

LEDVANCE LTD

Report and financial statements
Registered number 1961715
December 31, 2021

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LEDVANCE LTD

REPORT AND FINANCIAL STATEMENTS

PERIOD ENDED DECEMBER 31, 2021

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LEDVANCE LTD

STRATEGIC REPORT

PERIOD ENDED DECEMBER 31, 2021

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

PRINCIPAL ACTIVITIES

Ledvance Ltd is engaged in the import and sale of lamps and related products both in the domestic market and Northern Ireland.

BUSINESS REVIEW

General Business Review – statement of income

Revenue increased in the period by £2,966k (16%) to £22,086k. The Company's business units showed an increase in revenue, compared to the previous year largely driven by the extended financial year. The reduction in traditional lamps sales being replaced by OTC luminaire sales continues. Changes in sales mix have resulted in the gross profit margin decreasing from 23.9% to 20.3%, in conjunction with market price pressures.

Operating profit was £1,016k compared to £(82)k loss in the previous year, whilst the profit before tax increased to a profit of £985k from £(167)k loss. This increase came from an increase in sales, as noted above, and a decrease in selling, marketing, and administrative expenses due to a reduction of the overhead base carried out in the previous year.

The Company made a profit for the year after taxation of £806k (2020: £(129)k loss).

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

The Company's strategy is to maximise profits for the shareholders through organic sales growth.

General Business Review - statement of financial position

There was an overall increase in net assets of £805k (19%) to £5,021k. This arose principally from movements in Cash, Trade receivables, Trade payables, and amounts owed to and from group companies caused by normal trading activities, the profit for the year, and the non-payment of a dividend.

The Company had an increase in net current assets of £903k to £5,016k.

General Business Review – statement of cash flow

Cash used by operating activities this year was £672k compared to cash provided of £1,302k in 2020. This was primarily as a result of an increase in trade receivables compared to the year before due to the seasonality of sales and hence receivables falling later in the year. During the year no dividend was paid which did not impact on the level of borrowings from our parent undertaking.

Analysis of Financial Key Performance Indicators

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

The principal risk for the Company is continued low cost imports from the Far East. The biggest opportunity is the growing emphasis on environmental protection and the consequent focus upon energy saving light bulbs and other upcoming technologies such as Solid State Lighting (LEDs) which will undoubtedly have a positive impact upon the lighting market.

The Company has a diversified range of customers and provides products that support the environmental requirements of the market. Therefore based on the Company's forecasts, the directors consider that the

LEDVANCE LTD
STRATEGIC REPORT continued

PERIOD ENDED DECEMBER 31, 2021

Company will continue to trade profitably and generate positive cash flow from operations over the next 12 months.

Additionally, the Ledvance Group operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Ledvance GmbH and companies are able to draw down on these facilities if required. At the balance sheet date Ledvance Ltd was owned by Ledvance GmbH and this continues to be the case. Following the sale of Ledvance GmbH to a consortium led by MLS Lighting of China in 2017 the same cash pooling operations were in place between Ledvance GmbH and Ledvance Ltd.

FINANCIAL INSTRUMENTS

The Company's financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction, and the exposure to market risk, interest rate risk, credit risk and liquidity risk are set out in note 22 to the accounts.

COVID-19

An area of uncertainty and risk is the economic effects of the Covid 19 pandemic. As a business we operate a simple business model, and we are part of a larger Chinese group. Both of these lower our exposure to the adverse economic effects of Covid 19. Although the long term effects of COVID-19 are still largely imponderable, the Company operates a regular forecasting exercise, which should allow the Company to manage the future economic landscape effectively.

CHANGE IN REPORTING DATE

The reporting date has been extended from 30.09.2021 to 31.12.2021. This change was made in order to bring the Company's year end date in line with the ultimate parent company. The amounts presented in the financial statements are not entirely compatible due to this.

Signed by order of the board of directors

T Raab
Director



Approved by the directors on Sep 28, 2022

Registered office:
Aquila House
Delta Crescent
Westbrook
Warrington
WA5 7NR
England
United Kingdom

LEDVANCE LTD

DIRECTORS' REPORT

PERIOD ENDED DECEMBER 31, 2021

The directors present their report for the period ended December 31, 2021.

DIVIDENDS

A dividend of £nil was paid during the period (2020: £292k).

DIRECTORS

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

Derek McMillan
Tobias Raab
Nelo dos Santos Neves – appointed 01.04.2022

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

GOING CONCERN

The Ledvance Group operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Ledvance GmbH and companies are able to draw down on these facilities if required. The Company has set out its financial risk management policies including management of liquidity in note 22 to the financial statements. Based on the assessment of the Company's financial position, future performance, liquidity and risks, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the Company continues to adopt the going concern basis of accounting.

EMPLOYEE PARTICIPATION

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

ENVIRONMENTAL

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

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

EQUAL OPPORTUNITIES

The Company is committed to equal opportunities for all, free from discrimination and harassment. The Company values the contribution of all employees. All job applicants and employees, customers, visitors or contractors will receive equal treatment regardless of sex, race, disability, sexual orientation, religion or belief, age, colour, marital status, trade union membership, nationality or ethnic or national origins.

Within the Company, applicants and employees will be recruited, selected, trained and promoted on objective grounds, i.e. on the basis of their ability, skills and aptitudes and on the requirements of their job. This will enable them to develop to the best of their abilities and contribute most effectively to the success of the Company.

Wherever possible, we will assist disabled employees to enable them to work for the Company and maximise their contribution and performance.

LEDVANCE LTD
DIRECTORS' REPORT continued

PERIOD ENDED DECEMBER 31, 2021

FUTURE DEVELOPMENTS

The directors aim to maintain the management policies which have facilitated the Company's performance in recent years. The Company is actively looking to expand the product offering being made available to the market.

The impact of Brexit on the business has not been significant, however the Company does not expect to be impacted significantly differently to other competitors in the market due to the similar business models within the market.

DISCLOSURE OF INFORMATION TO AUDITOR

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

SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

There are no such events to report.

AUDITOR

In accordance with section 487(2) of the Companies Act 2006, RSM UK Audit LLP will continue in office as auditor of the Company.

Signed by order of the board of directors

T Raab
Director



Approved by the directors on Sep 28, 2022

Registered office:

Aquila House
Delta Crescent
Westbrook
Warrington
WA5 7NR
England

LEDVANCE LTD

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

PERIOD ENDED DECEMBER 31, 2021

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

Company law requires the directors to prepare financial statements for each financial year. The directors have elected under company law to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the Company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- d. 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 requirements of 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.

LEDVANCE LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEDVANCE LTD

PERIOD ENDED DECEMBER 31, 2021

Opinion

We have audited the financial statements of Ledvance Limited (the 'company') for the period ended 31 December 2021 which comprise the statement of income, the statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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 of at least twelve months from when the financial statements are authorised for issue.

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

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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 the directors' report.

LEDVANCE LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEDVANCE LTD continued

PERIOD ENDED DECEMBER 31, 2021

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework.
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud.
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS/UK-adopted IAS, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal/external tax advisors.

LEDVANCE LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEDVANCE LTD continued

PERIOD ENDED DECEMBER 31, 2021

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied recognition of revenue.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

John Guest RSM UK Audit LLP

John Guest (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester

M3 3HF

Date: 29 September 2022

LEDVANCE LTD

STATEMENT OF INCOME

For the period ended December 31, 2021 and year ended September 30, 2020 (in thousands of £)

	Note	2021	2020
Operations		Total	Total
Revenue	4	22,086	19,120
Cost of goods sold and services rendered		(17,604)	(14,550)
Gross profit		4,482	4,570
Selling, marketing and general administration expenses		(3,466)	(4,762)
Other Operating Income		-	110
Operating profit/(loss)	5	1,016	(82)
Interest income	8	1	2
Interest expense	8	(32)	(87)
Profit/(loss) from operations before tax		985	(167)
Tax	9	(179)	38
Profit/(loss) for the financial period		806	(129)

LEDVANCE LTD

STATEMENT OF COMPREHENSIVE INCOME

For the period ended December 31, 2021 and year ended September 30, 2020 (in thousands of £)

	2021	2020
Profit/(loss) for the financial year	806	(129)
Other comprehensive income/(expense)	-	-
Other comprehensive income, net of tax	806	(129)
Total comprehensive income	806	(129)
Attributable to:		
Owners of the Company	806	(129)

LEDVANCE LTD

STATEMENT OF FINANCIAL POSITION

As of December 31, 2021 and September 30, 2020 (in thousands of £)

ASSETS	Note	2021	2020
Current assets			
Cash and cash equivalents		1,347	2,299
Trade and other receivables	10	7,603	6,577
Other current financial assets	11	-	59
Inventories	12	172	182
Corporation tax receivable		50	124
Other current assets	13	27	30
Total current assets		9,199	9,271
Non-current assets			
Property, plant and equipment	14	3	10
Deferred tax assets	9	38	120
Total assets		9,240	9,401
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	15	2,603	3,003
Other current financial liabilities	16	275	310
Current provisions	19	109	316
Corporation tax payable		-	-
Other current liabilities	17	1,196	1,529
Total current liabilities		4,183	5,158
Non-current liabilities			
Non-current provisions	19	36	27
Total liabilities		4,219	5,185
Equity			
Share capital	20	1	1
Retained earnings		5,020	4,215
Total equity		5,021	4,216
Total liabilities and equity		9,240	9,401

These financial statements were approved by the board of directors on Sep 28, 2022 and were signed on their behalf by:



.....
T Raab
Director

Registered number 1961715

Ledvance Ltd

LEDVANCE LTD

STATEMENT OF CASH FLOW

For the period ended December 31, 2021 and the year ended September 30, 2020 (in thousands of £)

	2021	2020
Cash flows from operating activities		
Profit/(Loss) for the financial period	806	(129)
Adjustments to reconcile profit to cash provided		
Depreciation and amortisation	8	8
Tax expense/(credit)	179	(37)
Interest expense, net	31	86
Loss on disposal PPE	-	-
Other non-cash expense (FX revaluation)	130	62
Operating profit/(loss) before changes in working capital and provisions	<u>1,154</u>	<u>(10)</u>
Changes in current assets and liabilities		
Decrease/(Increase) in inventories	10	(77)
(Increase)/Decrease in trade and other receivables	(1,035)	1,071
Decrease/(Increase) in other financial assets	59	(59)
Decrease in other current assets	3	22
(Decrease) in trade payables	(274)	(67)
(Decrease) in other financial liabilities	(35)	(10)
(Decrease)/Increase in provisions	(198)	244
(Decrease)/Increase in other current liabilities	(334)	273
Taxes received/(paid)	(22)	(85)
Interest received	-	-
Net cash (used by)/received from operating activities	<u>(672)</u>	<u>1,302</u>
Cash flows from investing activities		
Additions to property, plant and equipment	-	(1)
Net cash used in investing activities - continuing operations	<u>-</u>	<u>(1)</u>

LEDVANCE LTD

STATEMENT OF CASH FLOW continued

For the period ended December 31, 2021 and the year ended September 30, 2020 (in thousands of £)

	2021	2020
Cash flows from financing activities		
Change in financing with other group companies	(249)	(56)
Interest paid	(31)	(86)
Dividends paid	-	(292)
Net cash (used by) financing activities	<u>(280)</u>	<u>(434)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(952)</u>	<u>867</u>
Cash and cash equivalents at the beginning of the period	2,299	1,432
Cash and cash equivalents at the end of the period	<u>1,347</u>	<u>2,299</u>

Ledvance Group operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Ledvance GmbH and companies are able to draw down on these facilities if required. Therefore apart from any accounts held with local banks, amounts invested with/drawn down from the Ledvance GmbH accounts are shown as receivables from/amounts due to group companies. Changes in the balances on these facilities are included in Net cash provided by/(used in) financing activities.

LEDVANCE LTD

STATEMENT OF CHANGES IN EQUITY

For the period ended December 31, 2021 and year ended September 30, 2020 (in thousands of £)

	Share capital	Retained earnings	Total equity
Balance at October 1, 2019	1	4,637	4,638
Loss for the financial year	-	(130)	(130)
Other comprehensive income, net of tax	-	(1)	(1)
Total comprehensive income for the financial period	1	4,506	4,507
Dividends to equity holders	-	(292)	(292)
Balance at September 30, 2020	1	4,214	4,215
Profit for the financial period	-	806	806
Total comprehensive income for the financial period	1	5,020	5,021
Dividends to equity holders	-	-	-
Balance at December 31, 2021	1	5,021	5,021

LEDVANCE LTD

NOTES TO THE FINANCIAL STATEMENTS

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

General Information

Ledvance Ltd (the “Company”) is a private company limited by shares and is incorporated, domiciled and registered in England in the UK. The registered number is 1961715 and the registered address is Aquila House, Delta Crescent, Westbrook, Warrington, WA5 7NR.

1. Basis of presentation

The accompanying financial statements present the operations of Ledvance Ltd, (the ‘Company’) and have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted (‘Adopted IFRSs’) and applied in accordance with the Companies Act 2006. The financial statements are generally prepared on the historical cost basis, except as stated in note 2.

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

The Company applied all standards and interpretations issued by the IASB that were effective as of December 31, 2021. In these financial statements, the term ‘Group’ refers to all companies for whom the ultimate parent undertaking is MLS Co Ltd, a company incorporated in China.

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

Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In making their assessment, the directors have prepared forecasts through to 30 Sep 2023 and have assessed the liquidity requirements of the Company. The Company continues to benefit from access to the group wide in house bank (IHB) facility operated by Ledvance GmbH. Thus they continue to adopt the going concern basis of accounting in preparing the accounts. The potential effects of Covid 19 have been taken into account within the estimates used to establish the applicability of the going concern basis.

Adoption of new and revised standards

In the current period, the company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2020.

As regards IFRS 16 the directors have considered the Standard and concluded that this Standard is unlikely to have a material impact on the results of the company. However, the impact will continue to be monitored for future periods.

LEDVANCE LTD

NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

2. Summary of significant accounting policies

Revenue recognition - Revenue represents

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

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

Interest is recognised using the effective interest rate method.

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

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

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

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

Taxes - The Company applies IAS 12, *Income Taxes*. Under the liability method of IAS 12, deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax laws is recognised in the statement of income, unless related to items directly recognised in equity, in the period the new laws are enacted or substantively enacted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

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

Provisions - A provision is recognised in the statement of financial position when the Company has a present legal

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For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognised at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Additions to provisions and reversals are generally recognised in the statement of income. The present value of legal obligations associated with the retirement of property, plant and equipment (asset retirement obligations) that result from the acquisition, construction, development and normal use of an asset is added to the carrying amount of the related asset. The additional carrying amount is depreciated over the life of the related asset. Additions to and reductions from the present value of asset retirement obligations that result from changes in estimates are generally recognised by adjusting the carrying amount of the related asset and provision. If the asset retirement obligation is settled for other than the carrying amount of the liability, the Company recognises a gain or loss on settlement. A provision is made for claims for the rectification of faults or damages in the products the Company sells to the extent that the Company has a current obligation under assurances given and based on historic claims experience.

Financial instruments - A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets of the Company mainly include cash and cash equivalents, trade receivables and derivative financial instruments with a positive fair value. Cash and cash equivalents are not included within the category available-for-sale financial assets as these financial instruments are not subject to fluctuations in value. Ledvance Ltd does not make use of the category held to maturity. Financial liabilities of the Company mainly comprise trade payables and derivative financial instruments with a negative fair value. Ledvance Ltd does not make use of the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (Fair Value Option). Based on their nature, financial instruments are classified as financial assets and financial liabilities measured at cost or amortised cost and financial assets and financial liabilities measured at fair value. For additional information refer to note 22.

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

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

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

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

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

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

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

Leases - Leases where substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. The Company does not hold any finance leases. All others are deemed operating leases.

Leases in which the Company is the lessee:

Under finance leases, the minimum lease obligation, or if lower, the asset's fair value, is capitalised within property, plant & equipment at the commencement of the lease and depreciated over the shorter of the useful economic life and the lease term. The rental obligation is recorded as a borrowing at a similar amount. Each lease payment is allocated between liability repayment and finance charges in a way so as to achieve a constant effective

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NOTES TO THE FINANCIAL STATEMENTS continued

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interest rate on the balance outstanding. Under operating leases, the asset does not appear in property, plant & equipment and lease payments are charged to the statement of income on a straight-line basis over the lease term.

Pension costs and other post-retirement benefits

Defined contribution plan - The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the statement of income represents the contributions payable to the scheme in respect of the accounting period and represents the full extent of the Company's liability.

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

Government Grants – relate specifically to the CJRS scheme, and are recognised only when all necessary conditions have been complied with and the grants have been received. Such grants are recognised as income over the period necessary to match them with the related costs on a systematic basis.

3. Management estimates and judgments

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

Trade and other receivables - The allowance for receivables involves accounting estimates and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis. The movement in this allowance is given in note 10. Also the provision for customer rebates is a significant item within trade receivables. The Company uses robust system based estimates in the calculation of such rebates.

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

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For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

4. Revenue

Revenue is earned from the sale of lamps and related products.

	<u>Period ended December 31 /</u>	
	<u>September 30,</u>	
	2021	2020
Sale of goods	22,086	19,120
Total revenue	<u>22,086</u>	<u>19,120</u>

5. Operating profit

The Operating Profit has been arrived at after charging / (crediting):

	<u>Period ended December 31 /</u>	
	<u>September 30,</u>	
	2021	2020
Operating lease expense	150	134
Net foreign exchange losses	473	10
Depreciation of property, plant and equipment - selling, marketing and general administration expenses	7	8
Impairment of receivables - selling, marketing and general administration (gains) / expenses	(281)	568
Staff costs (see note 6)	2,267	2,491
Auditor's remuneration		
- audit of financial statements	37	27
Other Operating Income CJRS	-	(110)

Amounts payable to RSM UK Group LLP and their associates by the Company in respect of non-audit services were £nil (2020: £nil).

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NOTES TO THE FINANCIAL STATEMENTS continued

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6. Staff numbers and costs

	<u>Period ended December 31 /</u> <u>September 30,</u>	
	2021	2020
Wages and salaries	1,910	2,149
Social security costs	227	189
Expenses relating to pension plans and employee benefits	130	153
	<u>2,267</u>	<u>2,491</u>

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

The average number of employees (including executive directors) during 2021 and 2020 was 23 and 35, respectively. Part-time employees are counted as full units. The employees were engaged in the following activities:

	<u>Period ended December 31 /</u> <u>September 30,</u>	
	Number of employees	
	2021	2020
Sales and marketing	18	29
Administration and general services	5	6
	<u>23</u>	<u>35</u>

7. Directors' emoluments

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

	<u>Period ended December 31 /</u> <u>September 30,</u>	
	2021	2020
Emoluments receivable	158	139
Employer contributions to money purchase schemes	6	5
	<u>164</u>	<u>144</u>

The emoluments of the highest paid director were £164,000 (2020: £144,000). One director is a member of a defined contributions scheme (2020: one). No directors are members of a defined benefit scheme (2020: none).

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NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

8. Interest income and interest expense

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

The total amounts of interest income / (expense) were as follows:

	Period ended December 31 / September 30,	
	2021	2020
Interest income	1	2
Interest expense	(32)	(87)
Interest income / (expense), net	(31)	(85)

Interest income / (expense) derives from deposits with or drawdowns from the Ledvance Group cash pooling arrangement.

9. Taxes

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

	Period ended December 31 / year ended September 30,	
	2021	2020
Current tax:		
UK corporation tax	98	-
Adjustments for prior years	-	(1)
	98	(1)
Deferred tax:		
Origination and reversal of temporary differences current year	119	(28)
Origination and reversal of temporary differences prior years	-	-1
Deferred tax rate change adjustment	(38)	(10)
	81	(37)
Tax expense/credit	179	(38)

Of the net deferred tax charge/credit in 2021 and 2020, £119k charge and £(28)k credit respectively, relate to the origination and reversal of temporary differences.

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 December 2021 has been calculated at 19% (2020: 19%).

In the March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £12,038.

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NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

Tax expense differs from the amounts computed by applying the statutory UK tax rate as follows:

	<u>Period ended December 31 /</u> <u>year ended September 30,</u>	
	2021	2020
Profit/(loss) before tax	984	(167)
Tax at 19% (2020: 19%)	187	(32)
Increase / (decrease) in taxes resulting from:		
Non-deductible losses and expenses	1	3
Under/(over) provided in prior years – deferred tax	-	1
Under/(over)/ provided in prior years – current tax	-	-
Deferred tax rate change adjustment	(9)	(10)
Total tax expense/(credit) for the year	179	(38)

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

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

	<u>Period ended December 31 /</u> <u>year ended September 30,</u>	
	2021	2020
Assets:		
Property, plant and equipment	19	17
Provisions	19	34
Losses	-	69
Deferred tax assets	38	120
Deferred tax liabilities	-	-
Total deferred tax assets/(liabilities), net	38	120

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

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NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

10. Trade and other receivables

	<u>December 31 / September 30,</u>	
	<u>2021</u>	<u>2020</u>
Trade receivables from the sale of goods	5,790	4,393
Receivables from group companies	3,824	3,831
Provisions for rebates, queries and settlement discount	(2,011)	(1,647)
	<u>7,603</u>	<u>6,577</u>

Trade receivables are shown after the deduction of allowances for impairment of £66k (2020: £337k).

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

	<u>December 31 / September 30,</u>	
	<u>2021</u>	<u>2020</u>
Valuation allowance as of beginning of fiscal year	(337)	(182)
Creation	-	(155)
Reversal	271	-
Valuation allowance as of fiscal year-end	<u>(66)</u>	<u>(337)</u>

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

	<u>December 31, 2021</u>		<u>September 30, 2020</u>	
	<u>Gross</u>	<u>Allowance</u>	<u>Gross</u>	<u>Allowance</u>
Current	5,779	-	4,343	-
30 days overdue	337	-	140	(50)
31 – 60 days overdue	5	-	(37)	-
61 - 90 days overdue	(11)	-	(3)	-
91+ days overdue	(254)	(66)	287	(287)
	<u>5,856</u>	<u>(66)</u>	<u>4,730</u>	<u>(337)</u>

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NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

11. Other current financial assets

	<u>December 31 / September 30,</u>	
	2021	2020
Derivative financial instruments	-	58
Other	-	1
	<u>-</u>	<u>59</u>

Derivative financial instruments consist of the revaluation to fair value at the statement of financial position date of foreign exchange hedging contracts. Further details are disclosed within note 22.

12. Inventories

	<u>December 31 / September 30,</u>	
	2021	2020
Finished goods and products held for resale	172	182
	<u>172</u>	<u>182</u>

Cost of goods sold and services rendered include inventories recognised as an expense amounting to £16,752k and £13,915k, respectively, in fiscal year 2021 and 2020.

13. Other current assets

	<u>December 31 / September 30,</u>	
	2021	2020
Prepaid expenses	27	30
	<u>27</u>	<u>30</u>

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For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

14. Property, plant and equipment

	Land and buildings – leasehold improvements	Fixtures, fittings, tools & equipment	Total property, plant & equipment
Cost			
At October 1, 2019	65	51	116
Additions	-	1	1
Disposals	(61)	(21)	(82)
At September 30, 2020	<u>4</u>	<u>31</u>	<u>35</u>
At October 1, 2020	4	31	35
Additions	-	-	-
Disposals	-	(3)	(3)
At December 31, 2021	<u>4</u>	<u>28</u>	<u>32</u>
Accumulated depreciation and impairment			
At October 1, 2019	62	36	98
Charge for the year	1	7	8
Disposals	(61)	(21)	(82)
At September 30, 2020	<u>2</u>	<u>22</u>	<u>24</u>
At October 1, 2020	2	22	24
Charge for the year	1	7	8
Disposals	-	(3)	(3)
At December 31, 2021	<u>3</u>	<u>26</u>	<u>29</u>
Net book value			
At October 1, 2019	3	15	18
At September 30, 2020 and October 1, 2020	<u>2</u>	<u>9</u>	<u>11</u>
At December 31, 2021	<u>1</u>	<u>2</u>	<u>3</u>

As at December 31, 2021 contractual commitments for the purchase of property, plant and equipment amounted to £nil (2020: £nil).

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NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

15. Trade and other payables

	<u>December 31 / September 30,</u>	
	2021	2020
Trade payables	312	586
Amounts due to group companies	2,291	2,417
	<u>2,603</u>	<u>3,003</u>

16. Other current financial liabilities

	<u>December 31 / September 30,</u>	
	2021	2020
Derivative financial instruments	6	-
Other financial liabilities	269	310
	<u>275</u>	<u>310</u>

Other financial liabilities consist primarily of credit balances on customers' receivables accounts.

17. Other current liabilities

	<u>December 31 / September 30,</u>	
	2021	2020
Payroll and social security taxes	34	71
Other employee related costs	226	419
Other tax liabilities	713	845
Other accrued liabilities	223	194
	<u>1,196</u>	<u>1,529</u>

18. Pension plans and similar commitments

Defined contribution plan

The Company participates in a defined contribution pension plan. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £130k (2020: £153k), of which £6k is yet to be paid over at year end (2020: £9k).

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NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

19. Provisions

Provisions changed during 2021 as follows:

	Faulty and damaged products	Other	Total
Balance at beginning of year	55	289	344
Additions	18	-	18
Usage	-	(216)	(216)
Balance at end of year	73	73	146
<hr/>			
Of which:		2021	2020
Current provisions		110	316
Non-current provisions		36	28
		146	344
<hr/>			

Faulty and damaged products

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

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NOTES TO THE FINANCIAL STATEMENTS continued

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20. Share capital

	<u>December 31 / September 30,</u>	
	2021	2020
Authorised share capital		
1,000 Ordinary shares of £1 each	1	1
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
	<u>December 31, 2021</u>	<u>September 30, 2020</u>
	Number £'000	Number £'000
Ordinary shares of £1 each	1,000 1	1,000 1
	<u> </u> <u> </u>	<u> </u> <u> </u>

Each share is entitled to one vote and is entitled to dividend payments or any other distribution.

21. Commitments and contingencies

Commitments

As of December 31, 2021 future payment obligations under non-cancellable operating leases, are as follows:

	<u>December 31 / September 30,</u>	
	2021	2020
Due within one year	24	77
Due between one and two years	7	21
Due between two and three years	7	-

Total operating rental expense for the period ended December 31, 2021 and year ended September 30, 2020 was £153k and £122k, respectively.

LEDVANCE LTD

NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

22. Financial instruments

This section gives a comprehensive overview of the significance of financial instruments for the Company and provides additional information on statement of financial position items that contain financial instruments.

The following table presents the carrying amounts of each category of financial assets and liabilities:

	<u>December 31 / September 30,</u>	
	2021	2020
Financial assets		
Loans and receivables	7,603	6,578
Cash and cash equivalents	1,347	2,299
Derivative financial instruments	-	58
	<u>8,950</u>	<u>8,935</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(2,872)	(3,313)
Derivatives not designated in a hedge accounting relationship	(6)	-
	<u>(2,878)</u>	<u>(3,313)</u>

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortised cost:

	<u>December 31 / September 30,</u>	
	2021	2020
Financial assets measured at cost or amortised cost		
Trade and other receivables	7,603	6,578
Other current financial assets	-	1
	<u>7,603</u>	<u>6,579</u>
Financial liabilities measured at cost or amortised cost		
Trade payables	(312)	(586)
Amounts due to group companies	(2,291)	(2,417)
Other current financial liabilities	(269)	(310)
	<u>(2,872)</u>	<u>(3,313)</u>

The fair values of cash and cash equivalents, trade and other receivables, trade payables, other current financial assets and liabilities and amounts due to group companies approximate their carrying amount largely due to the short-term maturities of these instruments.

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NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

22. Additional disclosures on financial instruments continued.

Financial assets and liabilities measured at fair value are presented in the following table:

	<u>December 31 / September 30,</u>	
	2021	2020
Financial assets measured at fair value		
Derivative financial instruments in connection with foreign exchange cash flow hedges	-	58
Financial liabilities measured at fair value		
Derivative financial instruments in connection with foreign exchange cash flow hedges	(6)	-

The Company limits default risks in derivative instruments by a careful counterparty selection. Derivative instruments are principally transacted with financial institutions with investment grade credit ratings. The fair valuation of derivative instruments at Ledvance Ltd incorporates all factors that market participants would consider, including an adequate consideration of the counterparties' credit risks. This assures that the counterparties' credit risks themselves as well as any changes in the counterparties' credit worthiness are included in the fair valuation of the Company's derivative instruments and thus reflected in the Financial Statements. The fair value of forward foreign exchange contracts is based on forward exchange rates.

In determining the fair values of the derivative financial instruments, no compensating effects from underlying transactions (e.g. firm commitments and forecast transactions) are taken into consideration.

Fair value hierarchy

The Company analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: assets and liabilities quoted in active markets where a fair value is readily available.
- Level 2: derivatives where the fair value is determined based on techniques for which all significant inputs are observable, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data, for example financial guarantee contracts.

All of the Company's derivative financial instruments as at December 31, 2021 and September 30, 2020 are categorized as level 2.

Net gains/(losses) of financial instruments are as follows:

	<u>December 31 / September 30,</u>	
	2021	2020
Loans and receivables	281	(178)
Derivatives without a hedging relationship	(64)	199
Financial assets/(liabilities) measured at amortised cost	(409)	(209)

Net gains and losses on trade receivables contain changes in impairment allowances, gains or losses on derecognition as well as recoveries of amounts previously written off as disclosed in note 5.

Net gains and losses on derivatives without hedging relationship contain fair value adjustments on foreign currency forward contracts.

Net gains and losses on financial assets and liabilities measured at amortised cost include gains and losses on financial receivables and payables from group companies, and gains and losses on other monetary statement of financial position items, denominated in foreign currency.

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NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

22. Additional disclosures on financial instruments continued.

Derivative financial instruments and hedging activities

The following is a summary of the Company's risk management strategies and the effect of these strategies on the financial statements.

Foreign currency exchange risk management

As part of the Company's risk management program, derivative financial instruments are used to reduce risks resulting primarily from fluctuations in foreign currency exchange rates. The fair values of these derivative financial instruments are as follows:

	2021		2020	
	Asset	Liability	Asset	Liability
Foreign currency contracts in connection with cash flow hedges	-	(6)	58	-

The Company's significant purchases from its overseas parent undertaking (see note 23) expose it to significant foreign currency exchange risks in the ordinary course of business. The Company employs a strategy, discussed below, involving the use of derivative financial instruments to mitigate or eliminate this exposure.

Derivative financial instruments not designated as hedges

The Company manages its fluctuations in foreign currency denominated receivables, payables, debt, firm commitments and anticipated transactions primarily through a company wide portfolio approach. This approach concentrates the associated company wide risks centrally, and various derivative financial instruments, primarily foreign exchange contracts, are utilised to minimise such risks. All such derivative financial instruments are recorded at fair values in the statement of financial position, either as *Other current financial assets* or *Other current financial liabilities*, and changes in fair values are charged to *Cost of goods sold and services rendered* in the statement of income.

Hedging activities

The Company entered into foreign exchange contracts to reduce the risk of variability of future cash flows resulting from highly probable forecasted purchases which are denominated primarily in Euros.

Cash flow hedges - The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges are recognised in net income in line item *Cost of goods sold and services rendered*. At the balance sheet date no such instruments existed.

Financial risk management

Interest rate risk

The Company's interest rate risk exposure is mainly related to interest-bearing deposits held with local banks and amounts invested with Ledvance GmbH as part of the cash pooling facility across the worldwide Ledvance Group. The approximate impact on the statement of income of a 1% fluctuation in interest rates would be £15k in 2022.

Credit risk

The Company is exposed to credit risk in connection with its external sales. Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time. Credit evaluations and ratings are performed on all customers with an exposure.

Concerning trade receivables and other receivables valuation allowances have been created where management consider that defaults in payment obligations might occur (see note 10). Concerning other receivables included in *Other financial assets*, there were no indications as of December 31, 2021 that defaults in payment obligations will occur.

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NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

22. Additional disclosures on financial instruments continued.

Market risk

Market fluctuations may result in significant cash-flow and profit volatility risk for the Company. Its operating business as well as its financing activities are affected by changes in foreign exchange rates and interest rates.

The Company seeks to manage and control these risks primarily through its regular operating and financing activities, and uses derivative instruments when deemed appropriate. To optimize the allocation of the financial resources across the group, as well as to secure an optimal return for its shareholders, the parent company Ledvance GmbH identifies, analyses and proactively manages the associated financial market risks. The Company's financing activities, including derivative financial instruments, are provided by Group companies.

Management of financial market risk is a key priority for the Company's key management and directors. As a member of this group, the Finance Director covers the specific responsibility for this part of the overall risk management system. At the highest level, the directors retain ultimate accountability. For practical business purposes, the directors delegate responsibilities to the key management.

Equity price risk

The Company does not hold investments in publicly traded companies. No equity price risk is therefore foreseen for the Company.

Foreign currency exchange rate risk

Transaction risk and currency management

Transaction risk and currency management risk from the Company's significant transactions in foreign currencies expose the Company to foreign currency exchange risks in the ordinary course of business. The Company employs strategies discussed above involving the use of derivative financial instruments to mitigate or eliminate certain of those exposures.

Foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. If the Company is conducting business with international counterparties that leads to future cash flows denominated in a currency other than its functional currency it is exposed to the risk from changes in foreign exchange rates. This is particularly the case for Ledvance Ltd in purchases denominated in Euros that it makes from its immediate parent company, although the foreign currency exposure is partly balanced by selling some goods also in Euros.

The Company does not borrow or invest in foreign currencies on a speculative basis.

Ledvance Group has established a foreign exchange risk management system. The Company is responsible for recording, assessing, monitoring, reporting and hedging its own foreign currency transaction exposure.

The Company defines foreign currency exposure generally as statement of financial position items in addition to firm commitments which are denominated in foreign currencies, as well as foreign currency denominated cash inflows and cash outflows from anticipated transactions for the following four months.

LEDVANCE LTD

NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

22. Additional disclosures on financial instruments continued.

The table below shows the net foreign exchange transaction exposure, which relate to the Euro, as of December 31, 2021 and September 30, 2020:

	<u>December 31,</u> 2021	<u>September 30,</u> 2020
Exposure from financial assets	4,136	4,480
Exposure from financial liabilities	-	-
Gross statement of financial position exposure	4,136	4,480
Gross exposure from firm commitments and anticipated transactions	5,975	7,604
Total foreign exchange transaction exposure	10,111	12,084
Of which: economically hedged exposure	316	3,953
Change in future cash flows after hedging activities resulting from 10% appreciation of GBP	(979)	(813)

It is the Company's policy to use 10% to analyse the sensitivity of currency fluctuations.

Liquidity risk

Liquidity risk results from the Company's potential inability to meet its financial liabilities, e.g. settlement of its financial debt and paying its suppliers. Beyond effective net working capital and cash management, the Company mitigates liquidity risk by arranged borrowing facilities with other Ledvance Group companies.

The following table reflects all contractually fixed undiscounted pay-offs for settlement, repayments and interest resulting from recognised financial liabilities.

	Carrying Amount	Of which: Expected to be settled in 2022
Non derivative financial liabilities		
Trade payables	312	312
Amounts due to group companies	2,291	2,291
Other current financial liabilities	269	269
Derivative financial liabilities	-	-

Cash outflows for financial liabilities without fixed amount or timing, including interest, are based on the conditions existing at December 31, 2021.

Trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant, equipment and investments in working capital – e.g. trade receivables. These assets are considered in the Company's overall liquidity risk.

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Ledvance Group has established a comprehensive risk reporting covering its worldwide business units.

The balanced view of liquidity and financial indebtedness is stated in the calculation of the net liquidity amount and is used for internal management. It results from the total amount of cash and cash equivalents, amounts receivable from and due to group companies within the group cash pooling. The amounts receivable and due to Group companies reported below are held predominantly with Ledvance GmbH in the group cash pooling. For further information, refer to the *Statement of cash flow*.

LEDVANCE LTD

NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

22. Additional disclosures on financial instruments continued.

The following table reflects the calculation of the Company's net liquidity with Ledvance GmbH:

	December 31 / September 30,	
	2021	2020
Receivables from group companies	3,824	3,831
Total liquidity	3,824	3,831
Amounts due to group companies	(2,291)	(2,417)
Total debt	(2,291)	(2,417)
Net liquidity	1,533	1,414

Capital Management

The Company defines its capital structure as net debt and equity. The primary objective of the Company's capital management is to ensure that it makes optimal use of the working capital generated from its trading profits. The Company's management focus is on generating positive cash flow from operations and maintaining a positive relationship of the Company's current assets and current liabilities.

The current ratio for 2021 was 2.2 (2020:1.8). The Company also has access to Ledvance GmbH cash pooling arrangement when necessary.

23. Related party transactions

The following transactions were carried out with related parties. 'Other group companies' refers to all companies for whom the ultimate parent undertaking is Ledvance GmbH, but excludes the Company's immediate parent undertaking Ledvance GmbH. Transactions with the Company's immediate parent undertaking are disclosed separately below.

a) During the year, the Company entered into the following transactions with related parties:

	Sales of goods and commission		Other services sold		Purchases of goods		Other services purchased		Interest Income		Interest Paid	
	Period ended 2021	Year ended 2020	P'rd ended 2021	Year ended 2020	P'rd ended 2021	Year ended 2020	P'rd ended 2021	Year ended 2020	P'rd ended 2021	Year ended 2020	P'rd ended 2021	Year ended 2020
Ledvance GmbH	-	-	185	312	16,430	14,005	5	-	-	-	32	87
Other group companies	-	-	-	-	-	1	523	331	-	-	-	-
Other companies *	-	-	-	-	-	-	1,299	1,302	-	-	-	-
	-	-	185	312	16,430	14,006	1,827	1,633	-	-	32	87

* Companies over which the Company has a significant influence

LEDVANCE LTD

NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

23. Related party transactions continued.

The main elements of these related party transactions are described below.

Transactions with Ledvance GmbH

Purchases of goods are mainly of goods for resale. Other services purchased are charges for the use of Ledvance GmbH resources, such as IT infrastructure, or for the passing on of costs such as a share of global customer bonuses.

Other services sold consist primarily of the recharge of consultancy fees incurred on behalf of Ledvance GmbH.

Transactions with other group companies

Sales consists mainly of the recharge of IT services provided.

Goods purchased from other group companies are mainly goods for resale. Most of the other services purchased are for the use of group shared service centres. Interest income derives from the balances on the group global cash pooling arrangement.

Transactions with other companies over which the Company has a significant influence

Purchased services consist of the fee paid to fund the Company's recycling obligations.

b) Year end balances arising from sales/purchases

	Amounts owed by related parties		Amounts owed to related parties	
	2021	2020	2021	2020
Ledvance GmbH	-	-	-	-
Other companies over which the Company has a significant influence	-	-	161	118
	<hr/>	<hr/>	<hr/>	<hr/>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

c) Year end balances arising from loans to/from related parties

	Amounts owed by related parties		Amounts owed to related parties	
	2021	2020	2021	2020
Ledvance GmbH	-	-	(2,291)	(2,417)
	<hr/>	<hr/>	<hr/>	<hr/>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

LEDVANCE LTD

NOTES TO THE FINANCIAL STATEMENTS continued

For the period ended December 31, 2021 and the year September 30, 2020 (in thousands of £)

24. Remuneration of key management personnel

The remuneration of the directors and the senior managers of the Company's business units, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	<u>December 31 / September 30,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	607	256
Post-employment benefits	10	22
Termination benefits	-	-
	<hr/>	<hr/>

25. Directors transactions

No such transactions with the directors (or other key management personnel) occurred in 2021 or 2020 which require disclosure under the requirements of s413 of the Companies Act 2006 and IAS 24.

26. Ultimate parent undertaking

The ultimate parent undertaking at the balance sheet date is MLS Co Ltd, incorporated in China. The immediate parent undertaking is Ledvance GmbH, a company incorporated in Germany.

Copies of the group accounts can be obtained from:

MLS Co Ltd
No.1 Mulinsen Road
Xiaolan Town
Zhongshan City
Guangdong Province
528415
China

Ledvance GmbH
Parkring 29-33
85748 Garching
Germany