

# **Feilo Sylvania Fixtures UK Limited**

## **Annual Report and Financial Statements**

31 December 2022

Registered No: 00484499



# **Feilo Sylvania Fixtures UK Limited**

## **Directors**

Matthew Carpenter  
Christopher Harrild  
Jieyang Qi  
Simon Reed

## **Auditors**

Ernst & Young LLP  
Grosvenor House  
Grosvenor Square  
Southampton  
Hampshire  
SO15 2BE

## **Bankers**

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

## **Solicitors (main)**

DLA Piper  
3 Noble Street  
London  
EC2V 7EE

## **Registered Office**

Avis Way  
Newhaven  
East Sussex  
BN9 0ED

## **Strategic report**

Registered No: 00484499

The directors' present their strategic report for the year ended 31 December 2022.

### **Principal activities and review of business**

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

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

All products in the Feilo Sylvania Fixtures range are manufactured in an ISO9001-2015, ISO14001-2015 & ISO50001-2018 accredited environment and the Company is fully committed to the requirements of the WEEE Directive, being a member of a compliance scheme which has been approved by the Environment Agency for the recycling of materials. The Company does not use any substances which appear on the RoHS list of hazardous substances and many of its products are approved by the Enhanced Capital Allowance scheme (ECA). The Company's main manufacturing plant at Newhaven also undertakes regular Carbon Trust reviews working towards their recommendations on the reduction of CO2 emissions at the factory. Its packaging policy is to use 100% recyclable plastic, which has a lower carbon footprint compared to the cardboard and brown paper padding used in prior years.

In recent years, the company changed its operating structure from a manufacturing contractor, solely supplying product to other group companies for onward sales to third party customers on a toll manufacturing basis, to a stand alone manufacturing operation. This means the company will trade with its other Feilo Sylvania group entities as a stand alone supplier. This will also give the company more opportunity to produce goods and offer services directly to other third parties.

### **Key performance indicators (KPIs)**

	<b>2022</b>	<b>2021</b>	<b>Change</b>
	<b>£000</b>	<b>£000</b>	<b>%</b>
Turnover	10,171	9,357	9%
Production per head	126	111	14%
	<b>2022</b>	<b>2021</b>	<b>Change</b>
	<b>(Days)</b>	<b>(Days)</b>	<b>(Days)</b>
Trade Creditor Days	52	48	4
Raw Material Days	150	144	6

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

Management of working capital is key to the success of the Company. Trade Creditor days represent the number of days it takes for the company to pay its suppliers for its purchases. In 2022 this has increased to 52 days, the Company target of 60 days remains unchanged. Raw Material Days is the number of days from purchase of inventory to utilisation in manufacturing. The Raw Material Days have increased to 150 days in 2022. This is due to higher volumes of inventory being purchased due to the increase in production following the slow start to 2021 due to restrictions put in place for the pandemic. It also reflects the fact that certain orders could not be fulfilled in 2022 due to shortages in the supply of certain components. Finished goods are sold immediately on completion of manufacture to fellow subsidiary companies for onward sale to external customers & occasionally to third parties.

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

## **Strategic report (continued)**

Registered No: 00484499

### **Principal risks and uncertainties**

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

The Company's operations expose it to a variety of financial risks that include the effects of changes in competition risk, liquidity risk and interest rate risk. The effects of the pandemic resulted in global product shortages. Later events such as the invasion of Ukraine in 2022, have further disrupted the global supply chains and led to increases in product costs. The 2023 Israel/Palestine conflict has also added to global economic uncertainty.

### **Financial risk management**

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

#### **Price risk**

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

#### **Liquidity risk**

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

#### **Interest rate risk**

The Company has interest bearing assets. Interest bearing assets include bank, cash balances & Inter-company loans, which earn interest at a variable rate.

#### **Competition risk**

The Company operate in a highly competitive market, particularly around price. This competition places pressure on margin and growth. Brexit and the conflicts in Ukraine and Israel/Palestine also provide uncertainty to margins due to the potential fluctuation of the prices of procured materials. The company mitigate these risks by continuously monitoring the market to assist in pricing decisions and to sell more profitable products in the market, and also by engaging in project-based solution selling. The Company and wider group also invest in improving their customer services, brand recognition and new products.

By order of the Board



Matthew Carpenter  
Director

Date: 14/03/2024

## **Directors' report**

Registered No: 00484499

The directors present their report and financial statements of the Company for the year ended 31 December 2022.

### **Directors**

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

Matthew Carpenter

Christopher Harrild

Simon Reed

Zhijun Li (resigned on 5 February 2024)

Jieyang Qi (appointed on 5 February 2024)

### **Results and dividends**

The loss after taxation for the financial year is £479,000 (2021 – loss of £269,000).

The directors resolved not to declare a dividend in respect of the year ended 31 December 2022.

### **Subsequent events**

While uncertainties around the Company and the wider group's current operations have diminished following the pandemic, the cost of production and supply issues are still being felt. The Company and wider group launched new products in 2023 with further releases expected in 2024, replacing some popular but dated product lines, and therefore expecting a larger demand for products entering 2024. As with previous years, some raw material shortages have resulted in delayed orders as the Company is unable to fulfil the customer request dates. Rising inflation has led to an increase in the costs of all materials and services, plus the energy crisis has put further strain on production costs, especially on the price of raw materials. However since 2022 the rising energy prices and inflationary pressure on the prices of goods have improved and the euro and sterling exchange rates against the US dollar have also strengthened compared to late 2022 and resulted in a saving in cost of sales and freight costs within the wider group.

The mitigating actions implemented by the directors to reduce costs where possible and minimise the impact on the financial position of the Company and wider group have remained in place in 2023. There have also been positive discussions on ways to reduce existing inventory levels, focusing on fully provisioned raw materials, by producing and selling goods in a creative way, which will potentially have a very positive impact on the financials in the coming year. The directors have the expectation that the Company will remain viable and able to operate.

In February 2024 the Company announced to its employees the start of a consultation exploring the possibility of transferring production from its Newhaven facility to other locations in Europe. It is not currently known what the timeframe of the transfer would be, should it take place.

The financial statements have been prepared based on conditions existing at 31 December 2022 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the balance sheet date and accordingly, assessed them to be none adjusting events. No adjustments have been made to the financial statements as at 31 December 2022 for the impacts of the conflict in Ukraine and the Israel/Palestine crisis.

### **Going concern**

The Company is part of the Feilo Sylvania Group and is consolidated into the group financial statements of Feilo Malta Limited and of Shanghai Shumian Consulting Management Co. Ltd. The Company makes intercompany payments based on invoices from other Feilo group companies.

## **Directors' report (Continued)**

### **Going concern (Continued)**

An assessment has been carried out by the directors of the going concern position of the Company, including the continuing impacts of the pandemic, the conflict in Ukraine, situation in Israel/Palestine and global cost inflation on the forecasted sales and cashflow up to March 2025. All forecasts have reflected the reduced demand of product when estimating the sales as well as any expected restructuring. Alongside this, the directors have also considered additional downside scenarios which include further reduction of demand and revenues 12 months from the date of approval of the financial statements.

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

### **Employees**

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

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

### **Future developments**

The directors intend to increase turnover in an increasingly dynamic market, by seeking to improve the Company's profitability through the introduction of new products reflecting the latest LED technology. The company is a market leader in producing lighting fixtures which make use of LED light sources and is continuing to invest in research and development in order to hold and improve its position. The company is a fully-fledged manufacturer and will make sales to external parties in addition to sales made to other subsidiaries within the Feilo Sylvania group. New product lines are being launched and the company's existing product portfolio is being refreshed to better serve the market.

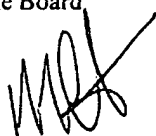
### **Research and development**

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

### **Disclosure of information to the auditors**

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

By order of the Board



Matthew Carpenter  
Director

Date: 14/03/2024

## **Statement of directors' responsibilities**

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent Auditor's Report to the members of Feilo Sylvania Fixtures UK Limited**

**Opinion**

We have audited the financial statements of Feilo Sylvania Fixtures UK Limited for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 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. 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period until 31 March 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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.

**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 contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.



**Independent Auditor's Report to the members of Feilo Sylvania Fixtures UK Limited  
(continued)**

**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 not identified material misstatements in the strategic report or directors' report.

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

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

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

**Independent Auditor's Report to the members of Feilo Sylvania Fixtures UK Limited  
(continued)**

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those relating to the reporting framework (International Accounting Standards and Companies Act 2006), the relevant direct and indirect tax compliance regulations, as well as relevant employment laws in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations including: data protection, anti-bribery and corruption and employee's health and safety.
- We understood how Feilo Sylvania Fixtures UK Limited is complying with those frameworks by making enquiries with management to understand how the Company maintains and communicates its policies and procedures to ensure compliance. We corroborated this through our review of the Company's board minutes, through enquiry of employees to verify company policies, and through the inspection of employee handbooks. We also reviewed correspondence with the relevant tax authorities regarding tax compliance.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified improper recognition of revenue by recording of revenue that has not occurred, and management override of controls to overstate revenue and meet set targets, to be the fraud risks.
- To address the fraud risk around the improper recognition of revenue, we tested specific transactions back to source documentation, ensuring appropriate authorisation of the transactions in accordance with the delegation of authority matrix to verify that all sales recorded during the year actually existed. We agreed the transactions to invoices and proof of delivery to the customers;
- We also tested revenue cut off at year end by selecting a sample of revenue transactions and testing whether revenue was recorded in the correct period through agreement to proof of delivery or other evidence to confirm the period that the revenue related to. Regarding the presumed risk of management override of controls, we used data analytics to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific risk criteria, which we investigated further to gain an understanding of the transaction and agree to source documentation ensuring appropriate authorisation of the transactions.

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.

DocuSigned by:  
**Ernst & Young LLP**  
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Nikki Forster (Senior Statutory Auditor)

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

March 2024    15 March 2024

## Income statement

for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
<b>Turnover</b>	2	10,171	9,357
Cost of sales		(9,757)	(9,089)
<b>Gross Profit</b>		<u>414</u>	<u>268</u>
 <i>Operating expenses</i>	3	(557)	(485)
<i>Other operating income</i>	4	-	13
<i>Exceptional items</i>	3	<u>(160)</u>	<u>(34)</u>
 <b>Operating loss</b>	4	(303)	(238)
Interest payable and other similar charges	5	<u>(2)</u>	<u>(33)</u>
 <b>Loss on ordinary activities before taxation</b>		(305)	(271)
Tax (charge)/ credit	7	<u>(174)</u>	<u>2</u>
 <b>Loss for the financial year</b>		<u><u>(479)</u></u>	<u><u>(269)</u></u>

All amounts relate to continuing activities.

## Statement of Comprehensive Income

for the year ended 31 December 2022

	2022 £000	2021 £000
Loss for the year	(479)	(269)
Other comprehensive income	<u>-</u>	<u>-</u>
<b>Total comprehensive Loss</b>	<u><u>(479)</u></u>	<u><u>(269)</u></u>

The notes on pages 13 to 27 form an integral part of these financial statements.

## Statement of Changes in Equity

at 31 December 2022

	<i>Share Capital £000</i>	<i>Capital Contribution £000</i>	<i>Accumulated Losses £000</i>	<i>Total Equity £000</i>
<b>As at 1 January 2021</b>	4,007	10,941	(7,416)	7,532
Loss for the financial year	-	-	(269)	(269)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	(269)	(269)
<b>At 31 December 2021</b>	4,007	10,941	(7,685)	7,263
Loss for the financial year	-	-	(479)	(479)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	(479)	(479)
<b>At 31 December 2022</b>	4,007	10,941	(8,164)	6,784

The notes on pages 13 to 27 form an integral part of these financial statements.

# Balance sheet

at 31 December 2022

	Notes	2022 £000	2021 £000
<b>Noncurrent assets</b>			
Intangible fixed assets	8	-	-
Tangible fixed assets	9	1,423	1,673
Right-of-use assets	13	1,032	859
Deferred tax assets	7	544	718
		<u>2,999</u>	<u>3,250</u>
<b>Current assets</b>			
Stocks	10	2,734	2,408
Trade and other receivables	11	4,893	5,699
Cash at bank and in hand		102	37
		<u>7,729</u>	<u>8,144</u>
<b>Creditors: Amounts falling due within one year</b>			
Trade and other payables	12	2,317	2,808
		<u>2,317</u>	<u>2,808</u>
<b>Net current assets</b>		5,412	5,336
<b>Total assets less current liabilities</b>		8,411	8,586
<b>Creditors: Amounts falling due after one year</b>			
Lease liabilities	13	1,133	949
Dilapidation Provision	14	494	375
		<u>1,627</u>	<u>1,324</u>
<b>Net assets</b>		<u>6,784</u>	<u>7,262</u>
<b>Capital and reserves</b>			
Called up share capital	15	4,007	4,007
Capital contribution		10,941	10,941
Accumulated losses		<u>(8,164)</u>	<u>(7,686)</u>
<b>Total equity</b>		<u>6,784</u>	<u>7,262</u>

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



Matthew Carpenter  
Director

Date: 14/03/2024

The notes on pages 13 to 27 form an integral part of these financial statements.

# Notes to the financial statements

at 31 December 2022

## 1. Accounting policies

### 1.1 Basis of preparation

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

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

The Company's functional currency is Sterling and the financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the adoption under S400 of the Companies Act 2006 not to prepare group accounts, as it is a wholly owned subsidiary of Feilo Malta Limited and Shanghai Shumian Consulting Management Co. Ltd. (See note 19).

The Company has taken advantage of the following disclosure exemptions under FRS 101:

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

### 1.2 Changes in Accounting Policies – New Standards

There are no standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2022 that would be expected to have a material impact on the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

At the date of authorisation of these Financial Statements, the following amendments were effective:

- Reference to the Conceptual Framework 0 Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16
- Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37
- AIP IFRS 1 First-time Adoption of IFRS - Subsidiary as a first time adopter
- AIP IFRS 9 Financial Instruments - Fees in the '10 percent' test for derecognition of financial liabilities

These amendments have no impact on the Financial Statements of the Company for the year ended 31 December 2022.

#### Standards Issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Company.

- |   | Effective for accounting periods<br>beginning on or after |
|---|---|
| • Definition of Accounting Estimates - Amendments to IAS 8                              | 1 January 2023  |
| • Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 | 1 January 2023  |

The Group is in the process of making an assessment of what the impact of these new standards, amendments and interpretations are expected to be in the period of initial application.

## **Notes to the financial statements (continued)**

**at 31 December 2022**

### **1. Accounting policies (continued)**

#### **1.3 Going concern**

The Company is part of the Feilo Sylvania Group and is consolidated into the group financial statements of Feilo Malta Limited and of Shanghai Shumian Consulting Management Co. Ltd. The Company makes intercompany payments based on invoices from other Feilo group companies.

An assessment has been carried out by the directors of the going concern position of the Company, including the continuing impacts of the pandemic, the conflict in Ukraine, situation in Israel/Palestine and global cost inflation on the forecasted sales and cashflow up to March 2025. All forecasts have reflected the reduced demand of product when estimating the sales as well as any expected restructuring. Alongside this, the directors have also considered additional downside scenarios which include further reduction of demand and revenues 12 months from the date of approval of the financial statements.

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

#### **1.4 Judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

##### ***Taxation***

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

#### **1.5 Significant accounting policies**

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

##### ***Revenue from contracts with customers***

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

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

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

## Notes to the financial statements (continued)

at 31 December 2022

### 1. Accounting policies (continued)

#### **Tangible fixed assets** (continued)

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

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

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

#### **Intangible fixed assets**

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

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

Software & Licenses	–	33% pa
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#### **Research and development**

Research and development expenditure is charged to the income statement in the period in which it is incurred.

Where the company performs research and development activities for other group companies, these costs are recharged to the relevant group company.

#### **Pensions**

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

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

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

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

#### **Financial Instruments**

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

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



## Notes to the financial statements (continued)

at 31 December 2022

### 1. Accounting policies (continued)

#### *Financial Instruments (continued)*

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

#### *Recognition and derecognition*

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

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

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

#### *Short-term trade and other receivables*

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

#### *Loans and borrowings*

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

#### *Trade payables*

Trade payables are carried at payment or settlement amounts.

#### *Contingent liabilities*

If there is a remote possibility of an outflow of economic resources in the future, a contingent liability is disclosed in the notes.

#### *Stocks*

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

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

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

#### *Tangible fixed assets*

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

## Notes to the financial statements (continued)

at 31 December 2022

### 1. Accounting policies (continued)

#### **Leases**

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### **i) Right-of-use assets**

The company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

#### **ii) Lease liabilities**

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include a fixed payment (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### **iii) Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### **Government grants**

Government grants are recognised where it is reasonable to expect that the grants will be received and that all related conditions will be met. Grants of a revenue nature are credited to income so as to match accounting period in which expenditure to which they relate is incurred.

# Notes to the financial statements (continued)

at 31 December 2022

## 1. Accounting policies (continued)

### Deferred taxation

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

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

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

### Provisions for liabilities

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

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

### Foreign currencies

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

## 2. Turnover

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

	2022	2021
Intercompany	10,171	9,344
Third-party	-	13
	<u>10,171</u>	<u>9,357</u>

## 3. Operating expenses and exceptional expenses

	2022	2021
	£000	£000
Distribution costs	(29)	(38)
Administration expenses	586	518
Exceptional items	160	34
	<u>717</u>	<u>514</u>

Distribution costs above show the variance in freight costs that are presented in the cost of sales. During 2022 and 2021 this showed an over-recovery.

The exceptional items displayed above are restructuring costs incurred. In 2022 £130k of this is in relation to the closure of the Poole site.

## Notes to the financial statements (continued)

at 31 December 2022

<b>4. Operating Loss</b>	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
This is stated after the following significant charges:		
Depreciation on tangible fixed assets	434	453
Auditors' remuneration	65	38
Depreciation of right-of-use assets	236	147
Government grant	-	(13)

The government grant which is presented in other operating income is income under Coronavirus Job Retention Scheme ('Furlough' scheme) implemented by the government to support UK businesses during the pandemic. This scheme ended in September 2021.

<b>5. Interest payable/(receivable) and similar charges</b>	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Finance charges payable under lease arrangements	67	70
Group interest receivable	(65)	(37)
	<u>2</u>	<u>33</u>

<b>6. Directors' remuneration and staff costs</b>	<b>2022</b>	<b>2021</b>
<b>Directors remuneration:</b>	<b>£000</b>	<b>£000</b>
Aggregate emoluments in respect of qualifying services:		
Salary including benefit in kind	572	579
Pension contributions	59	62
	<u>631</u>	<u>641</u>

The amounts in respect of the highest paid director included above are as follows:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Salary including benefits in kind	412	393
Pension contributions	35	34
	<u>447</u>	<u>427</u>

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Members of group personal plan schemes	<u>2</u>	<u>2</u>

## Notes to the financial statements (continued)

at 31 December 2022

### 6. Directors' remuneration and staff costs (continued)

	2022	2021
<i>Staff costs:</i>	<i>£000</i>	<i>£000</i>
Wages and salaries	2,143	2,102
Social security costs	200	187
Pension costs	201	201
	<u>2,544</u>	<u>2,490</u>

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

	2022	2021
	No.	No.
By activity:		
Production and warehousing	70	74
Management and administration	11	10
	<u>81</u>	<u>84</u>

### 7. Tax

(a) Tax on profit on ordinary activities

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

	2022	2021
	<i>£000</i>	<i>£000</i>
<i>Current tax:</i>		
UK corporation tax - current tax charge	-	-
Deferred tax (charge) / credit	(174)	2
Total tax (charge) / credit	<u>(174)</u>	<u>2</u>

(b) Factors affecting tax charge for the year

The total tax charged for the year differs from the standard rate of corporation tax in the UK of 19% (2021 – 19%).

The differences are explained below:

	2022	2021
	<i>£000</i>	<i>£000</i>
(Loss) / Profit on ordinary activities before tax	(305)	(271)
(Loss) / Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 – 19%)	(58)	(51)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	-
Recognition of PY tax losses	58	51
Movement in recognition of deferred tax	(174)	2
Total tax (charge) / credit for the year	<u>(174)</u>	<u>2</u>

## Notes to the financial statements (continued)

at 31 December 2022

### 7. Tax (continued)

#### (c) Deferred tax

The following deferred tax asset has been recognised:

	2022	2021
	£000	£000
Decelerated capital allowances	-	718
Losses carried forward	544	-
Recognised deferred tax asset	<u>544</u>	<u>718</u>

The Company has total tax losses of £5,863,000 (2021 – £6,035,000) to carry forward. The company has recognised deferred tax on part of these losses (as noted above) based on future profit forecasts.

#### (d) Factors that may affect future tax charges

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

The UK Budget Announcement 3 March 2021 stated that the current corporation tax rate of 19% will increase to 25% from 1 April 2023. The change from 19% to 25% was substantially enacted on 24 May 2021 and has therefore been reflected in these financial statements with regards to deferred tax assets and liabilities where appropriate.

### 8. Intangible fixed assets

	Software and Licenses £000	Total £000
Cost:		
At 1 January 2022	106	106
Additions	-	-
Disposals	-	-
	<u>106</u>	<u>106</u>
At 31 December 2022	<u>106</u>	<u>106</u>
Amortisation:		
At 1 January 2022	106	106
Charge for year	-	-
	<u>106</u>	<u>106</u>
At 31 December 2022	<u>106</u>	<u>106</u>
Net book value:		
At 31 December 2022	<u>-</u>	<u>-</u>
At 1 January 2022	<u>-</u>	<u>-</u>

The gross value of fully amortised intangible assets still in use is £106,000 (2021: £106,000)

## Notes to the financial statements (continued)

at 31 December 2022

### 9. Tangible fixed assets

	<i>Vehicles</i>	<i>Plant and Machinery</i>	<i>Fixtures and equipment</i>	<i>Total</i>
		£000	£000	£000
Cost:				
At 1 January 2022	25	8,343	517	8,885
Additions	-	187	-	187
Disposals	-	(40)	(2)	(42)
	<u>25</u>	<u>8,490</u>	<u>515</u>	<u>9,030</u>
At 31 December 2022				
Depreciation and Impairment:				
At 1 January 2022	19	6,696	497	7,212
Charge for year	6	416	12	434
Disposals	-	(37)	(2)	(39)
	<u>25</u>	<u>7,075</u>	<u>507</u>	<u>7,607</u>
At 31 December 2022				
Net book value:				
At 31 December 2022	<u>-</u>	<u>1,415</u>	<u>8</u>	<u>1,423</u>
At 1 January 2022	<u>6</u>	<u>1,647</u>	<u>20</u>	<u>1,673</u>

The gross value of fully depreciated assets still in use is £5,772,000 (2021: £6,050,000)

### 10. Stocks

	2022	2021
	£000	£000
Raw materials	2,551	2,303
Work in progress	183	105
	<u>2,734</u>	<u>2,408</u>

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

## Notes to the financial statements (continued)

at 31 December 2022

### 11. Trade and other receivables

	2022	2021
	£000	£000
Trade debtors	3	-
Amounts owed by group undertakings	4,446	5,375
Prepayments and accrued income	313	227
Other debtors	131	97
	<u>4,893</u>	<u>5,699</u>

### 12. Trade and other obligations

	2022	2021
	£000	£000
Trade creditors	635	803
Amounts owed to group undertakings	580	1010
Lease liabilities	99	125
Accruals and deferred income	1,003	870
	<u>2,317</u>	<u>2,808</u>



**Notes to the financial statements** (continued)

at 31 December 2022

**13. Right of use assets and lease liabilities**

	<i>Leasehold Buildings</i>	<i>Plant and Machinery</i>	<i>Fixtures and equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 1 January 2022	1,631	98	45	1,774
Additions	409	-	-	409
At 31 December 2022	2,040	98	45	2,183
Depreciation and Impairment:				
At 1 January 2022	831	48	36	915
Charge for year	203	26	7	236
At 31 December 2022	1,034	74	43	1,151
Net book value:				
At 31 December 2022	1,006	24	2	1,032
At 1 January 2022	800	50	9	859
	<i>Leasehold Buildings</i>	<i>Plant and Machinery</i>	<i>Fixtures and equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Lease liabilities</b>				
Current	83	16	-	99
Non-current	1,124	9	-	1,133
Lease liabilities at 31 December 2022	1,207	25	-	1,232

The ROU assets are amortised on a straight line basis over the relevant lease period, and the values recorded are calculated based on the committed lease payment amounts at the commencement of the lease, discounted at a weighted incremental borrowing rate of 1.94% (for leases previously reported as operating leases) and 7.6% (for lease previously reported as finance leases)

The interest charge relating to the lease liabilities in the year was £67,000 (2021: £70,000)

## Notes to the financial statements (continued)

at 31 December 2022

### 14. Provisions

£000

#### *Dilapidation provision:*

At 1 January 2022	375
Additions in the year	119
At 31 December 2022	<u>494</u>

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

### 15. Issued share capital

	2022		2021	
	No.	£000	No.	£000
Allotted, called up and fully paid				
Ordinary shares of £1 each	4,007,120	<u>4,007</u>	4,007,120	<u>4,007</u>

### 16. Group personal pension plan

The cost of contributions to the group personal pension plan and defined contribution plan amounts to £201,000 (2021 - £201,000) respectively. Contributions accrued as at 31 December 2022 were £35,000 (2021 - £39,000).

## Notes to the financial statements (continued)

at 31 December 2022

### 17. Contingent liabilities

The Company has given a £20,000 guarantee to HM Revenue and Customs (2021: £20,000).

### 18. Related party transactions

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

	<i>Purchases from related party</i>	<i>Amounts owed to related party</i>
<b>Year ended 31 December 2022</b>		
<i>Related Party</i>	£000	£000
Feilo EXIM Limited	260	42
	<u>260</u>	<u>42</u>
<b>Year ended 31 December 2021</b>		
<i>Related Party</i>	£000	£000
Feilo EXIM Limited	331	35
	<u>331</u>	<u>35</u>

No sales were made with other related parties. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 60 days of invoice. Terms and conditions for transactions with subsidiaries are the same. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2022, the Company has not made any provision for doubtful debts relating to amounts owed by related parties.

### 19. Ultimate parent undertaking and controlling party

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

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

The directors consider Shanghai Shumian Consulting Management Co. Ltd to be the controlling party by virtue of its controlling interest in the Company's share capital. The group financial statements of Shanghai Shumian Consulting Management Co. Ltd are the largest financial statements which incorporate the results of the company that are publicly available. Copies of the Shanghai Shumian Consulting Management Co. Ltd financial statements can be obtained from Shanghai Shumian Consulting Management Co Ltd, Room 05, 1st Floor, No. 39 Ruiping Road, Xuhui District, Shanghai.

## **Notes to the financial statements (continued)**

**at 31 December 2022**

### **20. Subsequent Events**

While uncertainties around the Company and the wider group's current operations have diminished following the pandemic, the cost of production and supply issues are still being felt. The Company and wider group launched new products in 2023 with further releases expected in 2024, replacing some popular but dated product lines, and therefore expecting a larger demand for products entering 2024. As with previous years, some raw material shortages have resulted in delayed orders as the Company is unable to fulfil the customer request dates. Rising inflation has led to an increase in the costs of all materials and services, plus the energy crisis has put further strain on production costs, especially on the price of raw materials. However since 2022 the rising energy prices and inflationary pressure on the prices of goods have improved and the euro and sterling exchange rates against the US dollar have also strengthened compared to late 2022 and resulted in a saving in cost of sales and freight costs within the wider group.

The mitigating actions implemented by the directors to reduce costs where possible and minimise the impact on the financial position of the Company and wider group have remained in place in 2023. There have also been positive discussions on ways to reduce existing inventory levels, focusing on fully provisioned raw materials, by producing and selling goods in a creative way, which will potentially have a very positive impact on the financials in the coming year. The directors have the expectation that the Company will remain viable and able to operate.

In February 2024 the Company announced to its employees the start of a consultation exploring the possibility of transferring production from its Newhaven facility to other locations in Europe. It is not currently known what the timeframe of the transfer would be, should it take place.

The financial statements have been prepared based on conditions existing at 31 December 2022 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the balance sheet date and accordingly, assessed them to be none adjusting events. No adjustments have been made to the financial statements as at 31 December 2022 for the impacts of the conflict in Ukraine and the Israel/Palestine crisis.