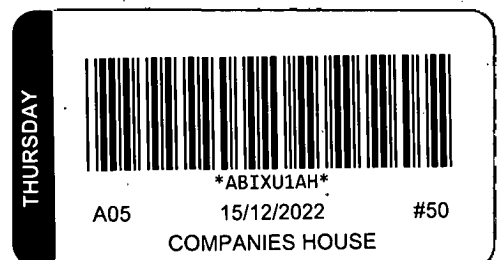


# **Feilo Sylvania UK Limited**

## **Annual Report and Financial Statements**

31 December 2021

Registration No: 487252



## **Company Information**

Registered No. 487252

### **Directors**

Matthew Carpenter

Simon Reed

Weizhong Dai

### **Auditors**

Ernst & Young LLP

Grosvenor House

Grosvenor Square Southampton

Hampshire

SO15 2BE

### **Bankers**

HSBC Bank Plc

HSBC House

Mitchell Way

Southampton

Hampshire

SO18 2XU

### **Solicitors (Main)**

DLA Piper

3 Noble Street

London

EC2V 7EE

### **Registered Office**

Avis Way

Unit 33 & 34

Newhaven

East Sussex

BN9 0ED

## Strategic Report

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

### Principal activities and review of business

Feilo Sylvania UK Limited's (the "Company") principal activity is the sale of lighting products. In 2019 the Feilo Sylvania Group completed a business model reorganisation in Western Europe where the Group moved away from a commissionaire model to a regional sales-led distribution structure. The commissionaire structure was in place up until 30 September 2019. From 1st October 2019, the Company adopted a Limited Risk Distributor (LRD) structure and operated within this model for the full years ended 31 December 2021 and 31 December 2020.

The Company keeps pace with the market place trends for low energy, longer life and increasingly innovative products. The Company employs a number of initiatives to reduce impact on the environment. These include the reduction of CO2 emissions by sourcing more energy efficient products, better waste management and continuing to supply products with better efficiency, sustainability and longer product life cycle.

### Key performance indicators

The key financial and other performance indicators during the year were as follows:

	2021	2020	Change
	£000	£000	%
Turnover (3rd Party)	23,618	19,314	22%
Operating Profit before exceptional items	1,631	1,934	-16%
Net Assets	10,040	4,815	109%
Average Number of Employees	79	83	(4%)
Turnover (3rd Party) per sales head	578	445	30%

The above KPI's are considered to be satisfactory for the current period.

### Principal risks and uncertainties

The Company's operations expose it to a variety of financial risks that include the effects of changes in competition risk, liquidity risk and interest rate risk. However, due to the emergence of the COVID-19 global pandemic during 2020 and Brexit, additional risks and uncertainties have affected the business operations. Further restrictions on the UK market in the first quarter of 2021 have continued to affect the UK business and the effects of the pandemic have also resulted in global product shortages. Events in 2022, such as the invasion of Ukraine, have further disrupted the global supply chains and led to increases in product costs.

A number of employees were working from home with many others furloughed and the company took advantage of the Government Grant scheme rolled out in 2020 and continued into 2021. The company has also taken action to safeguard the employees' health and safety in line with the latest government guidelines for the employees currently working on site.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

#### Competition

The global lighting market continues to be dynamic, with Asia currently providing a competitive edge in price positioning of the fast moving goods arena. The Feilo Sylvania Group has created a separate pillar of product development based in both Guangzhou and Budapest to capitalise upon this sector, and provide speed to market, with cost certainty and brand value.

The company continues its strategic decision to work in collaboration with class leading third parties in the technology sector, to ensure it has access to latest component and Smart Enabled innovations. These advanced next generation technologies are incorporated within in-house production facilities, to support its drive to become a leading lighting project solutions provider.

#### Liquidity risk

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

#### Interest rate risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include bank and cash balances, which earn interest at a fixed rate. The Company has a policy of maintaining debt at fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature.

By order of the board



Matthew Carpenter  
Director

Date: 13-12-2022

## Directors' report

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

### Directors

The directors who served the company during the year were as follows:

Matthew Carpenter

Simon Reed

Weizhong Dai

Jixiu Han (resigned 28th January 2021)

### Results and dividends

The profit for the year after taxation amount to £1,431,000 (2020 – profit after taxation of £1,552,000).

The directors do not recommend the payment of a dividend (2020 - £nil).

### Subsequent Events

The COVID-19 global pandemic which began during early 2020 has led to cultural changes with the Company. Business continuity plans implemented by management as a result of COVID-19, which included flexible working from home, are still in place, however most employees have now returned to onsite working or hybrid working from home for up to two days per week.

The Company and wider group have seen increased demand in many markets since 2021. This has been evidenced as the Company entered 2022 with a significantly larger order-book than prior year. However there have been delays in the supply chain caused by the pandemic and the conflict in Ukraine resulting in the Company being unable to fulfil the customer request dates in some cases. HGV driver shortages and rising fuel prices, in part to do with the occupation of Ukraine, have resulted in a slight increase in freight and logistics administration costs for the movement of goods. Additionally, rising energy prices and inflationary pressure on the prices of goods, following the conflict in Ukraine, and the weakening of sterling and the euro against the US dollar have resulted in an increase in cost of sales and freight costs within the group placing greater pressure on profit margins. This is being addressed by the targeted increase of customer sales prices. The mitigating actions implemented by the directors to reduce costs where possible and minimise the impact on the financial position of the Company and wider group remained in place into 2022. The directors have the expectation that the Company will remain viable and able to operate. The level of uncertainty which existed about the impact of COVID-19 on the UK and wider global economy in early 2021 has significantly diminished as the market recovers, however supply chain issues and inflation of prices globally have meant some unpredictability.

On the 28 June 2022 the Company's ultimate parent undertaking changed from Shanghai Feilo Acoustics Co. Ltd to Shanghai Shumian Consulting Management Co. Ltd. This transaction does not change the operations of the Company and wider group and therefore no adjustment has been made to the financial statements.

The financial statements have been prepared based on conditions existing at 31 December 2021 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the balance sheet date and accordingly, assessed them to be none adjusting events. No adjustments have been made to the financial statements as at 31 December 2021 for the impacts of the conflict in Ukraine and the increases in the cost of goods that followed.

### Going concern

The Company is part of the Feilo Sylvania Group and is consolidated into the group financial statements of Feilo Malta Limited and as at 31 December 2021 into Shanghai Feilo Acoustics Co. Ltd. The Company makes intercompany payments based on invoices from other Feilo group companies.

Directors have prepared forecasts for both expected and worst case scenarios which both show that the company expects to remain profitable. The company has access to its own sources of funding generated through sales to a wide range of customers throughout the UK. Increasingly it is providing turnkey solutions on larger projects and selling lighting installation services along with the provision of lighting products.

## Directors' report (continued)

### Going concern (continued)

An assessment has been carried out by the directors of the going concern position of the Company, including the impacts of the pandemic, the conflict in Ukraine and global cost inflation on the forecasted sales and cashflow for the period until December 2023. All forecasts have reflected the reduced demand of product when estimating the sales as well as any expected restructuring.

The directors of the Company, having made appropriate enquiries, have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. The directors assessed the ability of the parent to provide to provide support to the company and have concluded that the intercompany funding will continue to be available if needed.

### Employees

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

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

### Future developments

Greater environmental awareness is leading to increased demand for energy efficient products. The Company aims to meet this demand by marketing and selling the increasingly innovative range of products developed by the Feilo Sylvania Group through a process of continuous product development.

### Disclosure of information to the auditors

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

By order of the board



Matthew Carpenter  
Director

Date: 13-12-2022

## Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in preparation of the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report**

to the members of Feilo Sylvania UK Limited

### **Opinion**

We have audited the financial statements of Feilo Sylvania UK Limited for the year ended 31 December 2021, which comprise of Income Statement, Statement of Comprehensive Income, Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period until 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### **Other information**

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

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

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

We have nothing to report in this regard.



## **Independent auditors' report**

to the members of Feilo Sylvania UK Limited (continued)

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; 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 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

## Independent auditors' report

to the members of Feilo Sylvania UK Limited (continued)

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those relating to the reporting framework (International Accounting Standards and Companies Act 2006), the relevant direct and indirect tax compliance regulations, as well as relevant employment laws in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations including: Coronavirus Job Retention Scheme ("furlough" scheme) rules, data protection, anti-bribery and corruption and employee's health and safety.
- We understood how Feilo Sylvania UK Limited is complying with those frameworks by making enquiries with management to understand how the Company maintains and communicates its policies and procedures to ensure compliance. We corroborated this through our review of the Company's board minutes, through enquiry of employees to verify company policies, and through the inspection of employee handbooks. We also reviewed correspondence with the relevant tax authorities regarding tax compliance.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations with a focus on the furlough scheme. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified improper recognition of revenue and management override of controls to be the fraud risks.
- To address the fraud risk around the improper recognition of revenue, we tested specific transactions back to source documentation, ensuring appropriate authorisation of the transactions. We also tested when revenues are recorded, ensuring that they are recorded at the correct period and we further tested it to cash receipts as an external source of evidence.
- To address the fraud risk of management override, we tested journals entries identified by applying specific risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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

### Use of our report

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

Ernst & Young LLP

Nikki Forster (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
Southampton

Date: 13 December 2022

# Income Statement

For the year ended 31 December 2021

	Notes	2021 £000	2020 £000
<b>Turnover</b>	<b>2</b>	23,618	19,314
Cost of sales		(16,768)	(13,027)
<b>Gross Profit</b>		<u>6,850</u>	<u>6,287</u>
<b>Operating expenses</b>			
Operating expenses excluding exceptional items	<b>3</b>	(5,584)	(4,987)
Other operating income	<b>4</b>	365	635
Exceptional items	<b>4</b>	42	(438)
<b>Operating Profit</b>		<u>1,673</u>	<u>1,497</u>
Interest receivable	<b>7</b>	84	129
Net interest income/ (cost) from pension commitments	<b>16</b>	(15)	77
Interest on Right of Use assets	<b>10</b>	(53)	(61)
<b>Profit on ordinary activities before taxation</b>		<u>1,689</u>	<u>1,642</u>
Tax charge	<b>8</b>	(258)	(90)
<b>Profit for the year</b>		<u><u>1,431</u></u>	<u><u>1,552</u></u>

All amounts relate to continuing activities

# Statement of Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 £000	2020 £000
<b>Profit for the financial year</b>		<u>1,431</u>	<u>1,552</u>
<b>Other comprehensive income:</b>			
Actuarial income/ (losses) on defined benefit pension plans	<b>16</b>	4,688	(4,713)
Deferred tax recognised	<b>8</b>	(890)	810
Other comprehensive income/ (loss) for the year, net of tax	<b>15</b>	3,798	(3,903)
<b>Total comprehensive income/ (loss) for the year</b>		<u><u>5,229</u></u>	<u><u>(2,351)</u></u>

The notes on pages 13 to 30 form an integral part of these financial statements.

## Statement of Changes in Equity

As at 31 December 2021

	<i>Share Capital £000</i>	<i>Share Premium £000</i>	<i>Capital Contribution £000</i>	<i>Accumulated Losses £000</i>	<i>Total Equity £000</i>
<b>As at 1 January 2020</b>	<b>12,878</b>	<b>3,360</b>	<b>4,700</b>	<b>(13,775)</b>	<b>7,163</b>
Profit for the financial year	-	-	-	1,552	1,552
Other comprehensive loss	-	-	-	(3,903)	(3,903)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,351)</b>	<b>(2,351)</b>
<b>At 31 December 2020</b>	<b>12,878</b>	<b>3,360</b>	<b>4,700</b>	<b>(16,126)</b>	<b>4,812</b>
Profit for the financial year	-	-	-	1,431	1,431
Other comprehensive income	-	-	-	3,798	3,798
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,229</b>	<b>5,229</b>
<b>At 31 December 2021</b>	<b>12,878</b>	<b>3,360</b>	<b>4,700</b>	<b>(10,897)</b>	<b>10,041</b>

The notes on pages 13 to 30 form an integral part of these financial statements.

Feilo Sylvania UK Limited

# Balance Sheet

As at 31 December 2021

	Notes	2021 £000	2020 £000
<b>Fixed assets</b>			
Tangible assets	9	24	28
Right-of-use assets	10	2,421	2,895
Investments	11		
		<u>2,445</u>	<u>2,923</u>
<b>Current assets</b>			
Trade and other receivables	12	10,278	10,287
Deferred tax asset	8	331	496
Cash at bank and in hand		<u>1,614</u>	<u>1,051</u>
		<u>12,223</u>	<u>11,834</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	13	(5,918)	(6,511)
Lease liabilities	10	<u>(465)</u>	<u>(523)</u>
		<u>(6,383)</u>	<u>(7,034)</u>
<b>Net current assets</b>		<u>5,840</u>	<u>4,800</u>
<b>Creditors: amounts falling due after one year</b>			
Lease liabilities	10	<u>(2,020)</u>	<u>(2,419)</u>
Net asset, excluding pension and related deferred tax		<u>6,265</u>	<u>5,304</u>
Defined benefit pension plan asset/ (liability)	16	4,778	(492)
Provisions - deferred tax liability	8	<u>(1,002)</u>	
<b>Net assets</b>		<u><u>10,041</u></u>	<u><u>4,812</u></u>
<b>Capital and reserves:</b>			
Called up share capital	14	12,878	12,878
Share premium account	15	3,360	3,360
Capital contribution	15	4,700	4,700
Accumulated losses	15	<u>(10,897)</u>	<u>(16,126)</u>
<b>Total equity</b>		<u><u>10,041</u></u>	<u><u>4,812</u></u>

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



Matthew Carpenter  
Director

Date: 13-12-2022

The notes on pages 13 to 30 form an integral part of these financial statements.

## Notes to the financial statements

at 31 December 2021

### 1. Accounting policies

#### 1.1 Basis of preparation

The financial statements of Feilo Sylvania UK Limited were approved for issue by the Board of Directors on the date as shown on the Balance Sheet. Feilo Sylvania UK Limited is incorporated and domiciled in England and Wales. The financial statements are prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and in line with the applicable accounting standards in the United Kingdom.

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

The Company has taken advantage of the adoption under S400 of the Companies Act 2006 whereby it is exempt from the requirement to prepare group accounts as it is a wholly owned subsidiary of Feilo Malta Limited and Shanghai Feilo Acoustics Co. Ltd. (See Note 18). On 28 June 2022, the Company's ultimate parent undertaking changed from Shanghai Feilo Acoustics Co., Ltd. to Shanghai Shumian Consulting Management Co Ltd. (See Note 19).

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

- (a) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (c) the requirements of paragraphs 91-99 of the IFRS 13 Fair Value Measurement
- (d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets
- (j) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a)(iv) of IAS 1; (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; (iii) paragraph 118(e) of IAS 38 Intangible Assets; (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and (v) paragraph 50 of IAS 41 Agriculture.

#### 1.2 Changes in Accounting Policies – New Standards

##### A. New and amended standards adopted

There are no standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2021 that would be expected to have a material impact on the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Conceptual Framework for Financial Reporting issued on 29 March 2018
- Amendments to IAS 1 and IAS 8 Definition of Material
- Amendments to IFRS 16 Covid-19 Related Rent Concessions

These amendments have no impact on the Financial Statements of the Company for the year ended 31 December 2021.

##### B. Standards Issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group.

	Effective for accounting periods beginning on or after
• Amendments to IAS 1: Classification of Liabilities as Current or Non-current	01 January 2023
• IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	01 January 2022

## Notes to the financial statements

at 31 December 2021

### 1. Accounting policies (continued)

#### 1.2 Changes in Accounting Policies – New Standards (continued)

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

#### 1.3 Going concern

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

Directors have prepared forecasts for both expected and worst case scenarios which both show that the company expects to remain profitable. The company has access to its own sources of funding generated through sales to a wide range of customers throughout the UK. Increasingly it is providing turnkey solutions on larger projects and selling lighting installation services along with the provision of lighting products.

An assessment has been carried out by the directors of the going concern position of the Company, including the impacts of the pandemic, the conflict in Ukraine and global cost inflation on the forecasted sales and cashflow for the period until December 2023. All forecasts have reflected the reduced demand of product when estimating the sales as well as any expected restructuring.

The directors of the Company, having made appropriate enquiries, have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. The directors assessed the ability of the parent to provide to provide support to the company and have concluded that the intercompany funding will continue to be available if needed.

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

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

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

##### **Taxation**

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

##### **Pensions**

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

The Plan is a "multi-employer" scheme providing pension benefits for three participating subsidiaries in the UK including the Company. As the Company is the principal employer and sponsoring company, the Company has accounted for the pension in line with FRS101. The information regarding the Plan's financial position is therefore in respect of the Plan as a whole and does not indicate the liability, or share thereof, of the Company alone. Contributions received from other subsidiaries in respect of contributions have been recognised as other income.

The Company has previously also operated a defined contribution pension scheme. This has been replaced with a Group Personal Pension Plan. Contributions are charged in the profit and loss account on an accruals basis in accordance with the rules of the scheme.

## Notes to the financial statements

at 31 December 2021

### 1.5 Significant Accounting Policies

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

#### *Revenue from contracts with customers*

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

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

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

#### *Tangible fixed assets*

All tangible fixed assets are shown at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its estimated useful life, as follows:

- ▶ Plant and machinery and furniture and fittings - 6% to 33% pa (straight line)
- ▶ Commercial vehicles - 20% pa (straight line)

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

#### *Deferred taxation*

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

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

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

#### *Foreign currencies*

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

#### *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.



## Notes to the financial statements

at 31 December 2021

### 1. Accounting policies (continued)

#### ***Financial instruments (continued)***

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

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

#### ***Recognition and de-recognition***

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

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

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

## Notes to the financial statements

at 31 December 2021

### 1. Accounting policies (continued)

#### **Leases**

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

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

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

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

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

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

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

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

#### **Government grants**

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

## Notes to the financial statements

at 31 December 2021

### 2. Turnover

All turnover originates from the United Kingdom and is predominantly delivered within the United Kingdom. The remaining turnover is delivered to The Republic of Ireland and the Channel Islands.

	2021	2020
	£000	£000
Turnover (third party sales)	23,618	19,314
	<b>23,618</b>	<b>19,314</b>

### 3. Operating expenses

	2021	2020
	£000	£000
Sales and marketing	4,696	4,049
Administration costs	888	938
	<b>5,584</b>	<b>4,987</b>

### 4. Operating loss / profit

This is stated after charging:

	2021	2020
	£000	£000
Auditors' remuneration – audit of financial statements	89	63
Depreciation of owned fixed assets	13	26
Depreciation of right-of-use assets	458	441
Exceptional items	(42)	438
Government Grant	(365)	(635)

Exceptional costs in the financial year 2020 above includes £200,000 GMP equalisation costs relating to the company's pension scheme (see note 16), and a restructuring provision. In 2021, the exceptional items relate to the partial release of the restructuring provision made in 2020.

The government grant which is presented in other operating income is income under Coronavirus Job Retention Scheme ('Furlough' scheme) implemented by the government to support UK businesses during the pandemic. The company has continued to use this government support in 2021.

## Notes to the financial statements

at 31 December 2021

### 5. Staff costs

(a) Staff Costs	2021	2020
	£000	£000
Wages and salaries	3,638	3,185
Social security costs	433	392
Other pension costs	271	303
	<u>4,342</u>	<u>3,880</u>

The pension costs include £99,000 (2020 – £148,000) in respect of payments made to the defined contribution scheme and group personal plan.

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

	2021	2020
Production and warehousing	15	19
Sales	58	58
Management and administration	6	6
	<u>79</u>	<u>83</u>

### 6. Directors' remuneration

	2021	2020
	£000	£000
Aggregate emoluments in respect of qualifying services:-		
Salary including benefits in kind	187	164
Pension contributions	11	11
	<u>198</u>	<u>175</u>

The number of directors to whom retirement benefits were accruing under the defined contribution scheme is 1 (2020 - 1).

## Notes to the financial statements

at 31 December 2021

### 7. Interest receivable

	2021	2020
	£000	£000
Group interest receivable	84	129
	<u>84</u>	<u>129</u>

### 8. Tax

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2021	2020
	£000	£000
Current tax - Prior year adjustment	(19)	(21)
Deferred tax charge	277	111
<b>Total tax charge</b>	<u>258</u>	<u>90</u>

#### (b) Factors affecting tax (credit) / charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2020 – 19%).

The differences are explained below:

	2021	2020
	£000	£000
Profit on ordinary activities before tax	<u>1,689</u>	<u>1,642</u>
(Loss) / Profit on ordinary activities multiplied by applicable rate of corporation tax in the UK of 19% (2020 - 19%)	321	312
<i>Effects of:</i>		
Reconciling items and other differences not recognised as deferred tax	(44)	(201)
Prior year adjustment	(19)	(21)
<b>Total tax charge for the year</b>	<u>258</u>	<u>90</u>

## Notes to the financial statements

at 31 December 2021

### 8. Tax (continued)

#### (c) Deferred tax

The deferred tax asset recognised is as follows:

	2021	2020
	£000	£000
Decelerated capital allowances	-	-
Losses carried forward	331	496
<b>Total</b>	<b>331</b>	<b>496</b>

Movements in the deferred tax asset were charged/(credited) as follows in the year:

	2021	2020
	£000	£000
At 1 January	(496)	(369)
Charge/(Credit) in the year to income statement	165	(127)
<b>At 31 December</b>	<b>(331)</b>	<b>(496)</b>

The Company has tax losses of £1,667,000 (2020 - £2,611,000) to carry forward. The Company has recognised part of these losses as a deferred tax asset above based on future profit forecasts.

The deferred tax liability recognised is as follows:

	2021	2020
	£000	£000
Defined benefit pension	1,002	-
<b>Total</b>	<b>1,002</b>	<b>-</b>

Movements in the deferred tax liability were charged/(credited) as follows in the year:

	2021	2020
	£000	£000
At 1 January	-	572
(Credit) / Charge in the year to income statement	112	238
(Credit) / Charge in the year to other comprehensive income	890	(810)
<b>At 31 December</b>	<b>1,002</b>	<b>-</b>

Future tax charges will be impacted by the availability of tax losses carried forward, decelerated capital allowances and defined benefit pension (net asset position), as detailed above.

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

## Notes to the financial statements

at 31 December 2021

### 9. Tangible fixed assets

	<i>Plant and Machinery £000</i>	<i>Furniture and Fittings £000</i>	<i>Vehicles £000</i>	<i>Total £000</i>
<b>Cost:</b>				
At 1 January 2021	114	341	21	476
Additions	-	12	-	12
At 31 December 2021	114	353	21	488
<b>Depreciation:</b>				
At 1 January 2021	111	317	20	448
Charge for the year	(10)	25	1	16
At 31 December 2021	101	342	21	464
<b>Net book amount:</b>				
At 31 December 2021	13	11	-	24
At 1 January 2021	3	24	1	28

Within the year end net book amount above there are the following gross carrying values of fully depreciated assets still in use:

£5,000 for Plant and Machinery (2020 - £5,000), £214,000 for Furniture and Fittings (2020 - £214,000) and nil for Vehicles (2020 - nil).

## Notes to the financial statements

at 31 December 2021

### 10. Right of use assets and lease liabilities

	<i>Leasehold Buildings</i>	<i>Machinery</i>	<i>Vehicles</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Cost:</b>				
At 31 December 2020	2,729	383	516	3,628
Adjustments	(36)	(3)	38	(1)
At 31 December 2021	2,693	380	554	3,627
<b>Depreciation:</b>				
At 1 January 2021	478	99	156	733
Charge for the year	272	76	125	473
At 31 December 2021	750	175	281	1,206
<b>Net book amount:</b>				
At 31 December 2021	1,943	205	273	2,421

	<i>Leasehold Buildings</i>	<i>Machinery</i>	<i>Vehicles</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Lease liabilities:</b>				
Current	267	75	123	465
Non-current	1,765	137	118	2,020
Lease liabilities at 31 December 2020	2,032	212	241	2,485

The ROU assets are amortised on a straight line basis over the relevant lease period, and the values recorded are calculated based on the committed lease payment amounts at the commencement of the lease, discounted at a weighted incremental borrowing rate of 1.94%.

The interest charge relating to the lease liabilities in the year was £53,000 (2020: £61,000).



## Notes to the financial statements

at 31 December 2021

### 11. Investments

	Shares in group undertakings (£)
<i>Cost:</i>	
At 1 January 2021 and 31 December 2021	8
<i>Provision:</i>	
At 1 January 2021 and 31 December 2021	(8)
<b>Net book value at 1 January 2021 and 31 December 2021</b>	<b>-</b>

Name of Undertaking	Proportion of voting rights and ordinary share	Country of incorporation	Nature of business
Tasfiye Halinde Havells Sylvania TR Elektrik Ürünleri Ticaret Limited Şirketi	0.05%	Turkey	Active

### 12. Trade and other receivables

	2021 £000	2020 £000
Trade debtors	4,781	4,483
Amounts owed by group undertakings	5,149	5,391
Other debtors	69	77
Prepayments and accrued income	279	336
	<b>10,278</b>	<b>10,287</b>

Amounts due from group undertakings include £4,855,000 which are interest bearing at market rates and have no fixed repayment date.

## Notes to the financial statements

at 31 December 2021

### 13. Trade and other payables

	2021	2020
	£000	£000
Trade creditors	281	245
Amounts owed to group undertakings	2,836	3,525
Other taxes and social security	244	323
Accruals and deferred income	2,557	2,418
	<u>5,918</u>	<u>6,511</u>

Included in accruals and deferred income are amounts of £27,000 (2020 – £26,000 ) due to the group personal pension plan.

### 14. Issued share capital

	No.	2021 £000	No.	2020 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	12,878,080	<u>12,878</u>	12,878,080	<u>12,878</u>

### 15. Movements on reserves

	Share premium account £000	Capital contribution £000	Profit and loss account £000
At 1 January 2021	3,360	4,700	(16,126)
Profit for the year	-	-	1,431
Other comprehensive income	-	-	3,798
At 31 December 2021	<u>3,360</u>	<u>4,700</u>	<u>(10,897)</u>

## Notes to the financial statements

at 31 December 2021

### 16. Pension commitments

The Company participates in the Sylvania Lighting Pension Plan, which is a defined benefit pension scheme. The assets of the Plan are held in a separate trustee administered fund. The scheme was closed to new members in 2001.

On 31 August 2010 the defined benefit pension scheme was closed to future accrual and members transferred to defined contribution schemes with effect from 1 September 2010.

The trustees of the Sylvania Lighting Pension Plan have received legal advice to the effect that CPI should be used as the increase percentage for all post 1 January 2011 increases to pensions in payment and deferment under the plan, which would have previously increased in line with RPI, due to the wording in the Trust Deed and Rules. As such, a CPI assumption for revaluation in deferment and pensions in payment has been used when valuing the liabilities. Therefore no salary link to past service has been made in the principal assumptions, made to estimate the deficit.

The Sylvania Lighting Pension Plan is a "multi-employer" scheme providing pension benefits for three participating subsidiaries of the Feilo Malta Limited group in the UK. The company is unable to readily identify its share of the underlying assets and liabilities in the Plan on a consistent and reasonable basis. The information regarding the Plan's financial position is therefore in respect of the Plan as a whole as the Company is the principal employer. However, the actuary's recommendations in respect of the deficit including share of additional annual contributions by the Company, as described below, to eliminate the deficit is a real cost to the Company.

The actuary has provided the following estimates of the Plan deficit. The estimate is based on the data and results of the latest full valuation as at 5 April 2019, applying the principal assumptions shown below:

	2021	2020
Discount rate	1.80%	1.30%
Rate of increase in non-GMP pensions in payment	2.80%	2.50%
Salary increases	N/A	N/A
Inflation	2.90%	2.50%

#### Life expectancy rates at the balance sheet date for scheme members aged 65:

	2021	2020
Male	21.4	21.4
Female	23.7	23.7

#### Life expectancy rates 20 years after the balance sheet date for scheme members aged 65:

	2021	2020
Male	22.3	22.4
Female	24.9	24.8

#### Basis of Assumptions

(a) The discount rate was based upon the yield curve derived from the AA rated bonds in the iBoxx sterling corporate bond index.

(b) The pension increases and the inflation rate were both based on the Consumer Price Index (CPI)

(c) The life expectancy figures are derived from the S3PA CMI - 2019 (1.0%) tables (2019: S2PA CMI -2018 (1.0%) tables)

## Notes to the financial statements

at 31 December 2021

### 16. Pension commitments (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumptions	Change in assumptions	Change in defined benefit obligation
Discount rate	Decrease of 0.25% per annum	Increase by 4.0%
Inflation rate	Increase of 0.25% per annum	Increase by 2.0%
Mortality rate	Increase in life expectancy of 1 year	Increase by 4.0%

Assets are recorded at market value at 31 December 2021 and liabilities are calculated using the projected unit method. The calculation does not therefore allow for any of the effects of the Plan's experience, except for its investment performance. The actuary estimates the Plan surplus at 31 December 2021 to be approximately £4,778,000 (2020 – deficit £492,000), which is the surplus for the multi-employer Plan as a whole, as discussed above, and does not arise in respect of the Company alone.

In accordance with the recovery plan following the 5 April 2013 actuarial valuation, the employers paid annual contributions of £1,200,000, in monthly instalments from 5 April 2014 to 5 April 2020. Following the 5 April 2019 actuarial valuation a revised recovery plan was implemented. From 6 April 2020 to 5 April 2023 annual contributions will be £600,000 in monthly instalments. Additional contributions were made until 5 April 2020 due to the following circumstances:

1. If the turnover of Feilo Sylvania Europe Limited grew by 5% in any calendar year, the employer increased the contributions by 3% per annum in the following year.
2. If for any reason the annual PPF levy was lower than £425,000, the balance of this amount was contributed towards the scheme.

In 2021, in accordance with the recovery plan, £600,000 (2020 - £750,000) was paid in monthly contributions, no additional lump sum was paid in 2021 (2020: £224,000).

## Notes to the financial statements

at 31 December 2021

### 16. Pension commitments (continued)

The following additional information is provided in respect of the group scheme:

#### Scheme assets and expected rate of return

	<i>Value at 31 December 2021 £000</i>	<i>Value at 31 December 2020 £000</i>
Equities	9,333	15,839
Gilts	31,414	29,843
Bonds	26,798	24,266
Cash	3,655	339
Other	2,751	-
Property	4,183	3,814
Diversified Growth	2,514	5,814
Total market value of assets	80,648	79,915
Present value of scheme liabilities	(75,870)	(80,407)
Surplus / (Deficit) in the scheme	<u>4,778</u>	<u>(492)</u>

#### Reconciliation of present value of scheme liabilities

	<i>2021 £000</i>	<i>2020 £000</i>
1 January	80,407	71,661
Interest cost	1,032	1,403
Benefits paid	(2,161)	(2,995)
Actuarial loss	(3,408)	10,138
Past service cost (GMP equalisation)	-	200
31 December	<u>75,870</u>	<u>80,407</u>

## Notes to the financial statements

at 31 December 2021

### 16. Pension commitments (continued)

#### Reconciliation of fair value of scheme assets

	2021 £000	2020 £000
1 January	79,915	75,028
Interest income	1,029	1,480
Employer contributions paid	603	977
Benefits paid (by plan assets)	(2,161)	(2,995)
Return on assets (excluding interest income)	1,274	5,425
Administration costs	(12)	-
<b>31 December</b>	<b>80,648</b>	<b>79,915</b>

The amounts recognised in the Income Statement and the Statement of Comprehensive income for the year are analysed below:

	2021 £000	2020 £000
<b>Recognised in the Income Statement</b>		
Interest income on pension scheme assets	(1,029)	(1,480)
Interest on pension scheme liabilities	1,032	1,403
<b>Net interest income</b>	<b>3</b>	<b>(77)</b>
Past service cost (GMP equalisation cost)	-	200
Administration costs	12	-
<b>Net interest cost/(income) on pension scheme</b>	<b>15</b>	<b>123</b>

#### Recognised in the Statement of Comprehensive Income

Return on plan assets (excluding interest income)	1,274	5,425
Actuarial changes arising from changes in assumptions	3,274	(9,343)
Actuarial changes due to scheme experience	40	1,124
Actuarial changes in demographic assumptions	94	(1,919)
<b>Gain / (loss) recognised in the Statement of Comprehensive Income</b>	<b>4,682</b>	<b>(4,713)</b>

#### Defined contribution scheme

The cost of contributions to the Group Personal Pension Plan and defined contribution schemes amounts to £169,000 (2020 – £148,000).

## Notes to the financial statements

at 31 December 2021

### 17. Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

### 18. Ultimate parent undertaking and controlling party

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

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

The directors consider Shanghai Feilo Acoustics Co. Ltd to be the controlling party by virtue of its controlling interest in the Company's share capital. The group financial statements of Shanghai Feilo Acoustics Co Ltd are the largest financial statements which incorporate the results of the Company that are publicly available. Copies of the Shanghai Feilo Acoustics Co., Ltd financial statements can be obtained from Shanghai Feilo Acoustics Co., Ltd, No.1001 Jiabin Highway, Jiading District, SHANGHAI, SHA 200233

As disclosed in Note 19, starting 28 June 2022, the ultimate parent undertaking and controlling party is Shumian Consulting Management Co. Ltd. Copies of the Shumian Consulting Management Co. Ltd financial statements can be obtained from Shanghai Shumian Consulting Management Co. Ltd, Room 05, 1st Floor, No. 39 Ruiping Road, Xuhui District, Shanghai.

### 19. Subsequent Events

The COVID-19 global pandemic which began during early 2020 has led to cultural changes with the Company. Business continuity plans implemented by management as a result of COVID-19, which included flexible working from home, are still in place, however most employees have now returned to onsite working or hybrid working from home for up to two days per week.

The Company and wider group have seen increased demand in many markets since 2021. This has been evidenced as the Company entered 2022 with a significantly larger order-book than prior year. However there have been delays in the supply chain caused by the pandemic and the conflict in Ukraine resulting in the Company being unable to fulfil the customer request dates in some cases. HGV driver shortages and rising fuel prices, in part to do with the occupation of Ukraine, have resulted in a slight increase in freight and logistics administration costs for the movement of goods. Additionally, rising energy prices and inflationary pressure on the prices of goods, following the conflict in Ukraine, and the weakening of sterling and the euro against the US dollar have resulted in an increase in cost of sales and freight costs within the group placing greater pressure on profit margins. This is being addressed by the targeted increase of customer sales prices. The mitigating actions implemented by the directors to reduce costs where possible and minimise the impact on the financial position of the Company and wider group remained in place into 2022. The directors have the expectation that the Company will remain viable and able to operate. The level of uncertainty which existed about the impact of COVID-19 on the UK and wider global economy in early 2021 has significantly diminished as the market recovers, however supply chain issues and inflation of prices globally have meant some unpredictability.

On the 28 June 2022 the Company's ultimate parent undertaking changed from Shanghai Feilo Acoustics Co. Ltd to Shanghai Shumian Consulting Management Co. Ltd. This transaction does not change the operations of the Company and wider group and therefore no adjustment has been made to the financial statements.

The financial statements have been prepared based on conditions existing at 31 December 2021 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the balance sheet date and accordingly, assessed them to be none adjusting events. No adjustments have been made to the financial statements as at 31 December 2021 for the impacts of the conflict in Ukraine and the increases in the cost of goods that followed.