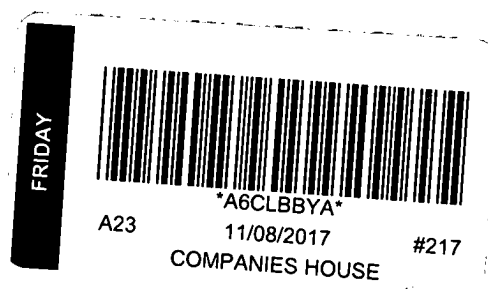


Feilo Sylvania UK Limited
(formerly Havells Sylvania UK Limited)

Annual Report and Financial Statements

31 December 2016

Registration No: 487252



Company Information

Registered No. 487252

Directors

R Schraft
M Carpenter
J Storey
S Reed
S Zhuang

Auditors

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

Bankers

HSBC Bank Plc
HSBC House
Mitchell Way
Southampton
Hampshire
SO18 2XU

Deutsche Bank AG
Rossmarkt 18
D-60311
Frankfurt Germany

Solicitors

DLA Piper
3 Noble Street
London EC2V 7EE

Registered Office

Avis Way
Unit 33 & 34
Newhaven
East Sussex
BN9 0ED

Strategic Report

The directors present their strategic report for the year ended 31 December 2016.

On 1 March 2016 the company changed its name to Feilo Sylvania UK Limited from Havells Sylvania UK Limited.

Principal activities and review of business

The company's principal activity is the sale of lighting products, for which it earns a commission from its immediate parent company, Feilo Sylvania Europe Limited.

The company keeps pace with the market place trends for low energy, longer life and increasingly innovative products. The company employs a number of initiatives to reduce impact on the environment. These include the reduction of CO2 emissions by sourcing more energy efficient products, better waste management and continuing to supply products with better efficiency sustainability and longer product life cycle.

On 15 January 2016 Shanghai Feilo Acoustics Co., Ltd Limited and Inesa UK Limited completed a share purchase agreement with Havells Holdings Limited, buying 80% of the share capital of Feilo Malta Limited (previously Havells Malta Limited), the company's intermediate parent. The 80% share holding is held by Inesa UK Limited, the remaining 20% remains with Havells Holdings Limited. The ultimate parent and controlling party of the company is now considered to be Shanghai Feilo Acoustics Co., Ltd.

Key performance indicators

The key financial and other performance indicators during the year were as follows:

	2016	2015	Change
	£000	£000	%
Turnover (Commission)	9,686	8,712	+11.2
Operating Profit	1,634	723	+126
Net Assets	3,563	805	+343
Average Number of Employees	132	134	-1.5
Commission per sales head	120	105	+14

The above KPI's are considered to be satisfactory for the current period.

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks that include the effects of changes in, competition risk, liquidity risk and interest rate risk.

Competition

The company operates in a highly competitive market particularly around price and innovation. To mitigate this risk the company continuously monitors the market to assist in pricing decisions, keeping pace with the trend to supply low energy, longer life, innovative products and engaging in project based solution selling.

Strategic Report (continued)

Principal risks and uncertainties (continued)

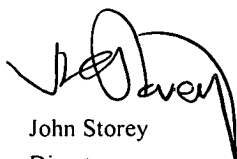
Liquidity risk

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 a 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



John Storey
Director

Date: 20 APR 2017

Directors' report

The directors present their report and financial statements for the year ended 31 December 2016.

Directors

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

R Schraft

M Carpenter

J Storey

S Reed

Y Bansal (resigned 15/01/16)

S Zhuang (appointed 11/02/16)

Results and dividends

The profit for the year after taxation amount to £1,529,000 (2015 – profit after taxation of £657,000). The directors do not recommend the payment of a dividend (2015 - £nil).

Going concern

During 2016 the company was part of the Feilo Sylvania Group and was consolidated into the Feilo Malta Limited group financial statements. 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.

Directors' report (continued)

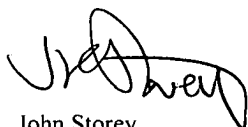
Future developments

Greater environmental awareness is leading to increased demand for energy efficient products. The company aims to meet this demand by marketing and selling the increasingly innovative range of products developed by the Feilo Sylvania group through a process of continuous product development.

Disclosure of information to the auditors

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

By order of the Board



John Storey
Director

Date: 20 APR 2017

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards & 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.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transaction 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 UK Limited

We have audited the financial statements of Feilo Sylvania UK Limited for the year ended 31 December 2016 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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.
- the Strategic Report and the Directors' Report have been prepared in accordance with the applicable legal requirements.

Independent auditors' report

to the members of Feilo Sylvania UK Limited (continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or the Directors' Report.

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

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

Ernst & Young LLP

David Marshall (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton

Date: *21/4/2017*

Income Statement

For the year ended 31 December 2016

	<i>Notes</i>	<i>2016</i> <i>£000</i>	<i>2015</i> <i>£000</i>
Turnover	2	9,686	8,712
Cost of sales		(44)	(200)
Gross Profit		<u>9,642</u>	<u>8,512</u>
Operating expenses	3	(8,008)	(7,789)
Operating Profit		<u>1,634</u>	<u>723</u>
Interest receivable	7	64	92
Interest payable	8	-	(1)
Other finance cost - pension	17	(73)	(80)
Profit on ordinary activities before taxation		<u>1,625</u>	<u>735</u>
Tax	9	(96)	(77)
Profit for the year		<u><u>1,529</u></u>	<u><u>657</u></u>

All amounts relate to continuing activities

Statement of Comprehensive Income

for the year ended 31 December 2016

	<i>Notes</i>	<i>2016</i> <i>£000</i>	<i>2015</i> <i>£000</i>
Profit for the financial year		<u>1,529</u>	<u>657</u>
<i>Other comprehensive income:</i>			
Actuarial gains/(losses) on defined benefit pension plans	17	1,229	(1,078)
Other comprehensive income/(loss) for the year, net of tax		<u>1,229</u>	<u>(1,078)</u>
Total comprehensive income/(loss) for the year	16	<u><u>2,758</u></u>	<u><u>(421)</u></u>

Statement of Changes in Equity

As at 31 December 2016

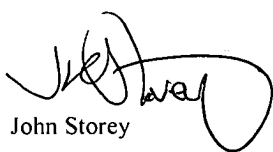
	<i>Share Capital</i> £000	<i>Share Premium</i> £000	<i>Capital Contribution</i> £000	<i>Retained Earnings</i> £000	<i>Total Equity</i> £000
As at 1 January 2015	12,878	3,360	4,700	(19,712)	1,226
Profit for the financial year	-	-	-	657	657
Other comprehensive income/(losses)	-	-	-	(1,078)	(1,078)
Total comprehensive income for the year	-	-	-	(421)	(421)
At 31 December 2015	12,878	3,360	4,700	(20,133)	805
Profit for the financial year	-	-	-	1,529	1,529
Other comprehensive income/(losses)	-	-	-	1,229	1,229
Total comprehensive income for the year	-	-	-	2,758	2,758
At 31 December 2016	12,878	3,360	4,700	(17,375)	3,563

Balance Sheet

As at 31 December 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Intangible assets	10	1	2
Tangible assets	11	127	86
Investments	12	-	-
		<u>128</u>	<u>88</u>
Current assets			
Trade and other receivables	13	6,715	6,203
Deferred tax asset	9	227	334
Cash at bank and in hand		240	237
		<u>7,182</u>	<u>6,774</u>
Creditors : amounts falling due within one year			
Trade and other payables	14	3,696	3,394
Corporation tax payable		(6)	24
		<u>3,690</u>	<u>3,418</u>
Net current assets		3,492	3,356
Total assets less current liabilities		3,620	3,443
Defined benefit pension plan deficit	17	(57)	(2,638)
Net assets		<u>3,563</u>	<u>805</u>
Capital and reserves:			
Called up share capital	15	12,878	12,878
Share premium account	16	3,360	3,360
Capital contribution	16	4,700	4,700
Retained earnings	16	(17,375)	(20,133)
Total equity		<u>3,563</u>	<u>805</u>

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


John Storey
Director

Date: 20 APR 2017

Notes to the financial statements

at 31 December 2016

1. Accounting policies

1.1 Basis of preparation

The financial statements of Feilo Sylvania UK Limited were approved for issue by the Board of Directors on the date as shown on the Balance Sheet. Feilo Sylvania 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 line with the applicable accounting standards in the United Kingdom.

The company has taken advantage of the adoption under S400 of the Companies Act 2006 whereby it is exempt from the requirement to prepare group accounts as it is an 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 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 comparative 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 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 9.

Pensions

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

The Plan is a "multi-employer" scheme providing pension benefits for three participating subsidiaries in the UK including the company. As the company is the principal employer and sponsoring company, the company has accounted for the pension in line with FRS101. The information regarding the Plan's financial position is therefore in respect of the Plan as a whole and does not indicate the liability, or share thereof, of the Company alone.

Contributions received from other subsidiaries in respect of contributions have been recognised as other income.

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

Pensions (continued)

The company has previously also operated a defined contribution pension scheme. This was wound up in the year and replaced with a Group Personal Pension Plan. Contributions are charged in the profit and loss account on an accruals basis in accordance with the rules of the scheme.

1.3 Significant Accounting Policies

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

Going concern

The company is part of the Feilo Sylvania group and is consolidated into Feilo Malta Limited group financial statements. 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 enquires, have a reasonable expectation that the company will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Turnover

Turnover comprises the income from the supply of goods and services to customers less returns, VAT, discounts and rebates in the normal course of business. Income from the supply of goods is recognised as soon as all substantial rights and risks relating to the title to the goods are transferred to the customer.

Tangible Fixed Assets

All tangible fixed assets are shown at cost less accumulated depreciation. 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. 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:

- ▶ Plant and machinery and furniture and fittings - 6% to 33% pa (straight line)
- ▶ Commercial vehicles - 20% pa (straight line)

The carrying values of tangible fixed assets are reviewed annually for impairment 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 - 33% pa (straight line)

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

Notes to the financial statements

at 31 December 2016

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 date.

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.

Operating Leases

Rentals payable under operating leases are charged in the income statement on a straight line basis over the lease term.

Financial Instruments

The company's financial instruments comprise trade debtors, trade creditors, cash, bank loans and overdrafts and loans to and from other group companies.

Recognition and derecognition

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

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

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

Notes to the financial statements

at 31 December 2016

2. Turnover

All turnover originates from the United Kingdom.

All turnover is to fellow subsidiary undertakings. Turnover relates to commission on the continuing activity of the sale of lamps and fixtures.

3. Operating expenses

	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
Sales and marketing	6,219	6,283
Administration costs	1,639	1,506
Exceptional costs	150	-
	<u>8,008</u>	<u>7,789</u>

Exceptional costs above relate to redundancy payments for employees whose focus was on a range of of non-core products no longer offered to market.

4. Operating profit

This is stated after charging:

	<i>2016</i>	<i>2015</i>
	<i>£000</i>	<i>£000</i>
Auditors' remuneration – audit of financial statements	35	35
Depreciation on tangible fixed assets	43	34
Amortisation on intangible fixed assets	1	1
Other operating lease payments	334	369
Land and Building operating lease payments	<u>205</u>	<u>169</u>

Notes to the financial statements

at 31 December 2016

5. Staff costs

(a) Staff Costs	2016	2015
	£000	£000
Wages and salaries	5,378	5,328
Social security costs	602	613
Other pension costs	389	274
	<u>6,369</u>	<u>6,215</u>

The pension costs include £193,000 (2015 – £178,000) in respect of payments made to the defined contribution scheme and group personal plan.

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

	2016	2015
Production and warehousing	29	28
Sales	81	83
Management and administration	22	23
	<u>132</u>	<u>134</u>

6. Directors' remuneration

	2016	2015
	£000	£000
Aggregate emoluments in respect of qualifying services:-		
Salary including benefits in kind	183	152
Pension contributions	10	9
	<u>193</u>	<u>161</u>

The number of directors to whom retirement benefits were accruing under the defined contribution scheme is 1 (2015 - 1).

Notes to the financial statements

at 31 December 2016

7. Interest receivable

	2016	2015
	£000	£000
Group interest receivable	64	92
	<u>64</u>	<u>92</u>

8. Interest payable

	2016	2015
	£000	£000
Group interest payable	-	(1)
	<u>-</u>	<u>(1)</u>

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2016	2015
	£000	£000
<i>Current tax:</i>		
UK corporation tax	13	19
Prior year adjustment	(24)	-
Current tax charge/(credit)	<u>(11)</u>	<u>19</u>
Deferred tax charge/(credit)	107	58
Total tax charge/(credit)	<u>96</u>	<u>77</u>

Notes to the financial statements

at 31 December 2016

9. Tax (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015 – 20.25%).

The differences are explained below:

	2016	2015
	£000	£000
Profit on ordinary activities before tax	1,625	735
Profit on ordinary activities multiplied by applicable rate of corporation tax in the UK of 20% (2015 - 20.25%)	325	149
Effects of:		
Expenses not deductible for tax purposes	17	8
Deferred tax assets recognised	(222)	(80)
Prior year adjustment	(24)	-
Total tax charge/(credit) for the year	96	77

(c) Deferred tax

The recognised deferred tax provision/(asset) is as follows:

	2016	2015
	£000	£000
At 1 January	(334)	(392)
Charge/(credit) in the year	107	58
At 31 December	(227)	(334)

The company has tax losses of £4,563,000 (2015 - £3,460,000) to carry forward. The company has recognised part of these losses as a deferred tax asset above based on future profit forecasts.

Due to the uncertainty of the timing of recoverability no deferred tax asset on decelerated capital allowance has been recognised (2015 – £ nil). Details of unrecognised deferred tax are as follows:

	2016	2015
	£000	£000
Decelerated capital allowances	(292)	(300)
Losses carried forward	(651)	(339)
Defined benefit pension scheme	(11)	(501)
Unrecognised deferred tax (asset)	(954)	(1,140)

Notes to the financial statements

at 31 December 2016

9. Tax (continued)

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 20% at 31 December 2016 but will fall to 19% from 1 April 2017 and 17% from 1 April 2020. At 31 December 2016, a reduction to 19% from 1 April 2017 and to 17% from 1 April 2020 had been substantively enacted and deferred tax falling after 1 April 2017 has been calculated at the appropriate rate based on this.

10. Intangible assets

	<i>Software</i> <i>£000</i>	<i>Total</i> <i>£000</i>
Cost:		
At 1 January 2016	2	2
Additions	-	-
At 31 December 2016	2	2
Depreciation:		
At 1 January 2016	1	1
Charge for the year	1	1
At 31 December 2016	2	2
Net book amount:		
At 31 December 2016	-	-
At 1 January 2016	1	1

Notes to the financial statements

at 31 December 2016

11. Tangible fixed assets

	<i>Plant and Machinery</i>	<i>Furniture and Fittings</i>	<i>Vehicles</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 1 January 2016	103	223	16	342
Additions	-	84	-	84
Disposal	-	-	-	-
At 31 December 2016	103	307	16	426
Depreciation:				
At 1 January 2016	52	202	2	256
Charge for the year	11	29	3	43
Disposal	-	-	-	-
At 31 December 2016	63	231	5	299
Net book amount:				
At 31 December 2016	40	76	11	127
At 1 January 2016	51	21	14	86

Within the net book amount there are the following gross carrying values of fully depreciated assets still in use: £5,000 for Plant and Machinery in 2016 (2015 - £5,000), £198,000 for Furniture and Fittings in 2015 (2015 - £175,000) and nil for Vehicles in 2016 (2015 - nil).

Notes to the financial statements

at 31 December 2016

12. Investments

	Shares in group undertakings (£)
<i>Cost:</i>	
At 1 January 2016 and 31 December 2016	8
Provision:	-
At 1 January 2016 and 31 December 2016	(8)
Net book value at 1 January 2016 and 31 December 2016	-

The directors consider the carrying value of the investments to be supported by their underlying net assets.

Name of Undertaking	Proportion of voting rights and ordinary share	Country of incorporation	Nature of business
Tasfiye Halinde Havells Sylvania TR Elektrik Ürünleri Ticaret Limited Şirketi	0.05%	Turkey	In Liquidation

13. Trade and other receivables

	2016 £000	2015 £000
Amounts owed by group undertakings	6,408	5,895
Other debtors	24	29
Prepayments and accrued income	283	280
	<u>6,715</u>	<u>6,203</u>

Amounts due from group undertakings are interest bearing at a market rate and have no fixed repayment date.

Notes to the financial statements

at 31 December 2016

14. Trade and other payables

	2016	2015
	£000	£000
Trade creditors	517	363
Amounts owed to group undertakings	207	178
Other taxes and social security	1,929	1,789
Accruals and deferred income	1,043	1,064
	<u>3,696</u>	<u>3,394</u>

Included in accruals and deferred income are amounts of £29,000 (2015 – £31,000) due to the group personal pension plan.

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

15. Issued share capital

	No.	2016 £000	No.	2015 £000
<i>Alloted, called up and fully paid</i>				
Ordinary shares of £1 each	12,878,080	<u>12,878</u>	12,878,080	<u>12,878</u>

16. Movements on reserves

	Share premium account £000	Capital contribution £000	Profit and loss account £000
At 1 January 2016	3,360	4,700	(20,133)
Profit for the year	-	-	1,529
Other comprehensive income	-	-	1,229
At 31 December 2016	<u>3,360</u>	<u>4,700</u>	<u>(17,375)</u>

Notes to the financial statements

at 31 December 2016

17. Pension commitments

The company participates in the Sylvania Lighting Pension Plan, which is a defined benefit pension scheme. The assets of the Plan are held in a separate trustee administered fund. The scheme was closed to new members in 2001.

On 31 August 2010 the defined benefit pension scheme was closed to future accrual and members transferred to defined contribution schemes with effect from 1 September 2010.

The trustees of the Sylvania Lighting Pension Plan have received legal advice to the effect that CPI should be used as the increase percentage for all post 1 January 2011 increases to pensions in payment and deferment under the plan, which would have previously increased in line with RPI, due to the wording in the Trust Deed and Rules. As such, a CPI assumption for revaluation in deferment and pensions in payment has been used when valuing the liabilities. Therefore no salary link to past service has been made in the principal assumptions, made to estimate the deficit.

The Sylvania Lighting Pension Plan is a "multi-employer" scheme providing pension benefits for three participating subsidiaries of the Feilo Malta Limited group in the UK. The company is unable to readily identify its share of the underlying assets and liabilities in the Plan on a consistent and reasonable basis. The information regarding the Plan's financial position is therefore in respect of the Plan as a whole as the company is the principal employer. However, the actuary's recommendations in respect of the deficit including share of additional annual contributions by the company, as described below, to eliminate the deficit is a real cost to the company.

The actuary has provided the following estimates of the Plan deficit. The estimate is based on the data and results of the latest full valuation as at 5 April 2013, applying the principal assumptions shown below:

	2016	2015
Discount rate	2.70%	3.80%
Rate of increase in non-GMP pensions in payment	2.40%	2.10%
Salary increases	N/A	N/A
Inflation	2.40%	2.10%

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

	2016	2015
Male	21.2	21.2
Female	23.1	23.4

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

	2016	2015
Male	22.4	22.6
Female	24.6	24.9

Basis of Assumptions

- (a) The discount rate was based upon the Sterling 15 year+ AA iBoxx Index.
- (b) The pension increases and the inflation rate were both based on the Consumer Price Index (CPI)
- (c) The life expectancy figures are derived from SAPS S1 Pensioner mortality table with a multiplier of 110%

Notes to the financial statements

at 31 December 2016

17. Pension commitments (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumptions	Change in assumptions	Change in defined benefit obligation
Discount rate	Decrease of 0.25% per annum	Increase by 4.4%
Inflation rate	Increase of 0.25% per annum	Increase by 3.1%
Mortality rate	Increase in life expectancy of 1 year	Increase by 2.9%

Assets are marked to market at 31 December 2016 and liabilities are calculated using the projected unit method. The calculation does not therefore allow for any of the effects of the Plan's experience, except for its investment performance. The actuary estimates the Plan deficit at 31 December 2016 to be approximately £57,000 (2015 – £2,638,000), which is the deficit for the multi-employer Plan as a whole, as discussed above, and does not arise in respect of the company alone.

In accordance with the recovery plan following the 5 April 2013 actuarial valuation, the employers will pay annual contributions of £1,200,000, in monthly installments from 5 April 2014 to 5 June 2024.

Additional contributions will be made in the following circumstances:

1. If the turnover of Feilo Sylvania Europe Limited grows by 5% in any calendar year, the employer will increase the contributions by 3% per annum in the following year.
2. If for any reasons the annual PPF levy is lower than £425,000, the balance of this amount will be contributed towards the scheme.

In 2016, in accordance with the recovery plan, £1,200,000 was paid in monthly contributions as well as an additional £222,000.

Expected contributions for 2017 are £1,200,000 in monthly contributions as per the recovery plan and any additional contributions if either of the above circumstances occur.

Notes to the financial statements

at 31 December 2016

17. Pension commitments (continued)

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

Scheme assets and expected rate of return

	<i>Value at 31 December 2016 £000</i>	<i>Value at 31 December 2015 £000</i>
Equities	29,733	23,015
Gilts	27,452	18,293
Bonds	5,675	8,308
Cash	254	266
Property	3,294	3,182
Diversified Growth	2,299	2,316
Total market value of assets	68,707	55,380
Present value of scheme liabilities	(68,764)	(58,018)
Deficit in the scheme	(57)	(2,638)

Reconciliation of present value of scheme liabilities

	<i>2016 £000</i>	<i>2015 £000</i>
1 January	58,018	58,185
Interest cost	2,165	2,060
Benefits paid	(2,106)	(1,928)
Actuarial (gain)/loss	10,687	(299)
31 December	68,764	58,018

Notes to the financial statements

at 31 December 2016

17. Pension commitments (continued)

Reconciliation of fair value of scheme assets

	2016	2015
	£000	£000
1 January	55,380	55,216
Expected return on scheme assets	2,092	1,980
Contributions paid	1,425	1,489
Benefits paid	(2,106)	(1,928)
Actuarial gain/(loss)	11,916	(1,377)
31 December	<u>68,707</u>	<u>55,380</u>

The amounts recognised in the Income Statement and the Statement of Comprehensive income for the year are analysed below:

	2016	2015
	£000	£000
Recognised in the Income Statement		
Expected return on pension scheme assets	(2,092)	(1,980)
Interest on pension scheme liabilities	2,165	2,060
Net Interest on defined benefit liability	<u>73</u>	<u>80</u>

Recognised in the Statement of Comprehensive Income

Return on plan assets (excluding interest income)	11,916	(1,377)
Actuarial changes arising from changes in assumptions	(12,398)	299
Actuarial changes due to scheme experience	1,711	-
Recognised in the Statement of Comprehensive Income	<u>1,229</u>	<u>(1,078)</u>

Defined contribution scheme

The cost of contributions to the Group Personal Pension Plan and defined contribution schemes amounts to £193,000 (2015 – £178,000).

Notes to the financial statements

at 31 December 2016

18. Other financial commitments

At 31 December 2016 the company had total commitments under non-cancellable operating leases as set out below:

	2016		2015	
	<i>Plant and machinery</i>	<i>Land and buildings</i>	<i>Plant and machinery</i>	<i>Land and buildings</i>
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	352	205	322	205
Between two and five years	552	256	750	461
	904	461	1,072	666

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.

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.

At 31 December 2016, 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 and the smallest 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.

Havells India Limited still own a minority interest in the company, having kept 20% of the shares in Feilo Malta Limited.