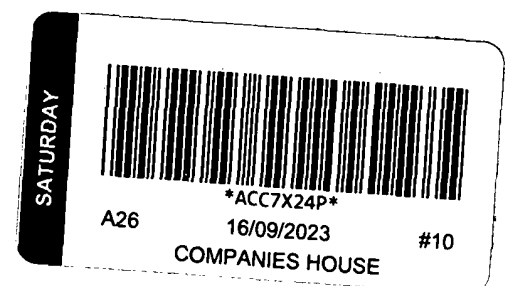


Black Cat Fireworks Limited
Annual report and financial statements
for the year ended 31 December 2021

Company registered no: 1900841



Black Cat Fireworks Limited

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Black Cat Fireworks Limited

Board of directors and advisers

Officers and professional advisors

Directors

D Coates
R Eickel
A W Brown

Company number

1900841

Registered office

Centenary House
Centenary Way
Salford
Manchester
M50 1RF

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Square
Manchester
M3 3EB

Black Cat Fireworks Limited

Strategic report for the year ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activities

The company's principal activity is that of importing, marketing and distribution of consumer products, predominantly fireworks and other seasonal products, although the directors are exploring opportunities to widen the product base.

Results and dividends

The company's loss for the financial year is £305,000 (2020: £15,000). The directors do not recommend the payment of a dividend (2020: £nil).

Review of business and future developments

The results for the year ended 31 December 2021 are summarised as follows:

	£'000
Operating loss	(122)
Net finance costs	(181)
Loss before taxation	(303)
Tax on loss	(2)
Loss for the financial year	(305)

Turnover increased by £853,000 compared to the previous year, following an increase in selling volumes due to the buying trends experienced as a result of Covid-19. However, margins fell compared with the previous year due to a huge increase in shipping costs. Total operating costs stayed in line due to managed distribution and trading costs associated with the Sale or Return of products; overall operating loss was £122,000 (2020: operating profit of £38,000).

Net finance costs include a foreign exchange loss of £120,000 (2020: £nil) on an intercompany loan received in the year which was used to recapitalise its subsidiary undertaking, Comet Feuerwerk GmbH.

The company continues to focus on meeting customer expectations, by maintaining competitiveness and impeccable service levels. Developing ever stronger customer relationships remains a high priority within the business.

Financial forecasts include further possible impacts of the pandemic on the company and continue to show that the company is able to remain a going concern. The company has access to sufficient funding to meet its working capital requirements and other committed payments.

The Directors continued to review the effect of Coronavirus on the company. The detailed risk assessments undertaken in the early part of the pandemic, which included the introduction of measures to minimise the risk of an outbreak in the company, are updated regularly.

Recapitalisation of subsidiary undertaking

On 27 September 2021, the company contributed an additional EUR 34,000,000 (GBP equivalent £29,639,000) to the capital of the company's subsidiary undertaking, Comet Feuerwerk GmbH. It received a loan of USD 40,123,000 (GBP equivalent £29,639,000) from an intermediate parent company to fund this contribution.

The position of the company at the year-end is as expected.

Black Cat Fireworks Limited

Strategic report for the year ended 31 December 2021 (continued)

Post balance sheet event

The following post balance sheet event is treated as non adjusting.

Site move

On 30 December 2021 our landlord served notice on the company to vacate the premises by 30 December 2022. The lease had been operating on a one year rolling basis for some time, so this was not unexpected. Due to Health and Safety and firework licensing issues, the vacation date was extended to 30 April 2023.

A suitable new site was found and a lease was signed on 19 April 2023. This is a twelve year lease with break clauses in 2026, 2029 and 2032. Initial rent is £320,000 pa.

Costs relating to the move are still being finalised; one off move costs are expected to be approximately £60,000 and will be booked through the profit and loss account in 2023; capital expenditure on the new site is expected to be approximately £420,000 and this will be capitalised in the accounts for the year ending 31 December 2023.

Going concern

The company meets its day-to-day working capital requirements through its intercompany loan arrangements. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have received confirmation that Li & Fung (B.V.I.) Limited intends to support the company for at least one year from the date of signing these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Key Performance Indicators

The performance of Black Cat Fireworks Limited is measured on revenue, gross margin, and overhead cost control, as per the income statement. The company also have a number of non-financial measures, such as level of product innovation, employee well-being, customer satisfaction and market share.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, price risk, credit risk, liquidity risk and interest rate cash flow risk. In conjunction with its parent group, Li & Fung Limited, 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.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of directors are implemented by the company's finance department.

The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

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. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the Board of directors and such approval is limited to financial institutions with an AA rating or better. The amount of exposure to any individual

Black Cat Fireworks Limited

Strategic report for the year ended 31 December 2021 (continued)

counterparty is subject to a limit, which is reassessed annually by the Board. Deposits with financial institutions are held in low risk current accounts.

Interest rate cash flow risk

The company has both interest bearing assets, in form of cash balances and interest bearing liabilities. Interest bearing assets include only cash balances, all of which earn interest at a variable rate. The company utilises bank overdraft and group finance that is designed to ensure the company has sufficient available funds for its operations and its required level of working capital. Floating rate interest rates apply to the bank overdraft whilst the group financing is interest free. The directors reassess these in the context of longer term interest rate trends.

Principal risks and uncertainties

The key business risk and uncertainty affecting the company relates to competition from the UK and overseas. The company seeks to minimise this risk through continued investment in marketing and a proactive approach to customer service.

On behalf of the Board



D Coates
Director
15 September 2023

Black Cat Fireworks Limited

Directors' report for the year ended 31 December 2021

The directors present their annual report and audited financial statements of the company for the year ended 31 December 2021.

General information

The company is a private company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England & Wales.

Future developments, risk management and dividends

Future developments, risk management and dividends are covered in the Strategic Report.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements are given below:

N A Cottrell (resigned 31 January 2021)
D Pupke (resigned 31 January 2021)
R Eickel (appointed 31 January 2021)
D Coates (appointed 31 January 2021)
A W Brown (appointed 31 January 2021)

The company maintains liability insurance for its directors and officers. By virtue of the articles of association, the company has also provided indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006, which was in place both during the financial year and at the date of approval of the financial statements.

Employees

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 the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability. Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through various briefing groups.

Consolidation

During the year ended 31 December 2020, the intermediate parent company, Li & Fung Limited was privatised. As a result, the company is required to produce consolidated financial statements as it is no longer a member of a group which prepares a publicly available set of consolidated financial statements.

The privatisation process included a corporate review and restructuring of the group. Due to the impact of COVID 19 and the restructuring process during the year, the preparation of the 2020 consolidated financial statements was delayed. This, along with the requirement to prepare a number of sets of consolidated financial statements for other UK headed subgroups, has had a knock on effect on the preparation of the 2021 consolidated financial statements. Therefore, the Directors decided, once again, that to proceed to filing without a consolidated set of financial statements was preferable to delaying finalisation of the accounts to allow for one to be prepared and audited.

Consequently, these financial statements do not show a true and fair view, in accordance with UK-adopted IFRS, of the consolidated position of the Company and its subsidiaries as at 31 December 2021 and their financial performance and cash flows for the year then ended. The Directors note that the auditors' opinion is qualified in this respect. The Directors plan to rectify this by preparing consolidated financial statements for the year ending 31 December 2022, to include unaudited comparatives for the ended 31 December 2021.

Black Cat Fireworks Limited

Directors' report for the year ended 31 December 2021 (continued)

Policy and practice on payment of creditors

The company supports the CBI's Prompt Payment Code, and endeavours to ensure all payments are made within agreed credit terms.

Political and charitable donations

The company made no political donations or UK charity donations during the year (2020: £nil).

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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.

The directors 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.

Disclosure of information to auditors

In so far as each director is aware, there is no relevant audit information of which the company's auditors, PricewaterhouseCoopers LLP, are unaware and each director has taken all the steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board



D Coates

Director

15 September 2023

Independent auditors' report to the members of Black Cat Fireworks Limited

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph below, Black Cat Fireworks Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2021; the Income statement, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for qualified opinion

As explained in Note 1 to the financial statements, the company is required to produce consolidated financial statements in accordance with UK-adopted international accounting standards. Consequently, the company should have produced consolidated financial statements for the parent company and its subsidiary undertakings.

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

Independence

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

Conclusions relating to going concern

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 of at least twelve months from when the financial statements are authorised for issue.

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.

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021:

- is consistent with the financial statements;
- with the exception of the effects of the matter described in the Basis for qualified opinion paragraph, has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK Tax Legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Inquiry of management and those charged with governance in respect of potential non compliance with laws and regulations;
- Testing journal entries meeting specifically deemed risk based criteria, testing accounting estimates for indication of management bias, and evaluating the business rationale of any one-off significant transactions outside the normal course of business; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Paul Hudson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
15 September 2023

Black Cat Fireworks Limited

Income statement for the year ended 31 December 2021

		2021	2020
	Note	£'000	£'000
Turnover	2	7,152	6,299
Cost of sales		(3,648)	(2,795)
Gross profit		3,504	3,504
Distribution costs		(2,293)	(2,172)
Administrative expenses		(1,374)	(1,363)
Other operating income		41	69
Operating (loss)/profit		(122)	38
Finance income	5	131	194
Finance costs	6	(312)	(247)
Loss before taxation	7	(303)	(15)
Tax on loss	8	(2)	-
Loss for the financial year		(305)	(15)

Statement of comprehensive income for the year ended 31 December 2021

		2021	2020
	Note	£'000	£'000
Loss for the financial year		(305)	(15)
Other comprehensive income			
Items which will not subsequently be reclassified to profit and loss account			
Actuarial profit on pension scheme for the year	24	744	29
Other comprehensive income for the year		744	29
Total comprehensive income for the year		439	14

All activities are in respect of continuing operations.

Black Cat Fireworks Limited

Statement of financial position as at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	9	3	7
Property, plant and equipment	10	77	104
Right of use assets	11	36	21
Investments	12	29,640	1
		29,756	133
Current assets			
Stocks	13	291	954
Debtors	14	3,432	1,936
Cash at bank and in hand		2,553	4,078
		6,276	6,968
Creditors: amounts falling due within one year	15	(32,711)	(3,319)
Net current (liabilities)/assets		(26,435)	3,649
Total assets less current liabilities		3,321	3,782
Creditors: amounts falling due after more than one year	16	(19)	(11)
Net assets excluding post-employment benefits		3,302	3,771
Post-employment benefits	24	(269)	(1,177)
Net assets		3,033	2,594
Capital and reserves			
Called up share capital	19	15,500	15,500
Capital redemption reserve		7	7
Profit and loss account		(12,474)	(12,913)
Total shareholders' funds		3,033	2,594

These financial statements were approved by the Board of directors on 15 September 2023 and were signed on its behalf by:



D Coates
Director

Black Cat Fireworks Limited
Registered number 1900841

Black Cat Fireworks Limited

Statement of changes in equity for the year ended 31 December 2021

	Called up share capital	Capital redemption reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
Balance as at 1 January 2020	15,500	7	(12,927)	2,580
Loss for the financial year	-	-	(15)	(15)
Other comprehensive income for the year	-	-	29	29
Total comprehensive income for the year	-	-	14	14
Balance as at 31 December 2020	15,500	7	(12,913)	2,594
Loss for the financial year	-	-	(305)	(305)
Other comprehensive income for the year	-	-	744	744
Total comprehensive income for the year	-	-	439	439
Balance as at 31 December 2021	15,500	7	(12,474)	3,033

Black Cat Fireworks Limited

Statement of cash flows for the year ended 31 December 2021

	Note	2021 £'000	Unaudited 2020 £'000
Cash flows from operating activities			
Operating (loss)/profit		(122)	38
<i>Adjustments for:</i>			
Depreciation charge	7	27	107
Amortisation charge - intangibles	7	4	4
Depreciation charge – Right of use assets	7	248	234
Decrease in inventories		663	1,365
Increase in receivables		(1,496)	(1,489)
(Decrease)/increase in payables		(375)	1,258
Other non-cash changes		(177)	(123)
Cash (used in)/generated from operations		(1,228)	1,394
Interest paid		(46)	(27)
UK corporation tax – group relief paid		-	(2)
Net cash (outflow)/inflow from operating activities		(1,274)	1,365
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(24)
Capital contribution in subsidiary undertaking		(29,639)	-
Net cash outflow from investing activities		(29,639)	(24)
Cash flows from financing activities			
Loans from group undertaking - received		29,639	-
Payments for lease liabilities		(251)	(236)
Net cash inflow/(outflow) from financing activities		29,388	(236)
Net (decrease)/increase in cash and cash equivalents		(1,525)	1,105
Cash and cash equivalents at the start of the year		4,078	2,973
Cash and cash equivalents at the end of the year	23	2,553	4,078

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021

1. Principal accounting policies

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

Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have been prepared in accordance with FRS 101, 'Reduced Disclosure Framework'.

The financial statements have been prepared under the historical cost convention, on a going concern basis and in accordance with the Companies Act 2006, as applicable to companies adopting FRS101, except as otherwise stated.

During the year ended 31 December 2020, the intermediate parent company, Li & Fung Limited was privatised. As a result, the company is required to produce consolidated financial statements as it is no longer a member of a group which prepares a publicly available set of consolidated financial statements.

The privatisation process included a corporate review and restructuring of the group. Due to the impact of COVID 19 and the restructuring process during the year, the preparation of the 2020 consolidated financial statements was delayed. This, along with the requirement to prepare a number of sets of consolidated financial statements for other UK headed subgroups, has had a knock on effect on the preparation of the 2021 consolidated financial statements. Therefore, the Directors decided, once again, that to proceed to filing without a consolidated set of financial statements was preferable to delaying finalisation of the accounts to allow for one to be prepared and audited.

Consequently, these financial statements do not show a true and fair view, in accordance with UK-adopted IFRS, of the consolidated position of the Company and its subsidiaries as at 31 December 2021 and their financial performance and cash flows for the year then ended. The Directors note that the auditors' opinion is qualified in this respect. The Directors plan to rectify this by preparing consolidated financial statements for the year ending 31 December 2022, to include comparatives for the ended 31 December 2021.

The following exemptions from the requirements of UK-adopted IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial instruments: Disclosures'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements 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 (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - (i) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - (ii) 16 (statement of compliance with all UK-adopted IFRS),
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

New and amended standards adopted by the company

The company has applied the following standards and amendments for the first time in its annual reporting period commencing 1 January 2021:

- Definition of Material – Amendments to IAS 1 and IAS 8; and
- Revised Conceptual Framework for Financial Reporting.

The company also elected to adopt the following amendment early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been adopted early by the company. None of these are expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

Going concern

The company meets its day-to-day working capital requirements through its intercompany loan arrangements. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, including as a result of Covid-19, show that the company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have received confirmation that Li & Fung (B.V.I.) Limited intends to support the company for at least one year from the date of signing these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at rates of exchange ruling at the date of the transactions. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Intangible assets

Computer software and system development costs

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 3 to 10 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate proportion of relevant overheads.

System developments costs recognised as assets are amortised over their estimated useful lives of 3 to 10 years and is charged through administrative expenses in the income statement.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

Property, plant and equipment

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Fixtures, fittings and office equipment	15 – 33.3
Plant and machinery	10 – 50
Motor vehicles	20

Depreciation is charged within administrative expenses in the income statement.

Leases

On adoption of IFRS 16, the company recognised right of use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases.

The company leases an office, various equipment and vehicles. Rental contracts are typically made for fixed periods but may have extension options. Contracts may contain both lease and non-lease components. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a weighted average price method. Provision is made where necessary for obsolete, slow moving and defective stocks.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods or services have transferred to the customer and the customer has control of these. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Other operating income

Other operating income represents rental income for storage cabinets and on site properties and is recognised in the period in which the income is earned.

Financial assets and liabilities

The company has loans and receivables. These are non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. They are included in current assets and current liabilities, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets or liabilities.

Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The company holds the trade receivables with the objective of collecting the contractual cash.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade debtors and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade debtors for the same types of contracts. The company has therefore concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

Current and deferred income tax

The tax expense for the period comprises current tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities or as group relief to fellow subsidiary undertakings.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is intention to settle the balances on a net basis.

Pension costs – defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge disclosed in note 24 represents contributions payable by the company to the fund.

Pension costs – defined benefit

The company operates a defined benefit pension scheme for the benefit of its employees, the assets of which are held separately from those of the company in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

Share based compensation

Certain employees of the company along with other group employees were granted awards over the shares in Li & Fung Limited. Prior to the delisting of Li & Fung Limited in 2021, the company recognised a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution, on a straight line basis over the vesting period. On vesting of the shares, the company was charged the intrinsic value of the shares by Li & Fung Limited. This amount was treated as a reduction of the capital contribution and was recognised directly in equity.

Capital redemption reserve

The capital redemption reserve arose on the accounting for share based compensation.

Investments

Investments in subsidiary undertakings are included at cost less any provision for impairment.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The directors do not consider that there are any areas involving a higher degree of judgement or complexity.

Areas where assumptions and estimates are considered significant to the financial statements are disclosed below.

Pension obligations

The Company operates a defined benefit pension scheme for which actuarial valuations are carried out as determined by the trustees at intervals of not more than three years. The pension cost under IAS 19 is assessed in accordance with Directors' best estimates using the advice of an independent qualified actuary and assumptions in the latest actuarial valuation. The assumptions are based on information supplied to the actuary, supplemented by discussions between the actuary and management.

The principal assumptions used to measure schemes' liabilities, sensitivities to changes in assumptions and future funding obligations are set out in note 24 of the financial statements.

Impairment of investments

Investments are a significant balance on the company's balance sheet. The directors review the carrying value annually and ensure it is supportable by assessing the budgets and projections of the business to which it relates. Determining whether the company's investment in its subsidiary has been impaired requires estimations of the investment's value in use. The value in use calculations require the entity to estimate future cash flows expected to arise from the investment and suitable discount rates in order to calculate present values. If appropriate, an impairment would be booked.

The impairment review carried out in relation to the balance carried as at 31 December 2021 involved the following, in relation to the only investment carried with any significant value:

- Historical budget data was compared against previous years' actual results, in order to gauge reliability of future forecasts;
- 2022 actuals were available, but only included to the extent these could have been forecast as at 31 December 2021. These included Covid-19 support provided by the German government to cover loss of earnings;
- Current retail environment and economic factors, including the potential impact of inflationary pressures, were considered to determine 2023 and 2024 forecasts;

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

1. Principal accounting policies (continued)

Critical accounting estimates and assumptions (continued)

- Beyond 2024, a small level of growth has been forecast, based on our predetermined 2023 and 2024 forecasts;
- Once the impairment model was complete, various lines within it were subjected to sensitivity analysis; and
- The sensitivity analysis produced a satisfactory level of headroom, to the extent no impairment was required.

A discount rate of 12.3% was used.

2. Turnover

The turnover for the year is generated entirely from the company's principal activity and arises from sales made in the United Kingdom.

3. Directors' emoluments

	2021 £'000	2020 £'000
Aggregate of directors' emoluments	107	-
Remuneration of highest paid director	107	-

One (2020: none) of the directors received emoluments in respect of services to the company, paid by the company as disclosed in the table above. Company contributions to money purchase schemes in respect of directors amounted to £5,000 (2020: £nil). This related to one (2020: one) director and the company contributed £5,000 (2020: £nil) in respect of the highest paid director.

One of the directors was paid by the subsidiary undertaking in respect of services to that company. The aggregate of his emoluments from the date of his appointment to 31 December 2021 amounted to £278,000 (2020: £nil) and company pension contributions amounted to £6,000 (2020: £nil).

The directors did not exercise any share options during the year (2020: £nil).

4. Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2021 Number	2020 Number
Selling and distribution	19	20
Administration	2	2
	21	22
		20

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

4. Employee information (continued)

The aggregate payroll costs for those persons were as follows:

	2021 £'000	2020 £'000
Wages and salaries	790	755
Social security costs	69	66
Other pension costs (note 24)	29	29
	888	850

5. Finance income

	2021 £'000	2020 £'000
Expected returns related to pensions (note 24)	131	194

6. Finance costs

	2021 £'000	2020 £'000
Interest payable on bank overdrafts	(22)	(27)
Interest payable on intercompany loan	(24)	-
Lease liability interest	(2)	(3)
Net interest costs relating to pensions (note 24)	(144)	(217)
Foreign exchange loss on intercompany loan	(120)	-
	(312)	(247)

7. Loss before taxation

	2021 £'000	2020 £'000
Loss before taxation is stated after charging:		
Amortisation (note 9)	4	4
Depreciation of owned tangible fixed assets (note 10)	27	107
Depreciation of right of use assets (note 11)	248	234
Services provided by the company's auditors		
- Fees payable for audit	50	31
- Fees payable for other services – tax compliance	7	7

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

8. Tax on loss

	2021 £'000	2020 £'000
Current tax		
Adjustment in respect of previous periods	2	-
Total current tax	2	-
Total tax in the income statement	2	-

The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Loss before taxation	(303)	(15)
Loss before taxation multiplied by standard rate in the UK of 19% (2020: 19%)	(58)	(3)
Effects of:		
Adjustment in respect of previous periods	2	-
Amounts not recognised	58	3
Total tax in the income statement	2	-

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 3 March 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

9. Intangible Assets

	Software £'000
Cost	
At 1 January 2021 and 31 December 2021	111
Accumulated amortisation	
At 1 January 2021	104
Charge for the year	4
At 31 December 2021	108
Net book value	
At 31 December 2021	3
At 31 December 2020	7

Amortisation is charged through administrative expenses in the income statement.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

10. Property, plant and equipment

	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost				
At 1 January 2021	1,950	31	118	2,099
Disposals	(7)	(12)	(35)	(54)
At 31 December 2021	1,943	19	83	2,045
Accumulated depreciation				
At 1 January 2021	1,863	25	107	1,995
Charge for the year	20	3	4	27
Disposals	(7)	(12)	(35)	(54)
At 31 December 2021	1,876	16	76	1,968
Net book value				
At 31 December 2021	67	3	7	77
At 31 December 2020	87	6	11	104

11. Right of use assets

	Land & Buildings £'000	Other £'000	Total £'000
Cost or Valuation			
At 1 January 2021	434	77	511
Additions	230	33	263
At 31 December 2021	664	110	774
Accumulated depreciation			
At 1 January 2021	434	56	490
Charge for the year	230	18	248
At 31 December 2021	664	74	738
Net book value			
At 31 December 2021	-	36	36
At 31 December 2020	-	21	21

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

12. Investments

	£'000
Cost	
At 1 January 2021	1,035
Addition	29,639
At 31 December 2021	30,674
Accumulated impairment	
At 1 January and 31 December 2021	1,034
Net book value	
At 31 December 2021	29,640
At 31 December 2020	1

The investment relates to 100% of the issued ordinary share capital of Comet Feuerwerk GmbH, a company incorporated in Germany. Their principal activity is the distribution of pyrotechnics. Comet Feuerwerk GmbH's registered address is Uberseering 22, 27580 Bremerhaven, Germany.

During the year the company contributed a further EUR 34,000,000, the equivalent to GBP 29,639,000 to the capital of Comet Feuerwerk GmbH. At the year end the directors performed impairment testing on the new carrying value of the investment and concluded no impairment was necessary.

13. Stocks

	2021	2020
	£'000	£'000
Finished goods and goods for resale	291	954

Stock is shown net of provisions of £48,000 (2021: £237,000).

The cost of inventories recognised as an expense and included in cost of sales in the income statement amounted to £3,837,000 (2020: £3,039,000). In addition, £189,000 (2020: £244,000) has been credited through cost of sales in relation to stock provision movements in the year.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

14. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year		
Trade debtors	3,209	1,660
Other debtors	128	166
Prepayments and accrued income	95	110
	3,432	1,936

During the year the company continued to sell certain debts on a recourse basis to Barclays (2020: Postbank). At 31 December 2021, the company had factored debts of £1,818,000 (2020: £2,218,000).

Trade debtors are shown after provisions of £130,000 (2020: £213,000).

15. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	43	100
Amounts owed to related party undertakings (note 26)	-	53
Amounts owed to group undertakings (note 26)	30,054	74
Taxation and social security costs	471	624
Group relief payable	2	-
Lease liabilities	17	11
Accruals and deferred income	2,124	2,457
	32,711	3,319

Amounts owed to group undertakings include a loan of USD 40,123,000 which was used to recapitalise its subsidiary undertaking during the year. Interest is charged at 0.33% per annum, the loan is unsecured and repayable on demand. Other amounts owed to group undertakings are unsecured, interest free and repayable on demand. Lease liabilities are discounted using the interest rates implicit in the relevant leases.

16. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Lease liabilities	19	11

Lease liabilities are discounted using the interest rates implicit in the relevant leases.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

17. Deferred tax

The company has not recognised a deferred tax asset (2020: £nil) as there are significant doubts as to whether the company is able to utilise deferred tax of £2,443,000 (2020: £2,004,000) in future years. The deferred taxation asset position is analysed as follows:

	Amount unrecognised		Amount recognised	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Excess of capital allowances over depreciation	660	496	-	-
Asset relating to pension liability	68	272	-	-
Unutilised losses carried forward	1,747	1,236	-	-
	2,475	2,004	-	-

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 3 March 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

18. Share based payments

On 26 May 2020, Li & Fung Limited was delisted from the Hong Kong stock exchange by way of a privatisation arrangement. Under the Share Award Scheme Rules, in the event of a privatisation, the Li & Fung Limited Board had sole discretion to determine whether the vesting dates of any Share Awards were accelerated. They decided to accelerate the vesting of all unvested Share Awards on 26 May 2020, the effective date of privatisation.

During the year, no (2020: 118,200 on privatisation) shares vested in relation to employees of LF Fashion Limited. No charge (2020: no charge) was passed onto the company for the vesting of these shares.

No (2020: 22,100) share awards were exercised in the year at a price of HK\$ nil (2020: HK\$ 0.85) per share.

There were no vested share awards outstanding at the end of the current or preceding year.

19. Called up share capital

	2021	2020
	£'000	£'000
Allotted, called up and fully paid		
15,500,000 (2020: 15,500,000) ordinary shares of £1 each	15,500	15,500

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

20. Lease Liabilities

At 31 December 2021 and at 31 December 2020 the company has included lease liabilities in creditors, expiring as follows:

	Other		Land and buildings	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Creditor amounts falling due within one year (note 15)	17	11	-	-
Creditor amounts falling due after more than one year (note 16)	19	11	-	-
	36	22	-	-

The company rents property on a one year rolling lease which renews in December each year.

21. Capital commitments

The company had no capital commitments contracted but not provided for as at 31 December 2021 (2020: £nil).

22. Reconciliation of net cash flow to movement in net (debt)/funds

	2021	Unaudited 2020
	£'000	£'000
(Decrease)/increase in cash in year	(1,525)	1,105
Cash (outflow)/inflow from decrease in debt and lease financing	(29,388)	236
Changes in net (debt)/funds resulting from cash flows	(30,913)	1,341
<i>Non-cash movements</i>		
Notional interest on lease	(2)	(3)
Addition to right of use assets	(263)	(238)
Foreign exchange movements	(120)	-
Movement in net (debt)/funds in the year	(31,298)	1,100
Net funds at start of year	4,056	2,956
Net (debt)/funds at end of year (note 23)	(27,242)	4,056

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

23. Analysis of net (debt)/funds

	As at 1 January 2021 £'000	Cash flow £'000	Non-cash movements £'000	As at 31 December 2021 £'000
Cash at bank and in hand	4,078	(1,525)	-	2,553
Loans due to group undertakings	-	(29,639)	(120)	(29,759)
Lease liabilities	(22)	251	(265)	(36)
Net funds/(debt)	4,056	(30,913)	(385)	(27,242)

Unaudited	As at 1 January 2020 £'000	Cashflow £'000	Non-cash movements £'000	As at 31 December 2020 £'000
Cash at bank and in hand	2,973	1,105	-	4,078
Lease liabilities	(17)	236	(241)	(22)
Net funds	2,956	1,341	(241)	4,056

24. Post-employment benefits

Defined contribution scheme

The company made contributions amounting to £29,000 (2020: £29,000) to a defined contribution scheme in the year. At the year-end the pension creditor amounted to £5,000 (2020: £5,000).

Defined benefit scheme

The company makes deficit contributions to the Standard Fireworks 1992 Pension Scheme which is a defined benefit scheme and which is closed to future accruals.

The total net pension cost of the Standard Fireworks 1992 defined benefit scheme was £nil (2020: £nil). The cost is assessed in accordance with the advice of Deloitte, consulting actuaries.

The latest actuarial valuation of the scheme was performed as at 31 March 2019 using the projected unit method. The principal assumptions adopted in the valuation as at 31 March 2019 were that, over the long term, the investment return would be 2.5% per annum to retirement and 1.9% per annum thereafter, the rate of RPI increase would be 3.4% per annum and the rate of pension increase would be 3.25%.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £10,248,000 and the actuarial value of these assets was sufficient to cover 88% of the benefits that had accrued to members. The company is making deficit contributions to the Scheme under an agreed recovery plan.

The company accounts for its pension scheme in accordance with IAS 19.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

24. Post-employment benefits (continued)

The pension liability detailed below is calculated using the value of the scheme assets as at 31 December 2021 and using scheme liabilities that have been updated from those at 31 March 2019 by a qualified actuary using the projected unit method.

Assumptions used for the valuation	2021	2020
Discount rate: pre and post retirement	1.8%	1.2%
Inflation assumption	3.7%	3.2%
Rate of increase of salaries	n/a	n/a
Rate of increase of pensions in payment	2.9%	3.3%

The mortality assumptions used were as follows:

	2021 Years	2020 Years
Longevity at age 65 for current pensioners		
- Men	21	20
- Women	23	23
Longevity at age 65 for future pensioners (aged 45 now)		
- Men	22	22
- Women	25	24

The mortality assumptions are calculated using 120% of the 'SAPS S3' (2020: 120% 'SAPS S3') base tables with the CMI 2019 (2020: CMI 2019) model for mortality improvements and a long term rate of 1.25% (2020: 1.25%).

The assets in the scheme and their expected rates of return were:

	Value at 31 December 2021 £'000	Value at 31 December 2020 £'000
Equities	3,048	2,473
Bonds	7,051	5,501
Other	1,180	3,075
Total market value of assets (below)	11,279	11,049
Present value of scheme liabilities (below)	(11,548)	(12,226)
Net pension deficit	(269)	(1,177)

All (2020: all) equities are quoted; there are no (2020: no) unquoted equities held.

No related deferred tax asset has been recognised given the uncertainty over its realisation, in accordance with the company's accounting policy (note 17).

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

24. Post-employment benefits (continued)

Reconciliation of fair value of scheme assets

	2021 £'000	2020 £'000
1 January	11,049	10,337
Return on assets less interest	375	816
Administration expenses	(81)	(131)
Interest income	131	194
Contributions paid by employer	258	254
Benefits paid	(453)	(421)
31 December	11,279	11,049

Reconciliation of present value of scheme liabilities

	2021 £'000	2020 £'000
1 January	(12,226)	(11,643)
Interest cost	(144)	(217)
Benefits paid from plan assets	453	421
Actuarial gain/(loss) on liabilities	369	(787)
31 December	(11,548)	(12,226)

An analysis of amounts (charged)/credited to the profit and loss account is as follows:

	2021 £'000	2020 £'000
Administration expenses	(81)	(131)
Interest on pension scheme assets (note 5)	131	194
Interest on pension scheme liabilities (note 6)	(144)	(217)
Total	(94)	(154)

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

24. Post-employment benefits (continued)

An analysis of amounts credited through the statement of comprehensive income is as follows:

	2021 £'000	2020 £'000
Return on assets less interest	375	816
Actuarial gain / (loss) on scheme liabilities	369	(787)
Total	744	29

25. Post balance sheet event

The following post balance sheet event is treated as non adjusting.

Site move

On 30 December 2021 our landlord served notice on the company to vacate the premises by 30 December 2022. The lease had been operating on a one year rolling basis for some time, so this was not unexpected. Due to Health and Safety and firework licensing issues, the vacation date was extended to 30 April 2023.

A suitable new site was found and a lease was signed on 19 April 2023. This is a twelve year lease with break clauses in 2026, 2029 and 2032. Initial rent is £350,000 pa.

Costs relating to the move are still being finalised; one off move costs are expected to be approximately £60,000 and will be booked through the profit and loss account in 2023; capital expenditure on the new site is expected to be approximately £420,000 and this will be capitalised in the accounts for the year ending 31 December 2023.

26. Related party transactions

The company is a wholly owned subsidiary and is included in the consolidated financial statements of Li & Fung Limited, but these are no longer available to the public. The company can no longer take advantage of the exemption contained in IAS 24 and has therefore disclosed below transactions with entities which form part of the Li & Fung group.

(a) Parent entities

Parent entities are disclosed in note 27.

(b) Key management personnel compensation

Detailed remuneration disclosures are included in note 3.

(c) Transactions with related parties and group undertakings and outstanding balances arising from those transactions

Related parties

During the year the company leased premises from a related party undertaking, Empire Knight Limited. Annual rent was £230,000 (2020: £230,000) and this was paid in full during the year, with no amounts outstanding at the year end (2020: £nil).

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

26. Related party transactions (continued)

(c) Transactions with related parties and group undertakings and outstanding balances arising from those transactions

Related parties

During the year the company received IT, HR and other services from a related party undertaking, Fung Corporate Services Group (UK) Limited ("FCSG UK"). The value of services provided by FCSG UK during the year amounted to £67,000 (2020: £53,000) and £nil (2020: £53,000) remained outstanding as at 31 December 2021 and is included within Creditors: Amounts falling due within one year.

Group undertakings

During the year the company purchased stock of £2,954,000 (2020: £1,335,000) from Shiu Fung Fireworks Limited; no amounts relating to these purchases were outstanding as at 31 December 2021 (2020: £nil).

During the year the company received management services from a Li & Fung (Trading) Limited. Li & Fung (Trading) Limited recharged LF Europe Services Limited and LF Europe Limited for these services and these companies passed through the charges to Black Cat Fireworks Limited; the value of services provided by Li & Fung (Trading) Limited during the year amounted to £241,000 (2020: £96,000).

LF Europe Limited and LF Europe Services Limited also provided management services to the company and they charged £64,000 (2020: £nil) and £3,000 (2020: £nil) respectively.

During the year, the company received a loan of USD 40,123,000 (GBP equivalent at date of transaction £29,639,000) from Li & Fung Limited (2020: £nil). Interest accrued on the loan during the year amounted to £24,000 (2020: £nil).

Total amounts due to group undertakings	2021 £'000	2020 £'000
LF Europe Limited	243	-
LF Europe Services Limited	-	43
Li & Fung (Trading) Limited	48	31
Li & Fung Limited	29,763	-
At 31 December	30,054	74

(d) Terms and conditions

Goods and services purchased from group undertakings are charged based on the price lists in force and on terms that would be available to third parties. Management recharges are made by both group and related party undertakings and are charged on a cost-plus basis with a margin of 5-10% (2020: 5-10%). The loan is unsecured, and repayable on demand. Interest accrues on it and the applicable interest rate is detailed in note 15.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2021 (continued)

27. Ultimate parent undertaking and controlling party

The directors regard Golden Horn NV, a company incorporated in the Netherlands Antilles, as the company's immediate parent company. The directors consider King Lun Holdings Limited, a company incorporated in the BVI, to be the ultimate parent undertaking and controlling party.

The smallest group in which the results of the company are consolidated is that headed by Li & Fung Limited. The largest group in which the results of the company are consolidated is that headed by Golden Lincoln Holdings II Limited, a company incorporated in the Cayman Islands. The address of its registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.