Feilo Sylvania Fixtures UK Limited

Annual Report and Financial Statements

31 December 2018

Registered No: 00484499

Feilo Sylvania Fixtures UK Limited

Directors
Matthew Carpenter
Weizhong Dai
Christopher Harrild
Simon Reed

Auditors
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Strategic report

Registered No: 00484499

The directors' present their strategic report for the year ended 31 December 2018.

Principal activities and review of business

Feilo Sylvania Fixtures UK Limited (the "Company") principal activity continued to be that of the manufacture and sale of lighting products.

The Company is dedicated to a number of initiatives, including the reduction of CO2 emissions by developing and manufacturing energy efficient products, the improvement of environmental protection through better waste management and by offering profitable solutions to the market by providing better efficiency, sustainability and longer product life.

All products in the Feilo Sylvania Fixtures range are manufactured in an ISO14001-2015 accredited environment and the Company is fully committed to the requirements of the WEEE Directive, being a member of a compliance scheme which has been approved by the Environment Agency for the recycling of materials. The Company does not use any substances which appear on the RoHS list of hazardous substances and many of its products are approved by the Enhanced Capital Allowance scheme (ECA). The Company's main manufacturing plant at Newhaven also undertakes regular Carbon Trust reviews working towards their recommendations on the reduction of CO2 emissions at the factory. Its packaging policy is to use recyclable cardboard and brown paper padding and to eliminate the use of bubble wrap and plastic wherever possible.

During 2018 the Company continued to invest in capital expenditure increasing it's manufacturing capacity and diversity. This includes LED surface mount equipment, decreasing reliance on third party suppliers and opening up further revenue options.

Key performance indicators (KPIs)

	2018	2017	Change
	£000	£000	%
Turnover	13,232	17,207	-23%
Production per head	110	139	-21%

			Change
	(Days)	(Days)	(Days)
Trade Creditor Days	66	58	8
Raw Material Days	117	84	33

Production per head represents the contribution to turnover that each employee makes.

Management of working capital is key to the success of the Company. Trade Creditor days represent the number of days it takes for the company to pay its suppliers for its purchases. In 2018 this has increased to 66 days, the Company target of 60 days remains unchanged. Raw Material Days is the number of days from purchase of inventory to utilisation in manufacturing. The Raw Material Days have increased to 117 days as a result of inventory requirements for significant new project work and the introduction of more new products. Finished goods are sold immediately on completion of manufacture to fellow subsidiary companies for onward sale to external customers.

The above KPIs are considered to be satisfactory for the current period.

Strategic report (continued)

Registered No: 00484499

Principal risks and uncertainties

The key business risks affecting the Company are considered to relate to the speed of LED technology development and our ability to react quickly according to market dynamics.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in price risk, liquidity risk, cashflow risk and interest rates. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs.

Price risk

The Company is exposed to commodity price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. Brexit provides further uncertainty to these commodity prices. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

Liquidity risk

Long term debt finance is provided and maintained by the Company's parent group, whilst the Company actively manages its short-term debt finance, which combined with the group's long-term funding positions ensures that the Company has adequate funds available for its operations.

Interest rate risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include bank and cash balances, which earn interest at fixed rate. The Company has a policy of maintaining debt at fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

By order of the Board

Christopher Harrild
Director

Date: 25-9-2019

Directors' report

Registered No: 00484499

The directors present their report and financial statements of the Company for the year ended 31 December 2018.

Directors

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

Matthew Carpenter
Weizhong Dai
Christopher Harrild
Simon Reed

Results and dividends

The profit after taxation for the financial year is £216,000 (2017 –profit of £307,000).

The directors resolved not to declare a dividend in respect of the year ended 31 December 2018.

Going concern

The Company is part of the Feilo Sylvania Group and is consolidated into the group financial statements of its parent companies Feilo Malta Limited and Shanghai Feilo Acoustics Co. Ltd. The Company has issued cross guarantees and partakes in cash sweeping with other subsidiaries of Feilo Malta Limited.

The directors of the Company, having made appropriate enquiries, have a reasonable expectation that the company will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Employees

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Future developments

The directors intend to increase turnover in an increasingly dynamic market, by seeking to improve the Company's profitability through the introduction of new products reflecting the latest LED technology. The company is a market leader in producing lighting fixtures which make use of LED light sources and is continuing to invest in research and development in order to hold and improve its position.

Research and development

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

Feilo Sylvania Fixtures UK Limited

Directors' report (continued)

Registered No: 00484499

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board

Christopher Harrild
Director

Date: 25-9-2019

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Director's Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Feilo Sylvania Fixtures UK Limited

Opinion

We have audited the financial statements of Feilo Sylvania Fixtures UK Limited for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Independent auditors' report

to the members of Feilo Sylvania Fixtures UK Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst + Young LLP

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

Date: 25 / 9 / 2019

Income statement
for the year ended 31 December 2018

	Notes	*2018* *£000*	*2017* *£000*
Turnover	2	13,232	17,207
Cost of sales		(12,428)	(16,381)
Gross Profit		804	826
Operating expenses	3	(534)	(480)
Operating profit	4	270	346
Interest payable and other similar charges	5	(22)	(43)
Profit on ordinary activities before taxation		248	303
Tax (charge) / credit	7	(32)	4
Profit for the financial year		216	307

All amounts relate to continuing activities.

Statement of Comprehensive Income
for the year ended 31 December 2018

	2018 *£000*	*2017* *£000*
Profit for the year	216	307
Other comprehensive income	-	-
Total comprehensive income for the year	216	307

Statement of Changes in Equity

at 31 December 2018

	Share Capital £000	*Capital Contribution £000*	*Accumulated Losses £000*	*Total Equity £000*
As at 1 January 2017	4,007	10,941	(8,413)	6,535
Profit for the financial year	-	-	307	307
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	307	307
At 31 December 2017	4,007	10,941	(8,106)	6,842
Profit for the financial year	-	-	216	216
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	216	216
At 31 December 2018	4,007	10,941	(7,890)	7,058

Feilo Sylvania Fixtures UK Limited

Balance sheet

at 31 December 2018

	Notes	*2018* *£000*	*2017* *£000*
Fixed assets			
Intangible fixed Assets	8	1	1
Tangible fixed Assets	9	2,771	2,387
		2,772	2,388
Current assets			
Stocks	10	2,358	2,409
Trade and other receivables	11	5,615	6,466
Deferred tax assets	7	717	749
Cash at bank and in hand		19	41
		8,709	9,665
Creditors: Amounts falling due within one year			
Trade and other payables	12	3,210	3,995
Other taxes payable			-
		3,210	3,995
Net current assets		5,499	5,670
Total assets less current liabilities		8,271	8,058
Creditors: Amounts falling due after one year			
Obligations under finance leases	13	843	846
Dilapidation Provision		370	370
		1,213	1,216
Net assets		7,058	6,842
Capital and reserves			
Called up share capital	15	4,007	4,007
Capital contribution		10,941	10,941
Accumulated losses		(7,890)	(8,106)
Total equity		7,058	6,842

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

Christopher Harrild
Director

Date: 25-9-2019

Notes to the financial statements

at 31 December 2018

1. Accounting policies

1.1 Basis of preparation

The financial statements of Feilo Sylvania Fixtures UK Limited (the 'Company') were approved for issue by the Board of Directors on the date as shown on the Balance Sheet. Feilo Sylvania Fixtures UK Limited is incorporated and domiciled in England and Wales.

The financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in accordance with the applicable accounting standards.

The Company's functional currency is Sterling and the financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.
The Company has taken advantage of the adoption under S400 of the Companies Act 2006 not to prepare group accounts, as it is a wholly owned subsidiary of Shanghai Feilo Acoustics Co. Ltd. (See note 20).

The Company has taken advantage of the following disclosure exemptions under FRS 101:
(a) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
(b) the requirements of IFRS 7 Financial Instruments: Disclosures;
(c) the requirements of paragraphs 91-99 of the IFRS13 Fair Value Measurement
(d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
(e) the requirements of of IAS 7 Statement of Cash Flows;
(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
(g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
(h)the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
(i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
(j) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparitive information in respect of: (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; (iii) paragraph 118(e) of IAS 38 Intangible Assets; (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property: and (v) paragraph 50 of IAS 41 Agriculture.

1.2 Changes in Accounting Policies – New Standards

The company applied IFRS9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' for the first time in 2018. Details of the new accounting policies applied under both of these standards are set out below.

IFRS9 replaces IAS39 'Financial Instruments: Recognition and Measurement' and it applies to all three aspects of financial instruments: classification and measurement; impairment; and hedge accounting. The company applied IFRS9 retrospectively. The effect of the transition on the current and prior period is not considered to be material to the financial statements of the company, and accordingly no adjustment is required to the comparative balances reported in these financial statements.

IFRS15 supersedes IAS11 'Construction Contracts' and IAS18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers. IFRS15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The company adopted IFRS15 using the full retrospective method of adoption. The effect of the transition on the current and prior period is not considered to be material to the financial statements of the company, and accordingly no adjustment is required to the comparative balances reported in these financial statements.

Notes to the financial statements (continued)

at 31 December 2018

1. Accounting policies (continued)

1.3 Going concern

The Company is part of the Feilo Sylvania Group and is consolidated into the group financial statements of its parent companies Feilo Malta Limited and Shanghai Feilo Acoustics Co. Ltd. The Company has issued cross guarantees and partakes in cash sweeping with other subsidiaries of Feilo Malta Limited.

The directors of the company, having made appropriate enquiries, have a reasonable expectation that the company will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

1.4 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.
The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

1.5 Significant accounting policies

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

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the considered to which the company expects to be entitled in exchange for those goods and services. The company has concluded that it is the principal in its revenue arrangements as it typically controls the goods or services before transferring them to the customer.

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term given is 30-90 days upon delivery. The company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated, including extended warranty arrangements. The company also considers the effects of variable consideration and the existence of any significant financing components.

Revenue from the provision of services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits of the service provided by the company. Where the service is provided over a fixed period of time, revenue is initially deferred and recognised on a straight line basis over the period of the contract.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Tangible fixed assets

All tangible fixed assets are shown at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Notes to the financial statements (continued)
at 31 December 2018

1. Accounting policies (continued)
***Tangible fixed assets** (continued)*

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its estimated useful life, as follows:

Leasehold buildings	–	1% pa
Plant and machinery	–	10% pa
Fixtures and equipment	–	20% pa
Motor vehicles (included in plant and machinery)	–	33% pa

The carrying values of tangible fixed assets are reviewed for impairment annually or earlier when events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible fixed assets

All intangible fixed assets are shown at cost less accumulated amortisation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Amortisation is provided at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its estimated useful life, as follows:

Software & Licenses	–	33% pa

Research and development

Research and development expenditure is charged to the income statement in the period in which it is incurred. From 2018, all R&D expenditure is recharged to the Group, provided as a service.

Pensions

The Feilo Sylvania group operates a defined benefit pension scheme in the UK called the Sylvania Lighting Pension Plan (the Plan). The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates.

The Plan is a 'multi-employer' scheme providing pension benefits for three participating subsidiaries in the UK including the Company. The sponsoring company for the plan is Feilo Sylvania UK Limited (the principal employer). As such, in line with FRS 101, full accounting for the Plan is carried out by Feilo Sylvania UK Limited.

Contributions relating to the Plan payable by the Company are expensed as and when they are incurred.

The Company also has a Group Personal Pension Plan. Contributions are charged in the income statement on an accruals basis in accordance with the rules of the scheme.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics. With the exception of trade receivables, the company initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component are measured at transaction price, in line with related revenue recognition criteria. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the financial statements (continued)
at 31 December 2018

1. Accounting policies (continued)
***Financial Instruments** (continued)*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or derivatives designed as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments (forward currency contracts).

Recognition and derecognition

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

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

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

Short-term trade and other receivables

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

Loans and borrowings

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

Trade payables

Trade payables are carried at payment or settlement amounts.

Operating leases

Rentals for operating leases are charged to the income statement on a straight-line basis over the term of the lease.

Finance Leases

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Stocks

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

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

Provision is made for obsolete, slow moving or defective items where appropriate.

Notes to the financial statements (continued)
at 31 December 2018

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

2. Turnover

All turnover originates from the United Kingdom.

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

3. Operating expenses

	2018	*2017*
	£000	*£000*
Distribution costs	46	61
Administration expenses	488	419
	534	480

4. Operating Profit

This is stated after charging:	*2018*	*2017*
	£000	*£000*
Depreciation on tangible fixed assets	506	840
Amortisation on intangible assets	-	14
Operating lease rentals - Land & Buildings	64	65
Operating lease rentals - Other	53	71
Auditors' remuneration	38	31
Research and development *	-	1,253

* - In 2018 all R&D costs were recharged to the Group.

Notes to the financial statements (continued)
at 31 December 2018

5. Interest payable/(receivable) and similar charges

	2018	2017
	£000	£000
Finance charges payable under finance lease	64	64
Group interest receivable	(42)	(21)
	22	43

6. Directors' remuneration and staff costs

Directors remuneration:

	2018	2017
	£000	£000
Aggregate emoluments in respect of qualifying services:		
Salary including benefit in kind	103	103
Pension contributions	15	15
	118	118

	2018	2017
	No.	No.
Members of defined contribution pension schemes	-	-
Members of group personal plan schemes	-	-

	2018	2017
Staff costs:	£000	£000
Wages and salaries	2,717	2,928
Social security costs	254	266
Pension costs	257	239
	3,227	3,434

The average monthly number of employees, including directors, employed by the company during the year was as follows:

	2018	2017
	No.	No.
By activity:		
Production and warehousing	111	115
Management and administration	8	9
	119	124

Notes to the financial statements (continued)

at 31 December 2018

7. Tax

(a) Tax on profit on ordinary activities

The tax charge / (credit) is made up as follows:

	2018	2017
	£000	£000
Current tax:		
UK corporation tax - current tax charge	-	-
Deferred tax charge / (credit)	32	(4)
Total tax charge / (credit)	32	(4)

(b) Factors affecting tax charge for the year

The total tax charged for the year differs from the standard rate of corporation tax in the UK of 19% (2017 – 19.25%). The differences are explained below:

	2018	2017
	£000	£000
Profit on ordinary activities before tax	268	303
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	51	58
Effects of:		
Expenses not deductible for tax purposes	(2)	28
Recognition of prior year tax losses	(53)	(90)
Other differences	36	-
Total tax charge / (credit) for the year	32	(4)

(c) Deferred tax

The following deferred tax asset has been recognised:

	2018	2017
	£000	£000
Decelerated capital allowances	(468)	(496)
Losses carried forward	(249)	(253)
Recognised deferred tax asset	(717)	(749)

The Company has total tax losses of £6,844,000 (2017 – £8,063,000) to carry forward. The company has recognised deferred tax on part of these losses (as noted above) based on future profit forecasts.

(d) Factors that may affect future tax charges

Future tax charges will be impacted by the availability of tax losses carried forward and decelerated capital allowances, as detailed above.

The UK tax rate was 19% at 31 December 2018 but will fall to 17% from 1 April 2020. These reductions had been substantively enacted and deferred tax detailed above have been calculated at the appropriate rate based on this.

Notes to the financial statements (continued)
at 31 December 2018

8. Intangible fixed assets

	Software and Licenses *£000*	*Total* *£000*
Cost:		
At 1 January 2018	106	106
Additions	-	-
Disposals	-	-
At 31 December 2018	106	106
Amortisation:		
At 1 January 2018	105	105
Charge for year	-	-
At 31 December 2018	105	105
Net book value:		
At 31 December 2018	1	1
At 1 January 2018	1	1

The gross value of fully amortised intangible assets still in use is £104,000 (2017: £104,000)

Notes to the financial statements (continued)
at 31 December 2018

9. Tangible fixed assets

	Leasehold Buildings	*Plant and Machinery*	*Fixtures and equipment*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 1 January 2018	1,236	6,706	451	8,393
Additions	-	896	47	943
Disposals	-	(205)	(2)	(207)
At 31 December 2018	1,236	7,397	496	9,129
Depreciation and Impairment:				
At 1 January 2018	544	5,054	408	6,006
Charge for year	23	457	26	506
Disposals	-	(156)	(2)	(158)
At 31 December 2018	567	5,355	432	6,354
Net book value:				
At 31 December 2018	668	2,040	63	2,771
At 1 January 2018	692	1,652	43	2,387

The gross value of fully depreciated assets still in use is £5,165,000 (2017: £3,943,000)

Assets held under finance leases

The carrying value of assets held under finance lease contracts at 31 December 2018 was £562,000 (2017: £572,000).

10. Stocks

	2018	*2017*
	£000	*£000*
Raw materials	2,264	2,337
Work in progress	94	72
	2,358	2,409

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

Notes to the financial statements (continued)
at 31 December 2018

11. Trade and other receivables

	2018	2017
	£000	£000
Trade debtors	5	10
Amounts owed by group undertakings	4,953	5,657
Other debtors	472	589
Prepayments and accrued income	185	210
	5,615	6,466

Amounts due from group undertakings include balances that bear interest at market rates and have no fixed repayment date.

12. Trade and other obligations

	2018	2017
	£000	£000
Trade creditors	1,747	2,375
Amounts owed to group undertakings	284	549
Obligations under finance leases	2	2
Accruals and deferred income	1,177	1,069
	3,210	3,995

Amounts owed to group undertakings include balances that bear interest at a market rate and have no fixed repayment date.

13. Obligations under finance leasess

	2018	2017
Information relating to finance leases over long lease hold property:	£000	£000
Future minimum lease payments due:		
Not later than one year	66	66
After one year but not more than five years	265	264
After five years	2,845	2,911
	3,176	3,241
Less finance charges allocated to future periods	(2,331)	(2,393)
Present value of minimum lease payments	845	848

The present value of minimum lease payments is analysed as follows:

	2018	2017
	£000	£000
Not later than one year	2	2
After one year but not more than five years	9	9
After five years	834	837
	845	848

Notes to the financial statements (continued)
at 31 December 2018

14. Provisions

	£000
Dilapidation provision:	
At 1 January 2018	370
Additions in the year	-
At 31 December 2018	370

The dilapidation provision relates to the expected property remediation costs relating to leased properties which will become payable when the properties are vacated at the termination of the lease.

15. Issued share capital

		2018		2017
Allotted, called up and fully paid	No.	£000	No.	£000
Ordinary shares of £1 each	4,007,120	4,007	4,007,120	4,007

16. Group personal pension plan

The cost of contributions to the group personal pension plan and defined contribution plan amounts to £257,000 (2017 - £239,000) respectively. Contributions accrued as at 31 December 2018 were £25,000 (2017 - £22,000)

17. Other financial commitments

At 31 December 2018 the Company has total minimal rental commitments under non-cancellable operating leases as set out below:

	2018		2017	
	Land and Building	Other	Land and Building	Other
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	65	31	65	48
Between two and five years	255	27	260	57
After five years	-	-	60	-
	320	58	385	105

18. Contingent liabilities

The Company partakes in a cash pooling arrangement with its fellow subsidiary Feilo Sylvania Europe Limited. In November 2015, Feilo Sylvania Europe Limited, registered debenture deeds with its bank whereby loans, available for cash pooling, are secured by means of a fixed and floating charge over all present and future assets of group subsidiaries which includes assets of Feilo Sylvania Fixtures UK Limited.

The Company has given a £20,000 guarantee to HM Revenue and Customs (2017: £20,000).

19. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. Transactions entered into, and trading balances outstanding at 31 December with other related parties, are as follows:

	Purchases from related party	*Amounts owed to related party*
Year ended 31 December 2018		
Related Party	£000	£000
Feilo EXIM Limited	470	107
Shanghai Feilo Investment Co., Ltd.	106	58
	576	165
Year ended 31 December 2017		
Related Party	£000	£000
Feilo EXIM Limited	478	181
Havells India Limited	79	-
Shanghai Feilo Investment Co., Ltd.	23	-
	580	181

Purchases between related parties are made on an arm's length basis. No sales were made with other related parties. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 60 days of invoice. Terms and conditions for transactions with subsidiaries are the same. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2018, the Company has not made any provision for doubtful debts relating to amounts owed by related parties.

20. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Feilo Sylvania Europe Limited, a company incorporated in the United Kingdom.

The Company's results are consolidated within the group financial statements of Feilo Malta Limited, a company incorporated in Malta. These group financial statements are the smallest financial statements incorporating the results of the company that are publicly available. Copies of the Feilo Malta Limited financial statements can be obtained from The Registrar of Companies, Malta Financial Services, Notabile Road, Attard, Malta.

At 31 December 2018, the ultimate parent undertaking and controlling party was Shanghai Feilo Acoustics Co. Ltd, a company incorporated in China. The directors consider Shanghai Feilo Acoustics Co. Ltd to be the controlling party by virtue of its controlling interest in the Company's share capital. The group financial statements of Shanghai Feilo Acoustics Co., Ltd are the largest financial statements which incorporate the results of the company that are publicly available. Copies of the Shanghai Feilo Acoustics Co., Ltd financial statements can be obtained from Shanghai Feilo Acoustics Co., Ltd, No.1001 Jiaxin Highway, Jiading District, SHANGHAI, SHA 200233.