-deductible expenses	11	58
Group relief claimed	(442)	724
Payment for group relief	557	(724)
Fixed asset difference	30	-
Deferred tax not recognised	(18)	-
Under/(over) provided in prior years	(401)	25
Total tax expense recognised in profit and loss	<u>236</u>	<u>853</u>

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2018) and to 17% (effective 1 April 2020) were substantively enacted by the balance sheet date. The deferred tax balances at 30 April 2019 have been calculated based on these rates.

Notes (continued)

9 Intangible assets

	Development costs £000
<i>Cost</i>	
At 30 April 2018 and 30 April 2019	2,744
	<hr/>
<i>Amortisation</i>	
At 30 April 2018 and 30 April 2019	2,744
	<hr/>
<i>Net book value</i>	
At 30 April 2019	-
	<hr/>
At 30 April 2018	-
	<hr/>

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
<i>Cost</i>					
Balance at 30 April 2018	13,143	2,472	225	212	16,052
Additions	696	-	8	5	709
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 April 2019	13,839	2,472	233	217	16,761
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
Balance at 30 April 2018	8,648	1,086	217	151	10,102
Charge for year	1,181	160	8	27	1,376
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 April 2019	9,829	1,246	225	178	11,478
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 30 April 2019	4,010	1,226	8	39	5,283
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 2018	4,495	1,386	8	61	5,950
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Stocks

	2019 £000	2018 £000
Raw materials	3,897	5,407
Finished goods and goods held for resale	4,649	4,950
	<u>8,546</u>	<u>10,357</u>

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

Stocks are stated after an obsolescence provision of £1,409,000 (2018: £1,233,000). The charge to profit in respect of obsolescence, including inventory disposed of in the year, was £659,000 (2018: £616,000).

Changes in finished goods recognised as cost of sales in the year amounts to £56,166,000 (2018: £62,229,000).

12 Debtors

	2019 £000	2018 £000
Trade debtors	2,815	2,239
Amounts owed by group undertakings	10,182	10,575
Other debtors	125	127
Deferred tax assets (note 15)	742	822
Other financial assets designated as fair value through profit or loss (note 14)	1	64
Prepayments and accrued income	294	301
	<u>14,159</u>	<u>14,128</u>
Due within one year	13,417	13,306
Due after more than one year	742	822
	<u>14,159</u>	<u>14,128</u>

Debtors are stated after provisions for impairment of £35,000 (2018: £52,000).

Trade debtors are subject to a factoring arrangement and the amount shown is net of a factored amount £8,566,000 (2018: £6,604,000). The factoring contract is such that the risk transfers to the factoring bank and therefore the trade debtors have been derecognised.

Amounts owed by 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.

Notes (continued)

13 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	3,867	4,259
Amounts owed to group undertakings	3,264	5,001
Taxation and social security	1,967	1,762
Other creditors	1,645	1,982
Accruals and deferred income	1,024	697
Other financial assets designated as fair value through profit or loss (note 14)	2	-
	<u>11,769</u>	<u>13,701</u>

14 Other financial assets/(liabilities)

	2019 £000	2018 £000
Amounts falling due within one year		
Financial assets designated as fair value through profit or loss (note 12)	1	64
Financial liabilities designated as fair value through profit or loss (note 13)	(2)	-
	<u>(1)</u>	<u>64</u>

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:

2019					2018				
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	104	JPY	15,017	1	GBP	99	JPY	15,017	1
GBP	-	USD	-	-	GBP	3,332	USD	4,613	20
GBP	3,951	EUR	3,410	(2)	GBP	5,021	EUR	5,653	43
				<u>(1)</u>					<u>64</u>

Changes in the fair value of the above non-hedging currency derivatives amounted to £66,000 and have been recognised as a loss in the profit and loss account in the year (note 7). In 2018, this represented a gain of £73,000 (note 6).

Notes (continued)

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Accelerated tax depreciation	731	773	-	-	731	773
Derivative financial instruments	(11)	-	-	(11)	(11)	(11)
Other	22	60	-	-	22	60
	<u>742</u>	<u>833</u>	<u>-</u>	<u>(11)</u>	<u>742</u>	<u>822</u>
Net tax assets/(liabilities)						

Movement in deferred tax during the year

	30 April 2018 £000	Recognised in profit and loss account £000	Recognised in other comprehensive income £000	30 April 2019 £000
Accelerated tax depreciation	773	(42)	-	731
Derivative financial instruments	(11)	-	-	(11)
Other	60	(38)	-	22
	<u>822</u>	<u>(80)</u>	<u>-</u>	<u>742</u>

Movement in deferred tax during the prior year

	30 April 2017 £000	Recognised in profit and loss account £000	Recognised in other comprehensive income £000	30 April 2018 £000
Accelerated tax depreciation	906	(133)	-	773
Derivative financial instruments	2	(13)	-	(11)
Other	43	17	-	60
	<u>951</u>	<u>(129)</u>	<u>-</u>	<u>822</u>

16 Provisions

	Dilapidation provision £000	Warranty provision £000	Total £000
At 30 April 2018	126	907	1,033
Provisions reversed during the year	-	(590)	(590)
	<u>126</u>	<u>317</u>	<u>443</u>
At 30 April 2019			

Notes (continued)

16 Provisions (continued)

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.

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 £77,604 (2018: £72,000). 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 2018 and was updated for FRS 101 purposes to 30 April 2019 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 2019 showed that the market value of the scheme's assets was £147,712,000 (2018: £143,149,000) and that the actuarial value of those assets represented 80% (2018: 78%) of the benefits that had accrued to members. The contributions of the group during the year were £1,909,000 (2018: £4,854,000).

Defined contribution plans

The company also contributes to defined contribution pension plans for employees. The pension cost charged for the period represents contributions payable by the company to the plan and amounted to £199,000 (2018: £161,000).

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

Notes (continued)

18 Called up share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
954,000 Ordinary shares of £1 each	954	954
7,835,000 Redeemable deferred ordinary shares of £1 each	7,835	7,835
	<u>8,789</u>	<u>8,789</u>
Shares classified in shareholders' funds	<u>8,789</u>	<u>8,789</u>

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 2019 of £3,261,804 (2018: £3,500,000).

19 Reserves

	Profit and loss account 2019 £000	2018 £000
Balance at 30 April	7,959	8,197
Profit for the financial year	2,445	3,262
Dividends on shares classified in shareholders' funds	(3,262)	(3,500)
Balance at 30 April	<u>7,142</u>	<u>7,959</u>

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	2018 £000
Less than one year	213	141
Between one and five years	429	476
More than five years	-	3
	<u>642</u>	<u>620</u>

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.