

OSRAM Limited

Report and financial statements

Registered number 9860012

September 30, 2018

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OSRAM Limited

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

CONTENTS	PAGES
Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	5
Independent auditor's report to the members of OSRAM Limited	6
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11

OSRAM Limited

STRATEGIC REPORT

YEAR ENDED SEPTEMBER 30, 2018

The directors present their strategic report for the year ended September 30, 2018.

PRINCIPAL ACTIVITIES

OSRAM Limited is engaged in the sale of lighting products and solutions, both in the domestic market and Ireland.

BUSINESS REVIEW

General Business Review – statement of income

Revenue for the year ended September 30, 2018 totalled £33,294k (2017: £33,958k).

The operating profit was £760k for the year (2017: £889k). The Company made a profit for the year after taxation of £718k (2017: £671k).

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly. An evaluation of the potential impact of market factors is undertaken regularly by the management so that the Company can respond appropriately.

The Company's strategy is both to maximise profits for the shareholders through increasing organic sales of innovative products, and to maintain a very lean cost structure.

General Business Review - statement of financial position

Net assets at September 30, 2018 totalled £2,389k (2017: £2,171k).

Analysis of Financial Key Performance Indicators

The Company measures its performance on a number of key performance indicators, including revenue, operating profit and net assets as discussed above.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company has implemented a coordinated set of risk management and control systems, including strategic planning and management reporting, to help anticipate, measure, monitor and manage its exposure to risk.

The principal risk for the Company is that of low cost imports by competitors. Major opportunities include the growing emphasis on environmental protection and the consequent focus upon energy saving lighting systems and solutions, and other technologies such as Solid State Lighting (LEDs) which are having a positive impact upon the lighting market and its digitalization.

The Company has a diversified range of customers and provides both products and solutions that support the requirements of the lighting market. Based on the Company's forecasts, the directors consider that the Company will trade profitably over the next 12 months.

Additionally, the OSRAM group operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to OSRAM GmbH and companies are able to draw down on these facilities if required.

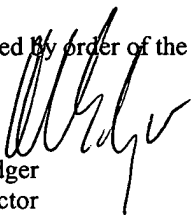
FINANCIAL INSTRUMENTS

The Company's financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction, and the exposure to market risk, interest rate risk, credit risk and liquidity risk are defined.

OSRAM Limited
STRATEGIC REPORT

YEAR ENDED SEPTEMBER 30, 2018

Signed by order of the board of directors



A Edger
Director

Approved by the directors on June 25, 2019

Registered office:
268 Bath Road
Slough
Berkshire
United Kingdom
SL1 4DX

OSRAM Limited

DIRECTORS' REPORT

YEAR ENDED SEPTEMBER 30, 2018

The directors present their report for the year ended September 30, 2018.

DIVIDENDS

A dividend of £500,000 was paid during the year (2017: £nil).

DIRECTORS

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

R Bushnell
A Edger

None of the directors holding office at September 30, 2018 had notified a beneficial interest in any contract to which the Company or its associated undertakings were a party during the financial year.

Directors benefitted from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

GOING CONCERN

The OSRAM group operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to OSRAM GmbH and companies are able to draw down on these facilities if required. Based on the assessment of the Company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the Company continues to adopt the going concern basis of accounting.

FUTURE DEVELOPMENTS

Ongoing development of the Company includes the carveout of the its luminaires business and the acquisition of an automotive aftersales specialist. Further details are given in note 23 to the financial statements. The acquisition was funded in part through an additional capital contribution from the Company's immediate parent OSRAM GmbH, and in part through the cash pooling facility.

SUBSEQUENT EVENTS

The details of significant events after the reporting period, being the carve out of the Company's luminaires business and the purchase of Ring Automotive Limited, are disclosed in note 23 to the financial statements.

EMPLOYEE PARTICIPATION

The directors continue to encourage employee participation within the Company. The Performance Management Process (PMP) and Management Development Programmes underpin the various methods for encouraging an open and participative style of management and communication; these include team meetings, email notices and employee elections to the information and consultation committee (ICC). We encourage suggestions and innovations for improving business performance through PMP, ICC and the ability to e-mail the senior management team.

ENVIRONMENTAL

The Company's commitment to being a socially responsible organisation requires that it meets the demands of commerce in an ecologically and socially sound manner. OSRAM designs, develops, manufactures and markets its products and services so as to protect the environment and human health in a manner that either fully meets or exceeds any applicable regulations, and in order to improve energy efficiency and to minimise the impact on natural resources.

OSRAM strives through its innovative products, systems and solutions to improve the quality of life the world over. This includes promoting high energy efficiency in its products and solutions for climate protection.

OSRAM Limited
DIRECTORS' REPORT

YEAR ENDED SEPTEMBER 30, 2018

EQUAL OPPORTUNITIES

The Company is committed to equal opportunities for all, free from discrimination and harassment. The Company values the contribution of all employees. All job applicants and employees, customers, visitors or

contractors will receive equal treatment regardless of sex, race, disability, sexual orientation, religion or belief, age, colour, marital status, trade union membership, nationality or ethnic or national origins.

Within the Company, applicants and employees will be recruited, selected, trained and promoted on objective grounds, i.e. on the basis of their ability, skills and aptitudes and on the requirements of their job. This will enable them to develop to the best of their abilities and contribute most effectively to the success of the Company. Wherever possible, we will assist disabled employees to enable them to work for the Company and maximise their contribution and performance.

DISCLOSURE OF INFORMATION TO AUDITORS

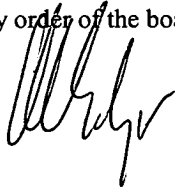
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that they ought to have taken as a director to make themselves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

AUDITOR

In accordance with section 487(2) of the Companies Act 2006, Ernst and Young LLP will continue in office as auditor of the Company.

Signed by order of the board of directors

A Edger
Director



Approved by the directors on June 25, 2019

Registered office:

268 Bath Road
Slough
Berkshire
United Kingdom
SL1 4DX

OSRAM Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable United Kingdom 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 and applicable law), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 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;
- ▶ state whether applicable United Kingdom Accounting Standards have been followed, including FRS 101 'Reduced Disclosure Framework' ('FRS 101'), subject to any material departures disclosed and explained in the financial statements; and
- ▶ Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Opinion

We have audited the financial statements of OSRAM Limited for the year ended September 30, 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the Company's affairs as at September 30, 2018 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Richard Chatwin (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

Date: 25 JUNE 2019

OSRAM Limited

STATEMENT OF COMPREHENSIVE INCOME For the year ended September 30, 2018 (in thousands of £)

	Note	2018	2017
Continuing operations			
Revenue	4	33,294	33,958
Cost of goods sold and services rendered		(28,464)	(28,494)
Gross profit		<u>4,830</u>	<u>5,464</u>
Selling, marketing and general administration expenses		(4,061)	(4,575)
Other operating expenses		(9)	-
Operating profit	5	<u>760</u>	<u>889</u>
Interest income	8	3	1
Interest expense	8	(39)	(42)
Profit from continuing operations before tax		<u>724</u>	<u>848</u>
Tax	9	(6)	(177)
Profit for the financial year		<u>718</u>	<u>671</u>
Other comprehensive income		-	-
Total comprehensive income		<u><u>718</u></u>	<u><u>671</u></u>
Attributable to:			
Owners of the Company		<u><u>718</u></u>	<u><u>671</u></u>

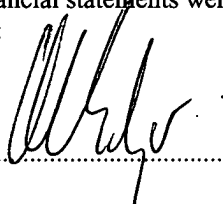
OSRAM Limited

STATEMENT OF FINANCIAL POSITION

As of September 30, 2018 (in thousands of £)

ASSETS	Note	2018	2017
Current assets			
Cash and cash equivalents		296	353
Trade and other receivables	10	5,396	5,033
Other current financial assets	11	82	142
Inventories	12	425	329
Corporation tax receivable		60	-
Other current assets	13	126	95
Total current assets		6,385	5,952
Non-current assets			
Property, plant and equipment	14	24	42
Deferred tax assets	9	12	10
Total assets		6,421	6,004
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	15	1,930	1,370
Other current financial liabilities	16	53	86
Current provisions	19	63	40
Corporation tax payable		-	91
Other current liabilities	17	1,959	2,229
Total current liabilities		4,005	3,816
Non-current liabilities			
Non-current provisions	19	27	17
Total liabilities		4,032	3,833
Equity			
Share capital	20	-	-
Additional paid-in capital		1,593	1,593
Capital contribution reserve		-	-
Retained earnings		796	578
Total equity		2,389	2,171
Total liabilities and equity		6,421	6,004

These financial statements were approved by the board of directors on June 25, 2019 and were signed on their behalf by:


.....
A Edger
Director

Registered number 9860012

OSRAM Limited

OSRAM Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended September 30, 2018 (in thousands of £)

	Share capital	Additional paid-in capital	Capital contribution reserve	Retained earnings	Total equity
Balance at October 1, 2016	-	1,593	-	(93)	1,500
Profit for the financial year	-	-	-	671	671
Total comprehensive income for the financial year	-	1,593	-	578	2,171
Equity settled share based payments	-	-	19	-	19
Recharge from ultimate parent undertaking	-	-	(19)	-	(19)
Balance at September 30, 2017	-	1,593	-	578	2,171
Profit for the financial year	-	-	-	718	718
Total comprehensive income for the financial year	-	1,593	-	1,296	2,889
Equity settled share based payments	-	-	25	-	25
Recharge from ultimate parent undertaking	-	-	(25)	-	(25)
Dividends to equity holders	-	-	-	(500)	(500)
Balance at September 30, 2018	-	1,593	-	796	2,389

Capital contribution reserve

This arises from directors' eligibility to stock awards in the ultimate parent undertaking OSRAM Licht AG. Further details are provided on note 2 under the heading *Share-based payments*.

OSRAM Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018 (in thousands of £)

1. Basis of presentation

The accompanying financial statements present the operations of OSRAM Limited (the 'Company'), a private company limited by shares, for the year ended September 30, 2018. They have been prepared and approved by the directors in accordance with FRS101, 'Reduced Disclosure Framework – Disclosure exemptions from EU-adopted IFRS for qualifying entities', applied in accordance with the Companies Act 2006. Preparation in accordance with FRS101 means they use the recognition and measurement principles of International Accounting and Financial Reporting Standards adopted by the EU (Adopted IFRSs), but with disclosure exemptions as set out in FRS101. In cases where accounting changes mandated by FRS101 have also been applied, these are disclosed case by case. The financial statements are generally prepared on the historical cost basis, except as stated in note 2.

OSRAM Limited has prepared and reported its financial statements in Great British Pounds (GBP) (£) and the financial information is disclosed in thousands of £, except where stated otherwise. 'k' denotes thousands of £ and 'm' denotes millions of £. OSRAM Limited is a United Kingdom based company incorporated in England and Wales, which is engaged in the import and sale of lighting products and solutions, both in the UK and Ireland.

In these financial statements, the term 'group' refers to all companies for whom the ultimate parent undertaking is OSRAM Licht AG, a company incorporated in Germany.

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

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the accounts.

2. Summary of significant accounting policies

Disclosure exemptions – The following disclosure exemptions from the requirements of IFRS have been adopted in the preparation of these financial statements, in accordance with FRS101:

- A statement of cashflow has not been presented (IAS7 *Statement of Cash Flows*).
- Future impact of IFRSs that are in issue but not effective at the reporting date have not been disclosed (paragraphs 30 and 31 of IAS8 *Accounting Policies, Changes in Accounting Estimates and Errors*).
- Comparative reconciliation has not been given for each category of tangible fixed asset (paragraph 38 of IAS1 *Presentation of Financial Statements* in respect of paragraph 73(e) of IAS16 *Property, Plant and Equipment*).
- Categories of financial instrument and the nature and extent of risks arising on these financial instruments have not been detailed (IFRS7 *Financial Instruments: Disclosures*).
- The valuation techniques applied to assets and liabilities held at fair value have not been disclosed (paragraphs 91-99 of IFRS13 *Fair Value Measurement*).
- Details of share-based payments have not been disclosed (paragraphs 46-52 of IFRS2 *Share-based Payment*).
- Compensation of key management has not been presented (paragraph 17 of IAS24 *Related Party Disclosures*).
- Related party transactions between two or more wholly-owned members of the group have not been disclosed (relevant aspects of IAS24 *Related Party Disclosures*).

Revenue recognition - Revenue represents

- (i) the monies (excluding value added tax) received or receivable from third party or affiliated customers derived from the provision of goods. It is recognised when delivery has occurred, the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured.
- (ii) Commission receivable on product sale transactions for which the company acts as an agent for affiliated companies, and for management and other services supplied to affiliated companies. It is recognised when those transactions occur or services are performed.

Dividends are recognised when the right to receive payment is established.

OSRAM Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018 (in thousands of £)

Interests are recognised using the effective interest rate method.

Property, plant and equipment - Property, plant and equipment is valued at cost less accumulated depreciation and impairment losses. If the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is recognised using the straight-line method. Residual values and useful lives are reviewed annually and, if expectations differ from previous estimates, adjusted accordingly. The estimated useful lives are as follows:

Land and buildings - leasehold improvements	Shorter of (i) the remaining term of the lease (ii) 10 years
Fixtures, fittings, tools and equipment	3 to 5 years

Impairment of property, plant and equipment - The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by the comparison of the carrying amount of the asset to the recoverable amount, which is the higher of the asset's value in use and its fair value less costs to sell. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, the impairment test is not performed at an individual asset level, instead, it is performed at the level of the cash-generating unit the asset belongs to. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds their recoverable amount. If the fair value cannot be determined, the assets' value in use is applied as their recoverable amount. The assets' value in use is measured by discounting their estimated future cash flows. If there is an indication that the reasons which caused the impairment no longer exist, the Company assesses the need to reverse all or a portion of the impairment.

The Company's property, plant and equipment to be disposed of are recorded at the lower of carrying amount or fair value less costs to sell, and depreciation is ceased.

Taxes - The Company applies the liability method, under which deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax laws is recognised in the statement of income, unless related to items directly recognised in equity, in the period the new laws are enacted or substantively enacted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Inventories - Inventory is valued at the lower of acquisition or production cost or net realisable value, cost being generally determined on the basis of an average or first-in, first-out method. Production costs comprise direct material and labour and applicable manufacturing overheads, including depreciation charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provisions - A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognised at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Additions to provisions and reversals are generally recognised in the statement of income. A provision is made for claims for the rectification of faults or damages in the products the Company sells to the extent that the Company has a current obligation under assurances given and based on historic claims experience.

Financial instruments - A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the Company mainly include cash and cash equivalents, trade receivables and derivative financial instruments with a positive fair value. Cash and cash equivalents are not included within the category available-for-sale financial assets as these financial instruments are not subject to fluctuations in value. OSRAM does not make use of the category held to maturity. Financial liabilities of the Company mainly comprise trade payables and derivative financial instruments with a negative fair value. OSRAM does not make use of the option to designate financial assets or financial liabilities

OSRAM Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018 (in thousands of £)

at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortised cost and financial assets and financial liabilities measured at fair value.

Financial instruments are recognised in the statement of financial position when the Company becomes a party to the contractual obligations of the instrument.

Initially, financial instruments are recognised at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are only recognised in determining the carrying amount, if the financial instruments are not measured at fair value through profit or loss. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned.

Cash and cash equivalents - The Company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost. The Company is part of a cash pooling arrangement across the worldwide OSRAM group. Balances within this facility are classified as *Receivables from group companies* or *Amounts due to group companies*.

Loans and receivables - Financial assets classified as loans and receivables are measured at amortised cost using the effective interest method less any impairment losses. Impairment losses on trade and other receivables are recognised using separate allowance accounts.

Financial liabilities - The Company measures financial liabilities, except for derivative financial instruments, at amortised cost using the effective interest method.

Derivative financial instruments - Derivative financial instruments, such as foreign currency exchange contracts are measured at fair value. The derivative instruments which are held by the Company are designated as cash flow hedges.

Cash flow hedges - The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges are recognised in net income in line item *Cost of goods sold and services rendered*.

Leases - The Company is the lessee in all the leases to which it is a party. All the Company's leases are deemed to be operating leases, and therefore the asset does not appear in property, plant & equipment and lease payments are charged to the statement of income on a straight-line basis over the lease term.

Pension costs - defined contribution plan - 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 income represents the contributions payable to the scheme in respect of the accounting period and represents the full extent of the Company's liability.

Borrowing costs - The Company pays or receives interest on its intercompany cash balance referred to above. These are recognised within interest in the statement of income when incurred or receivable.

Share-based payments - Directors are eligible for stock awards under a scheme established by the Company's ultimate parent undertaking, OSRAM Licht AG. The fair value of awards is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the awards. The fair value of share-based awards is determined as the market price of OSRAM Licht AG shares, taking into consideration, if applicable, dividends during the vesting period the grantees are not entitled to and certain non-vesting conditions. Further details in respect of the OSRAM group share-based payment plans have been made in the OSRAM group accounts, which can be obtained as described in note 24.

OSRAM Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018 (in thousands of £)

3. Management estimates and judgments

Certain of the accounting policies described in note 2 require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change.

Trade and other receivables - The allowance for receivables involves significant management judgment and review of individual receivables based on individual customer creditworthiness. The movement in this allowance is given in note 10.

Provisions — Significant estimates are involved in the determination of provisions for costs associated with faulty or damaged products. Such estimates are subject to change based on new information as issues arise. For further explanation of the movement in provisions in the year see note 19.

Taxes — Deferred tax assets are recognised if sufficient future taxable profit is available, including income from forecasted operating earnings, the reversal of existing taxable temporary differences and established tax planning opportunities. As of each period-end, management evaluates the recoverability of deferred tax assets, based on projected future taxable profits. As future developments are uncertain and partly beyond management's control, assumptions are necessary to estimate future taxable profits as well as the period in which deferred tax assets will recover. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. If management considers it probable that all or a portion of a deferred tax asset cannot be realized, a corresponding valuation allowance is taken into account.

4. Revenue

Revenue is earned from the sale of lighting products and solutions; and as commission on product sale transactions for which the company acts as an agent for affiliated companies, and for management and other services supplied to affiliated companies.

	<u>Year ended September 30,</u>	
	2018	2017
Sale of lighting products and solutions	31,586	32,372
Commission	1,708	1,586
Total revenue	<u>33,294</u>	<u>33,958</u>

Segmental information for the OSRAM Licht Group is presented in the consolidated accounts of the ultimate parent company, OSRAM Licht AG.

5. Operating profit has been arrived at after charging / (crediting):

	<u>Year ended September 30,</u>	
	2018	2017
Net foreign exchange (gains)/losses	(4)	11
Depreciation of property, plant and equipment - selling, marketing and general administration expenses	24	33
Impairment of receivables - selling, marketing and general administration expenses	3	-
Staff costs (see note 6)	3,875	4,294
Auditor's remuneration		
- audit of financial statements	27	26

OSRAM Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018 (in thousands of £)

6. Staff numbers and costs

	<u>Year ended September 30,</u>	
	2018	2017
Wages and salaries	3,246	3,599
Social security costs	359	392
Expenses relating to pension plans and employee benefits	270	303
	<u>3,875</u>	<u>4,294</u>

Expenses relating to pension plans and employee benefits consist of the charge for defined contribution scheme employer contributions for the period.

The average number of employees (including executive directors) during 2018 and 2017 was 48 and 54 respectively. Part-time employees are included on a proportionate basis rather than being counted as full units. The employees were engaged in the following activities:

	<u>Year ended September 30,</u>	
	2018	2017
	Number of employees	Number of employees
Sales and marketing	42	47
Administration and general services	6	7
	<u>48</u>	<u>54</u>

7. Directors' emoluments

The directors' aggregate emoluments, including pension contributions, in respect of qualifying services were:

	<u>Year ended September 30,</u>	
	2018	2017
Emoluments receivable	275	278
Employer contributions to money purchase schemes	33	34
Equity-settled share based payments	25	19
	<u>333</u>	<u>331</u>

The emoluments of the highest paid director were £169,000 (2017: £170,000). Two directors are members of a defined contribution scheme (2017: two). One director paid by the company was a member of a defined benefit scheme, not accruing further service benefits but accruing uplifts in value due to passage of time. Share based payments are described in note 2.

OSRAM Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018 (in thousands of £)

8. Interest income and expense

Interest income/(expense) is all for financial assets or liabilities that are not at fair value through the statement of income.

The total amounts of interest income and expense were as follows:

	<u>Year ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Interest income	3	1
Interest expense	(39)	(42)
Interest expense, net	<u>(36)</u>	<u>(41)</u>

Interest income and expense derives from deposits with the OSRAM group cash pooling arrangement.

9. Taxes

The analysis below is in reference to the total tax expense included in the statement of comprehensive income.

	<u>Year ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Current tax:		
UK corporation tax	68	164
Adjustment in respect of previous years	(60)	-
	<u>8</u>	<u>164</u>
Deferred tax:		
Origination and reversal of temporary differences current year	(5)	14
Adjustment in respect of previous years	3	1
Deferred tax rate change adjustment	-	(2)
	<u>6</u>	<u>177</u>
Tax charge	<u>6</u>	<u>177</u>

Of the deferred tax charge in 2018 and 2017, £2k credit and £13k charge, respectively, relate to the origination and reversal of temporary differences.

The Finance (No 2) Act 2015 introduced a reduction in the corporation tax rate from 20% to 19% to apply for Financial years 2017, 2018 and 2019. The Finance Act 2016 further reduces the corporation tax rate to 17% from April 1, 2020.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax balances have been calculated using 17% (2017: 17%).

OSRAM Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018 (in thousands of £)

For year ended September 30, 2018 the Company was subject to UK corporation tax at a rate of 19% (2017: 19.5% [20% during the 6 months to April 1, 2017 and 19% during the 6 months to September 30, 2017]). Tax expense differs from the amounts computed by applying the statutory UK tax rate as follows:

	<u>Year ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Profit before tax	724	848
Tax at 19% (2017: 19.5%)	138	165
Increase in taxes resulting from:		
Adjustments in respect of prior years	(58)	1
Non-deductible losses and expenses	21	13
Deferred tax rate change adjustment	-	(2)
Effects of group relief	(95)	-
Total tax charge for the period	6	177

Deferred income tax assets and liabilities on a gross basis are summarised as follows:

	<u>September 30,</u>	<u>September 30,</u>
	<u>2018</u>	<u>2017</u>
Assets:		
Pension plans and similar commitments	13	14
Deferred tax assets	13	14
Liabilities:		
Property, plant and equipment	(1)	(4)
Deferred tax liabilities	(1)	(4)
Total deferred tax assets, net	12	10
Of which:		
Recoverable within one year	-	-
Recoverable after one year	12	10

Management considers to what extent it is probable that the deferred tax asset will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible.

As of September 30, 2018 the Company had £Nil of gross tax loss carry forwards (2017: £Nil).

OSRAM Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018 (in thousands of £)

10. Trade and other receivables

	<u>September 30,</u> 2018	<u>September 30,</u> 2017
Trade receivables from the sale of goods	6,487	5,994
Provisions for rebates, queries and settlement discount	(1,091)	(961)
	<u>5,396</u>	<u>5,033</u>

Trade receivables are shown after the deduction of allowances for impairment of £3,000 (2017: £Nil).

Changes to the valuation allowance of trade receivables, are as follows:

	<u>September 30,</u> 2018	<u>September 30,</u> 2017
Valuation allowance as of beginning of fiscal year	-	(23)
Creation	3	-
Usage	-	23
Reversal	-	-
Valuation allowance as of fiscal year-end	<u>3</u>	<u>-</u>

The ageing of trade receivables and the associated impairment allowance is as follows:

	<u>September 30, 2018</u>		<u>September 30, 2017</u>	
	Gross	Allowance	Gross	Allowance
Current	6,343	-	5,889	-
30 days overdue	93	-	72	-
31 – 60 days overdue	22	-	(4)	-
61 – 90 days overdue	(2)	-	(1)	-
91+ days overdue	34	(3)	38	-
	<u>6,490</u>	<u>(3)</u>	<u>5,994</u>	<u>-</u>

OSRAM Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018 (in thousands of £)

11. Other current financial assets

	<u>September 30,</u> 2018	<u>September 30,</u> 2017
Customer remittances in transit to cash pool	81	140
Other	1	2
	<u>82</u>	<u>142</u>

12. Inventories

	<u>September 30,</u> 2018	<u>September 30,</u> 2017
Finished goods and products held for resale	425	329

Cost of goods sold and services rendered include inventories recognised as an expense amounting to £26,731k (2017: £26,733k).

13. Other current assets

	<u>September 30,</u> 2018	<u>September 30,</u> 2017
Prepaid expenses	126	95

OSRAM Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018 (in thousands of £)

14. Property, plant and equipment

	Land and buildings – leasehold improvements	Fixtures, fittings, tools & equipment	Total property, plant & equipment
Cost			
At October 1, 2017	18	148	166
Additions	-	15	15
Disposals	-	(63)	(63)
At September 30, 2018	<u>18</u>	<u>100</u>	<u>118</u>
Accumulated depreciation and impairment			
At October 1, 2017	18	106	124
Charge for the year	-	24	24
Disposals	-	(54)	(54)
At September 30, 2018	<u>18</u>	<u>76</u>	<u>94</u>
Net book value			
At October 1, 2017	-	42	42
At September 30, 2018	<u>-</u>	<u>24</u>	<u>24</u>

As at September 30, 2018 contractual commitments for the purchase of property, plant and equipment amounted to £nil (2017: £nil).

15. Trade payables

	<u>September 30,</u> 2018	<u>September 30,</u> 2017
Trade payables	220	213
Amounts due to group companies	1,710	1,157
	<u>1,930</u>	<u>1,370</u>

16. Other current financial liabilities

	<u>September 30,</u> 2018	<u>September 30,</u> 2017
Derivative financial instruments	12	53
Financial liabilities	41	33
	<u>53</u>	<u>86</u>

Derivative financial instruments consist of the revaluation to fair value at the statement of financial position date of foreign exchange hedging contracts. These are recognised at fair value through profit and loss, being designated as such upon initial recognition, and accounted for as cash flow hedges. The underlying cash flows are expected to occur and affect profit or loss within one year of the statement of financial position date.

OSRAM Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018 (in thousands of £)

17. Other current liabilities

	<u>September 30,</u> 2018	<u>September 30,</u> 2017
Bonus obligations	837	891
Other employee related costs	169	192
Other tax liabilities	913	1,104
Other accrued liabilities	40	42
	<u>1,959</u>	<u>2,229</u>

Other employee related costs primarily includes vacation payments, employee travel expense payments and payroll taxes.

18. Pension plans and similar commitments

Defined contribution plan

The Company participates in a defined contribution pension plan. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £270k (2017: £303k).

19. Provisions

Provisions changed during 2018 as follows:

		Faulty and damaged products
Balance at beginning of year		57
Additions		139
Usage		(106)
Balance at end of year		<u>90</u>
Of which:		
	2018	2017
Current provisions	63	40
Non-current provisions	27	17
	<u>90</u>	<u>57</u>

Faulty and damaged products

The provision relates to the rectification of faults or damages in the products the Company sells. See note 2 for further information concerning the Company's policy for estimating the provision for these issues.

OSRAM Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018 (in thousands of £)

20. Share capital

Issued and fully paid:

	<u>September 30, 2018</u>		<u>September 30, 2017</u>	
	Number	£	Number	£
Ordinary shares of £1	1	1	1	1

21. Commitments and contingencies

Commitments

As of September 30, 2018 future payment obligations under non-cancellable operating leases and rental agreements, which relate to land and buildings, are as follows:

	<u>September 30,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>
Due within one year	73	71
Due between one and five years	-	-

Total operating rental expense for the years ended September 30, 2018 and September 30, 2017 was £224k and £222k respectively.

22. Directors transactions

No such transactions with the directors (or other key management personnel) occurred in 2018 or 2017 which require disclosure under the requirements of s413 of the Companies Act 2006 and FRS101.

23. Subsequent events

Carveout of Lighting Solutions business

During the 2018 fiscal year the OSRAM Group conducted a strategic review of its Lighting Solutions business. The conclusion reached was that its luminaires business was no longer a good fit with OSRAM's strategy for the future, so the sale of this area was initiated. As part of the preparation for the ultimate sale, the carve out of the UK element of this business occurred on April 1, 2019. This involved the sale of that part of the business to a newly formed company Siteco UK Limited, together with the transfer of certain fixed assets, inventories, prepayments and employee-related liabilities. The consideration paid to OSRAM Limited was €293k (thousands of Euros). The value of the net liability transferred was as £47k.

Acquisition of Ring Automotive

On May 1, 2019 the Company acquired Ring Automotive Limited, an aftermarket specialist in the field of automotive lighting, electronics and accessories. This will enable the OSRAM Group to expand its product range in the automotive sector to include more automotive electronics and accessories, and will create sales synergies.

This transaction involved the purchase of other non-trading entities in order to obtain 100% of the shares of the trading entity Ring Automotive Limited. The full details of the acquisitions and consideration are as follows.

OSRAM Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018 (in thousands of £)

On May 1, 2019, the Company:

- a. Acquired 100% of the A class ordinary shares, and 100% of the B class ordinary shares of RGI Light (Holdings) Limited for final consideration of £22,314k in cash. RGI Light (Holdings) Limited in turn owns 100% of the ordinary shares of RGI Light Limited, and RGI Light Limited holds 94.15% of the ordinary shares of Ring Automotive Limited.
- b. Acquired 5.85% of the ordinary shares of Ring Automotive Limited for final consideration of £2,500k in cash.
- c. Made a one year non-interest bearing intra-company loan of £15,941k to RGI Light (Holdings) Limited.
- d. Made a one year non-interest bearing intra-company loan of £2,000k to RGI Light Limited.

The financial results of the entities acquired will be consolidated in the financial statements of OSRAM Licht AG, the ultimate parent company of OSRAM Limited, and reported for the period from the May 1, 2019 to September 30, 2019.

24. Ultimate parent undertaking

The ultimate parent undertaking is OSRAM Licht AG, incorporated in Germany. OSRAM Licht AG is the only group undertaking of which the Company is a member for which group accounts are published. Copies of the group accounts are available on the internet at:

http://www.osram-licht.com/en/publications/financial_reports/annual_reports/

Or they can be obtained from:

OSRAM Licht AG
Marcel-Breuer-Straße 6
80807 Munich
Germany

The immediate parent undertaking is OSRAM GmbH, a company incorporated in Germany.