

Registered number 03848973

Whitecroft Lighting Limited
Annual report and financial statements
for the year ended 31 December 2019



Whitecroft Lighting Limited

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Whitecroft Lighting Limited

Directors and advisers

Directors

G van der Meer (resigned 31/03/2020)

M Wood

N R McCarroll

P A Cassidy (resigned 31/03/2020)

D R Serif

B.Sonesson

G M Daws

M J Paskin

P G Warner (appointed 01/05/2019 & resigned 09/09/2019)

Company secretary

G M Daws

Independent auditors

PricewaterhouseCoopers LLP

No 1 Spinningfields

1 Hardman Square

Manchester

M3 3EB

Bankers

Handelsbanken

9 Salmon Fields Business Village

Royton

Oldham

OL2 6HT

Solicitors

Gateley LLP

Ship Canal House

98 King Street

Manchester

M2 4WU

Registered office

Burlington Street

Ashton under Lyne

Lancashire

OL7 0AX

Whitecroft Lighting Limited

Strategic report for the year ended 31 December 2019

The directors present their strategic report of the company for the year ended 31 December 2019.

Principal Activities

The principal activity of the company is that of design, manufacture and marketing of lighting solutions.

Business overview

The business reported a 2.8% drop in turnover in 2019. The uncertainty following the 2016 Brexit decision continues to subdue activity with confidence in the Construction sector still shaken by the fallout from Carillion.

Profit before taxation was £3,453,923 (2018: £5,032,538) which is a 31.4% decrease on the previous year (2018: 59.5% decrease).

Section 172 statement

The company recognises the contribution made by good governance to the company's success and delivery of strategy. Section 172 of the Companies Act 2006 requires the directors of a company to act in a way they consider in good faith to be most likely to promote the success of the company for the benefit of all stakeholders.

The Whitecroft business remains focussed on becoming the UK leading provider of lighting solutions to the Healthcare, Education and Commercial Office sectors. Delivering market leading and sector specific expertise to all key stakeholders remains core to its customer proposition. However, in the last year Whitecroft have begun to both develop and launch a new approach to creating lighting solutions around the principles of the Circular Economy. Branded *Vitality*, this long term commitment will put the triple bottom line of Sustainability (Financial, Environmental, Social) at its heart and will become ever more embedded in Whitecrofts customer proposition and operational processes. The Directors also note government policy announcements on Healthcare and Education expenditure and will ensure that early stakeholder engagement and pipeline management is particularly strong in these sectors in coming years.

Our employees are fundamental to the delivery of our plan. The business is committed to providing a positive working environment placing the safety of our employees at the forefront of all work activities. Notable improvements have been made in 2020 with the introduction of a comprehensive wellbeing programme, committed to and driven by our leadership team. This and future improvements will continue to support the creation of an engaged and high performing workforce.

Strong partnership relationships with both customers and suppliers are a fundamental element of a modern, sustainable supply chain approach to serving the built environment. Continued investment in Circular supply chain thinking will allow Whitecroft to engage across the market value chain to both understand and guide long term industry trends and drivers. Strong relationships and dialogue continues to convert this thinking into long term innovation and product development pipelines with key supply chain partners. The directors would make note of recent focus to develop a UK based supply chain network in the light of both sustainability and local citizenship trends.

The directors recognise the importance of both the environments that our solutions create but also our impact on society and environment that we operate in. The quality of the lit environment across Whitecrofts core sectors is of great importance to the effectiveness of the space and is a key consideration for both product design and selection. Our achievement of C2C accreditation for a number of product ranges provides a positive, third party assessment of Whitecrofts impact on the local environment and behaviour as a UK citizen.

The Board of Directors request that our employees and business partners take responsibility for themselves and connected others. In common with the other members of the Fagerhult Group, we have therefore created a set of rules, our Code of Conduct. Everyone in Whitecroft is obligated to follow it, our employees, board members and management. We believe in long term business relationships and understand that the Code of Conduct sets the foundations for strong and sustainable results for our business and for the environment and society in which we operate. Details can be found on <https://www.fagerhultgroup.com/wordpress/uploads/2020/03/fagerhult-group-code-of-conduct-2019.pdf>.

As a Board of Directors, our intention is to behave responsibly with both our shareholders and group colleagues, so that they too may benefit from the successful delivery of our plan.

Whitecroft Lighting Limited

Strategic report for the year ended 31 December 2019 (continued)

Risk and Uncertainty

The future of the UK's trading relationship with the European Union remains both a concern and an opportunity. In the short term, border friction will be managed through supply chain risk assessment and strategic stock investments. In the medium to long term the directors hope that both COVID and Brexit will accelerate a transition to a more sustainable and locally based supply chain approach within the built environment.

Whilst not affecting the FY 2019 result, during the audit period the COVID-19 pandemic has provided both market and operational challenges and is worthy of note. The construction marketplace that Whitecroft serves has clearly been adversely affected and appropriate changes to the cost base have been made during 2020 in order to balance the reduction in net sales. Operationally, the safety of our employees remains our priority and COVID safe working procedures have been in place throughout the pandemic period. Pleasingly, Whitecroft has shown remarkable resilience during 2020 with little or no interruption to customer service. The directors do believe that it will take 3 to 4 years to return to pre COVID levels of market demand and future business planning has been adjusted accordingly.

The UK lighting market remains highly competitive even after some notable exits both for strategic and financial reasons. The directors do not believe that the competitive landscape will materially change post COVID and as stated, we remain focussed on supporting our customer base with sustainably sourced, sector specific lighting solutions.

Financial Risk Management

The company's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange rates, credit risk. The directors monitor the risks in order to limit the adverse effects on the financial performance.

The company is exposed to foreign exchange risk as a result of its operations. The company does not make use of derivatives to hedge the foreign exchange risk but movements in foreign exchange rates are regularly monitored. The directors do not believe this constitutes a significant risk to the business. Hedging is partly achieved through engaging in buying and selling activities in the same currency.

The company has implemented policies that require appropriate credit checks on potential customers before contracts are negotiated. Credit control assesses the credit quality of the customer taking into account its financial position, past experience and other factors.

The company manages and uses its working capital to ensure that it has sufficient funds for ongoing operations and future investments.

The directors do not believe this constitutes a significant risk to the business as the company has no interest bearing liabilities.

Key Performance Indicators

The following key performance indicators, being readily available and widely used, are seen as crucial measures of good business performance:

- Gross Profit Margin calculated as $\text{Gross Profit} / \text{Turnover}$ is 32.8% (2018: 33.9%).
- Return on Sales calculated as $\text{Profit Before Tax} / \text{Turnover}$ is 6.6% (2018: 9.3%).

As a target to improve business performance year on year, the previous years' KPI statistics are used.

Results and Dividends

The profit for the financial year amounted to £2,672,272 (2018: £4,120,981).

Dividends of £6,000,000 (2018: £5,000,000) were paid out during the year, equating to a payment of £3,000,000 (2018: £2,500,000) per share. The directors do not recommend the payment of a final dividend (2019: £nil).

On behalf of the board:


N McCarroll

Director

17 December 2020

Whitecroft Lighting Limited

Directors' report for the year ended 31 December 2019

The directors present their annual report and audited financial statements of the company for the year ended 31 December 2019.

Directors

The directors who held office during the year and up to the date of approving these financial statements were as follows:

G van der Meer (resigned 31/03/2020)
M Wood
N McCarroll
P A Cassidy (resigned 31/03/2020)
D G Trail (resigned 30/04/2019)
D R Serif
B Sonesson
G M Daws
M J Paskin
P G Warner (appointed 01/05/2019 & resigned 09/09/2019)

Qualifying Third Party Indemnity Provisions

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Employees

Health and safety matters are given special attention by the directors and it is their policy, wherever reasonable and practicable within existing legislation to treat all persons, including disabled persons, in the same way in matters related to employment, training, career development and promotion.

Management regularly communicate with employees by monthly briefings to shop floor workers on performance and objectives and external factors affecting the business. Quarterly presentations to senior management are rolled out to all employees and cover issues such as strategy, performance and updates on key improvement plans.

Employee engagement statement

Refer to S172 statement within the strategic report.

Statement of engagement with suppliers, customers and others in a business relationship with the company

Refer to S172 statement within the strategic report.

Financial Risk Management

Refer to S172 statement within the strategic report.

Future Developments

Refer to S172 statement within the strategic report.

Going concern

The financial statements contained in this report are prepared on a going concern basis. The Directors understand the dynamic economic and market environment and accordingly have prepared both a base-case and downside-case extending to March 2022 to simulate differing outlooks in order to assess the company's ability to continue as a going concern. The base case assumes a return to pre Covid-19 trading levels from early 2021. The downside case incorporates the impact of 3 months at lower activity based on the levels of trading seen in March to June 2020. In both cases the review concluded the business to be well capitalised and funded with sufficient cash available throughout. The Directors are satisfied that the company will continue as a going concern for the foreseeable future and therefore the financial statements have been prepared on this basis.

Whitecroft Lighting Limited

Directors' report for the year ended 31 December 2019 (continued)

Dividends

Details of dividends paid are provided in the strategic report under the heading of 'Results and Dividends'.

Business review, risks and uncertainties and KPIs

The business review, assessment of principal risks and uncertainties and assessment of performance using KPIs are included in the strategic report.

Disclosure of Information to Auditors

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 auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Research and Development

The company's research and development is focused on developing market leading LED products. This continued throughout the year and will do so in future years.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. The elective resolution to dispense with the obligation to appoint auditors annually remains in place.

Post Balance Sheet Events

Whilst Covid-19 is a post balance sheet event, it is non-adjusting. Refer to Risks and Uncertainty.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.


Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

By order of the board:

G Daws 

Company secretary

17 December 2020

Company number: 03848973

Whitecroft Lighting Limited

Independent auditors' report to the members of Whitecroft Lighting Limited

Report on the audit of the financial statements

Opinion

In our opinion, Whitecroft Lighting Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Whitecroft Lighting Limited

Independent auditors' report to the members of Whitecroft Lighting Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Robert Halfpenny (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
17 December 2020

Whitecroft Lighting Limited

Statement of comprehensive income for the year ended 31 December 2019

	<i>Note</i>	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Turnover	2	52,467,612	53,964,868
Cost of sales		(35,283,062)	(35,662,112)
Gross profit		17,184,550	18,302,756
Distribution costs		(9,666,085)	(10,551,747)
Administrative expenses		(2,725,417)	(2,380,976)
Other operating expenses		(1,379,078)	(366,279)
Operating profit	3	3,413,970	5,003,754
Interest receivable	6	39,953	28,784
Profit before taxation		3,453,923	5,032,538
Tax on profit	7	(781,651)	(911,557)
Profit and total comprehensive income for the year		2,672,272	4,120,981

There were no items of other comprehensive income or expense in 2019 or 2018.

All results derive from continuing operations.

Whitecroft Lighting Limited

Balance sheet as at 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
Fixed assets			
Intangible assets	8	2,454,092	2,559,274
Tangible assets	9	6,330,564	7,074,547
Current assets			
Stocks	10	5,224,810	6,615,646
Debtors	11	11,802,542	12,302,350
Cash and Cash equivalents		9,437,663	10,550,945
Total current assets		26,465,015	29,468,941
Creditors: Amounts falling due within one year	12	(9,084,701)	(10,368,486)
Net current assets		17,380,314	19,100,455
Total assets less current liabilities		26,164,970	28,734,276
Provisions for liabilities	13	(923,635)	(165,213)
Net assets		25,241,335	28,569,063
Capital and reserves			
Called up share capital	14	2	2
Retained earnings		25,241,333	28,569,061
Total shareholders' funds		25,241,335	28,569,063

These financial statements on pages 9 to 26 were approved by the board of directors on 17 December 2020 were signed on its behalf by:



N R McCarroll
Director

Whitecroft Lighting Limited
Registered number: 03848973

Whitecroft Lighting Limited

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital	Retained earnings	Total
	£	£	£
Balance as at 1 January 2018	2	29,448,080	29,448,082
Profit for the financial year	-	4,120,981	4,120,981
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	4,120,981	4,120,981
Dividend paid (Note 15)	-	(5,000,000)	(5,000,000)
Balance as at 31 December 2018	2	28,569,061	28,569,063
Balance as at 1 January 2019	2	28,569,061	28,569,063
Profit for the financial year	-	2,672,272	2,672,272
Total comprehensive income for the year	-	2,672,272	2,672,272
Dividend paid (Note 15)	-	(6,000,000)	(6,000,000)
Balance as at 31 December 2019	2	25,241,333	25,241,335

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019

1 Accounting policies

General information

Whitecroft Lighting limited is a private limited company limited by shares, incorporated in the UK. The address of its registered office is Burlington Street, Ashton under Lyne, Lancashire, OL7 0AX.

The principal activity of Whitecroft Lighting Limited (the "Company") during the reporting period was of the design and manufacture of lighting fixtures.

Statement of compliance

The financial statements of Whitecroft Lighting Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies, which have been applied consistently throughout the year, are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention and applicable accounting standards in the United Kingdom.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in "Critical judgements and estimates in applying the accounting policies".

Going Concern

The financial statements contained in this report are prepared on a going concern basis. The Directors understand the dynamic economic and market environment and accordingly have provided our auditors with both a base-case and downside-case to simulate differing outlooks. The base case assumes a return to pre Covid-19 trading levels from early 2021. The downside case incorporates the impact of 3 months at lower activity based on the levels of trading seen in March to June 2020. In both cases the review concluded the business to be well capitalised and funded.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. No objections have been noted. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Whitecroft Lighting Limited is a qualifying entity as its results are consolidated into the financial statements of AB Fagerhult which are publicly available from S-566 08 HABO, Sweden.

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102 (continued)

As a qualifying entity, the Company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

Turnover

Turnover represents the amounts (excluding value added tax and rebates) derived from the provision of goods to customers during the period and is normally recognised on despatch. A small proportion of turnover is recognised under bill and hold arrangements when the goods are complete and ready for delivery and the Company has no other significant performance obligations other than the safekeeping of the goods and their shipment, once requested by the customer.

Research and development expenditure

Research and development expenditure is written off in the statement of comprehensive income in the period in which it is incurred.

Foreign Currencies

- i) Functional and presentation currency

The Company's functional and presentation currency is the pound sterling and these financial statements have been rounded to the nearest pound.

- ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Gains and losses arising from foreign currency transactions are taken to the statement of comprehensive income in the year in which they arise.

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 *Accounting policies (continued)*

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Post retirement benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity. In this case tax is also recognised directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is measured using tax rates and laws that have been enacted or substantially enacted by the period end and that are expected to apply to the reversal of the timing difference. Deferred tax is measured on an undiscounted basis.

A net deferred tax asset is recognised as recoverable and therefore only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which future reversal of underlying timing differences can be deducted.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase 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 to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation (continued)

Plant and machinery	-	3 - 10 years
Computer equipment	-	4 years
Fixtures and fittings	-	10 years
Assets under construction	-	not depreciated

Assets in the course of construction are stated at cost. Assets under construction are not depreciated. Repairs, maintenance and minor inspection costs are expensed as incurred.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible fixed assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life of ten years, on a straight line basis. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Operating leases

Leases where the risks and rewards of ownership rest with the lessor are treated as operating leases. Costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term. Capital sums received in connection with the leases on Company premises are included in deferred income in the balance sheet and credited to the statement of comprehensive income over the remaining period of the lease.

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments. Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Company has taken advantage of the exemption in respect of lease incentives under Paragraph 35.10(p) on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the statement of comprehensive income over the period to the first review date on which the rent is adjusted to market rates.

Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 *Accounting policies (continued)*

Impairment of non-financial assets (continued)

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income.

If an impairment loss is subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. In determining the cost of raw materials, consumables and goods purchased for resale, actual cost is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable labour and overheads.

A stock provision is made for obsolete, slow moving or defective items where appropriate.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including trade and other debtors and cash and cash equivalents, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 *Accounting policies (continued)*

Financial instruments (continued)

ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Critical judgements and estimates in applying the accounting policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Bill & Hold Sales

The Company's revenue recognition accounting policy is set out in note 1. In applying this policy, the Directors have made a judgement around the timing of the recognition of revenue for bill and hold sales. When the Company enters into bill and hold sales, specific agreements are entered into with the customer to acknowledge that the goods are complete, separately identified and ready for despatch. Bill and hold sales are subject to the Company's standard terms and conditions of sale, which state that legal title is retained by the Company until payment is received in full.

**Notes to the financial statements for the year ended
31 December 2019 (continued)**

1 Accounting policies (continued)

Critical judgements and estimates in applying the accounting policies (continued)

Bill & Hold Sales (continued)

The Directors consider that once the goods are ready for despatch and the customer has entered into the bill and hold agreement, the significant risks and rewards of ownership have passed, as the Company has no other significant performance obligations other than the safekeeping of the goods and their shipment, once requested by the customer. The Directors acknowledge that this is a judgement, especially where the Company retains legal title until the customer has paid. However, given this clause is included in the standard terms and conditions for all sales to provide protection to the Company against non-payment, the Company does not consider the retention of legal title until payment prevents the transfer of the significant risks and rewards of ownership.

Stock Provision

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions about the anticipated saleability of finished goods and future usage of raw materials. See note 10 for disclosure of amounts in provision.

Warranty Provision

When calculating the warranty provision, management considers the population of products within warranty together with actual experience of failure rates. Although LED technology is inherently more reliable than its predecessor technology, the impact of systems integration and controls functionality is becoming a more significant element of some projects. This gives a potential for commissioning and rectification work required to deliver the project solution. The Directors acknowledge that this requires estimation. See note 13 for disclosure of provision for warranty.

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Turnover

Analysis of turnover by country of destination:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
United Kingdom	49,201,580	50,894,411
Rest of Europe	1,604,248	2,053,529
Rest of World	1,661,784	1,016,928
	52,467,612	53,964,868

3 Operating profit

The operating profit is stated after charging:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
<i>Operating profit is stated after charging</i>		
Auditors' remuneration:		
Audit	37,980	35,700
Other Services	-	19,500
Depreciation of tangible fixed assets		
Owned assets	1,671,794	1,633,082
Intangible Amortisation	283,040	261,670
Operating lease charges	924,832	999,250
Research and development costs	478,338	322,018
<i>after crediting</i>		
Exchange gain	123,222	125,079

4 Employee information

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

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
Administration	109	116
Manufacturing	230	271
Sales	59	69
	398	456

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

4 Employee information (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Wages and salaries	13,028,765	14,166,887
Social security costs	1,454,968	1,564,916
Other pension costs (note 19)	534,516	474,584
	15,018,249	16,206,387

5 Directors' remuneration

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Aggregate remuneration	820,266	887,449
Aggregate contributions to money purchase pension schemes	51,484	51,390
	871,750	938,839

The remuneration of the highest paid director (excluding pension contributions) was £158,243 (2018: £316,908) and the company made pension contributions of £7,475 (2018: £5,400) on his behalf (of which £629 (2018: £nil) was accrued).

During the year, the company made contributions to a defined contribution pension scheme on behalf of 6 directors (2018: 6).

Directors emoluments disclosed above do not include emoluments for directors who are remunerated through other group companies. These amounts have not been re-charged to the entity and no formal allocation of these emoluments between group companies has been performed. As such, any emoluments not borne by the entity have not been disclosed.

6 Interest receivable

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Bank interest receivable	39,953	28,784

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

7 Tax on profit

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Current tax:		
UK corporation tax on profits of the year	697,864	1,017,639
Adjustment in respect of previous years	11,924	(66,947)
Total current tax	709,788	950,692
Deferred tax:		
Origination and reversal of timing differences	(1,957)	(39,135)
Impact of change in tax rate	-	-
Adjustment in respect of previous years	73,820	-
Total deferred tax charge/(credit) (note 13)	71,863	(39,135)
Tax on profit	781,651	911,557

Factors affecting the tax charge for the current year

The current tax charge assessed for the year is lower (2018 lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2019 of 19% (2018: 19%). The differences are explained below:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Profit before taxation	3,453,923	5,032,538
Profit multiplied by standard rate in the UK 19% (2018: 19%)	656,245	956,182
Effects of:		
Expenses not deductible for tax purposes (Accelerated capital allowances) in excess of depreciation and other timing differences	39,431	32,251
Re-measurement of deferred tax – change in the UK tax rate	-	(9,929)
Adjustment in respect of previous years	230	-
	85,745	(66,947)
Total tax for the year	781,651	911,557

Factors affecting current and future tax charges:

The standard rate of tax applied to reported profit is 19% (2018 19%).

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Subsequent to the year end as part of the March 2020 Budget the planned reduction to the UK main rate of tax from 19% to 17% was removed. This is a non-adjusting post balance sheet event and the impact on deferred tax balances would not be material.

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Intangible assets

	Total £
	Computer Software
Cost	
At 1 January 2019	2,865,872
Additions	177,858
At 31 December 2019	3,043,730
Accumulated amortisation	
At 1 January 2019	(306,598)
Charge for the year	(283,040)
At 31 December 2019	(589,638)
Net book value	
At 31 December 2019	2,454,092
At 31 December 2018	2,559,274

Amortisation of intangible assets is included in Administration expenses in the statement of comprehensive income.

Included within Computer Software is work in progress of £109,499 (2018: £56,100) that is not being depreciated.

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

9 Tangible assets

	Plant and Machinery £	Computer equipment £	Fixtures & fittings £	Total £
Cost				
At 1 January 2019	15,434,182	929,692	1,688,714	18,052,588
Additions	579,515	235,687	112,609	927,811
Re-classifications	(101,093)	(60,742)	161,835	-
Disposals	(3,794,916)	(189,907)	(413,691)	(4,398,514)
At 31 December 2019	12,117,688	914,730	1,549,467	14,581,885
Accumulated depreciation				
At 1 January 2019	9,246,416	606,439	1,125,186	10,978,041
Charge for year	1,371,864	146,296	153,634	1,671,794
Re-classifications	10,088	(6,599)	(3,489)	-
Disposals	(3,794,916)	(189,907)	(413,691)	(4,398,514)
At 31 December 2019	6,833,452	556,229	861,640	8,251,321
Net book value				
At 31 December 2019	5,284,236	358,501	687,827	6,330,564
At 31 December 2018	6,187,766	323,253	563,528	7,074,547

Depreciation has been charged in cost of sales and administration expenses in the statement of comprehensive income.

Included within plant and machinery is work in progress of £508,995 (2018: £1,069,691) that is not being depreciated.

10 Stocks

	31 December 2019 £	31 December 2018 £
Raw materials and consumables	2,497,044	2,551,338
Work in progress	474,607	674,330
Finished goods and goods for resale	2,253,159	3,389,978
	5,224,810	6,615,646

In the opinion of the directors there is no material difference between the balance sheet value of stocks and their replacement cost.

The amount of stocks recognised as an expense during the year was £22,526,421 (2018: £22,664,364).

Included in stocks is a provision of £1,595,022 (2018: £660,541).

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Debtors

	31 December 2019 £	31 December 2018 £
Trade debtors	9,894,939	10,838,470
Amounts owed by group undertakings	865,416	935,677
Prepayments and accrued income	1,042,187	528,203
	11,802,542	12,302,350

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Included in trade debtors are provisions of £44,202 (2018: £18,521).

The Directors consider the fair value of trade and other debtors to be equal to their carrying value given their short term nature.

All the Company's financial assets are measured at amortised cost and comprise cash and cash equivalents, trade debtors and amounts owed by group undertakings and totalled £20,198,018 as at 31 December 2019 (2018: £22,325,092).

12 Creditors: amounts falling due within one year

	31 December 2019 £	31 December 2018 £
Trade creditors	4,152,193	4,365,484
Amounts owed to group undertakings	1,779,080	1,977,873
Other creditors	75,009	109,362
Corporation Tax	157,226	448,237
Other taxation and social security	649,219	955,734
Accruals and deferred income	2,271,974	2,511,796
	9,093,099	10,368,486

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The Directors consider the fair value of trade and other creditors to be equal to their carrying value given their short term nature.

All the Company's financial liabilities are measured at amortised costs and comprise trade creditors, amounts owed to group undertakings, other creditors, taxation and social security and accruals and deferred income and totalled £9,093,099 as at 31 December 2019 (2018: £10,368,486).

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13 Provisions for liabilities

	Warranty provision £	Deferred tax provision £	Total £
At 1 January 2019	-	165,213	165,213
Debited to statement of comprehensive income	-	71,863	71,863
Reclassified from Accruals and deferred income	686,559	-	686,559
At 31 December 2019	686,559	237,076	923,635

(a) The elements of warranty are as follows:

Provision for potential future liability for products in warranty. The provision is expected to be utilised at the end of respective warranty periods between 2021 and 2025.

(b) The elements of deferred taxation are as follows:

	31 December 2019 £	31 December 2018 £
Accelerated capital allowances	333,090	146,751
Other timing differences	(96,014)	18,462
Total provision for deferred tax	237,076	165,213

The net deferred tax liability expected to reverse in 2021 is £23,400 (2018: £34,200). This primarily relates to the reversal of timing differences on capital allowances outstanding offset by expected tax deductions on the long-term incentive payment arrangements.

14 Called up share capital

	31 December 2019 £	31 December 2018 £
Allotted, issued and fully paid		
2 (2018: 2) ordinary shares of £1 each	2	2

There is a single class of ordinary shares. There are no restrictions on the distribution of capital and the repayment of capital.

15 Dividends

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Equity – Ordinary		
Interim paid: £3,000,000 (2018: £2,500,000) per 1 share	6,000,000	5,000,000
Total	6,000,000	5,000,000

Whitecroft Lighting Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

16 Capital and Financial commitments

There were no capital commitments as at the end of either 2019 or 2018.

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Payment due		
Not later than one year	851,089	885,818
Later than one year and not later than five years	2,731,029	2,759,721
Later than five years	5,669,836	5,725,751
Total	9,251,954	9,371,290

17 Related party transactions

As the company is a wholly owned subsidiary of AB Fagerhult, the company has taken advantage of the exemption contained in section 33.1A of FRS 102 'Related party transactions' and has therefore not disclosed transactions or balances with entities which are wholly owned as part of the group. The consolidated financial statements of AB Fagerhult, within which this company is included, can be obtained from S-566 08 HABO, Sweden.

18 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year ended 31 December 2019 represents contributions payable by the Company to the scheme and amounted to £534,516 (2018: £474,584).

Contributions amounting to £75,315 (2018: £72,530) were payable to the scheme at the end of the financial year and are included in other creditors.

19 Controlling parties

The immediate parent undertaking is Whitecroft Lighting Holdings Limited.

The ultimate parent undertaking and controlling party is AB Fagerhult, a company incorporated in Sweden. AB Fagerhult is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of AB Fagerhult are available to the public and may be obtained from S-566 08 HABO, Sweden.