Company Registration No. 01163485 (England and Wales)

MONODRAUGHT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

MONODRAUGHT LIMITED

COMPANY INFORMATION

Directors	N J Hopper A J McCubbin
Company number	01163485
Registered office	Halifax House Cressex Business Park High Wycombe Buckinghamshire United Kingdom HP12 3SE
Auditor	Haines Watts Oakingham House Frederick Place High Wycombe Buckinghamshire HP11 1JU
Business address	Halifax House Cressex Business Park High Wycombe Buckinghamshire United Kingdom HP12 3SE

MONODRAUGHT LIMITED

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STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Principal activities
The principal activity of the company is that of development, design, sales, production, installation and maintenance of sustainable ventilation, cooling, heating and lighting solutions which minimise our customers carbon footprint.

Review of the business
The financial year 2021 continued to be challenging requiring the company to again demonstrate dynamism and resilience. As a result of COVID-19, supply chains remained disrupted and to ensure consistent supply to customers, material inventories were significantly increased.

Despite the market difficulties, the company continued its strategy to build market share through significant investment in people, marketing and new product research and development. In a testament to the exceptional commitment of employees, these goals were achieved and a successful financial year was delivered.

The company's continued intent is to maintain its market leadership position in the education market whilst building its presence in other sectors, particularly commercial office and healthcare. COVID-19 has sharpened the focus that air quality has on health which is driving increased regulation towards the core products supplied by the company. In addition, significant resource has been invested into the residential market, a new contiguous market for the company, with the development of HomeZero. HomeZero is a highly innovative product that provides carbon neutral heating, hot water and ventilation for domestic properties. The target market is being driven by the government's green home incentive scheme and legislation which will ban the installation of gas and oil boilers in new homes by 2025.

The company has many established, high quality customers and believe that positive underlying market drivers including the climate change challenge and regulatory responses are supporting the future growth prospects of the business.

Principal risks and uncertainties

Financial risk management and policies
The company utilises borrowing and the directors regularly review the exposure to interest risk in this respect. Liquidity risk is managed through forecasting future cash flow requirements and generating sufficient cash flows from operational activities to meet the day-to-day cash requirements as well as funding the repayment of the company's long term borrowings.

Customer credit exposure
The company may offer credit terms to its customers which allow payment of the debt after delivery of the goods and services. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by robust credit control processes, utilisation of credit insurance and close management of on-going customer relationships.

Outlook
Market conditions are expected to remain challenging but the company is optimistic about maintaining its growth trajectory. Our business performance is strong and we believe this will continue in the coming year. Raw material cost increases and supply shortages, as a result of global supply chain pressures are impacting the business and are expected to continue throughout 2022. Immediate and long-term mitigating actions are being taken where necessary. These uncertainties are included in our planning and decision making and we remain confident that we will continue to deliver excellent products and services to our customers.

Development and performance

The continuation of COVID-19 lockdowns in the first half of 2021 and the withdrawal of the UK from the EU presented the company with exigent market, supply chain and resource challenges which were successfully navigated demonstrating the inherent resilience of the business. Performance was consistently strong throughout the year and enabled the pipeline and order book to again reach record levels. Introduction of Salesforce CRM into the design, sales and marketing teams was a significant undertaking and will enable improved customer management and greater efficiency for future performance. The launch of Range Zero, which is targeting 90% of sales revenue to be carbon neutral by 2024, was another major initiative supporting the core aims of the business. This requires the R&D and procurement teams to sharply focus on minimizing the embodied carbon of all products by incorporating more sustainable materials, attaining higher efficiencies and developing energy saving controls. Innovation of the product portfolio has been expanded from how products operate to include how they are made and how they are disposed of at end of life. Consistent with this focus, all air conditioning products using greenhouse gases have been discontinued from the sales portfolio. The market is expected to remain disrupted during 2022 but will gradually normalise through 2023.

People

During the ongoing COVID-19 disruptions through 2021, the company operated a mix of home based, hybrid and on site working with production and installation remaining fully operational throughout the entire year. All safety guidelines issued by the government were taken as minimum compliance and exceeded where practicable. Continuity of supply was maintained but significant challenges managing the supply chain, material and freight cost inflation were experienced. Our teams responded with agility and dynamism, resourcing and redesigning components where necessary. In order to ensure the company has the necessary skills and resources to perform in the future, significant investments continue to be made in employee development and recruitment. These range from fully supported apprenticeships to masters level qualifications. In 2022 a gradual return to pre-pandemic working practices is expected, however the efficiency gains achieved throughout the pandemic will be employed to enable more flexible working practices for the benefit of both the company and employees.

On behalf of the board

....
A J McCubbin
Director
25/8/22

MONODRAUGHT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

N J Hopper
A J McCubbin

Results and dividends
The results for the year are set out on page 9.

No ordinary share dividends were paid. The directors do not recommend payment of a final dividend.

Auditor
The auditor, Haines Watts, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor in the company is aware of that information.

On behalf of the board

....
A J McCubbin
Director
Date: ..25/8/22...

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing 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. 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 company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland') have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

MONODRAUGHT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MONODRAUGHT LIMITED

Opinion
We have audited the financial statements of Monodraught Limited (the 'company') for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Balance Sheet, Statement of changes in equity and notes to the financial statements, 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 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 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.

However, not all future events or conditions can be predicted. The COVID-19 viral pandemic and the conflict in Ukraine are two of the most significant economic events for the UK with unprecedented levels of uncertainty of outcomes. It is therefore difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and wider economy. The director's view on the impact of these issues is disclosed on the accounting policies note 1.2.

Other information
The directors are responsible for the 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 our 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 and the directors' report.

We have nothing to report in respect of the following matters where 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, 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.
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are detailed below:

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

During the audit we identify and assess the risk of material misstatements of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud and error; and to respond appropriately to those risks.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the sector in which it operates. We determined that the following laws and regulations were most significant: The Companies Act 2006, UK GAAP, UK corporation tax laws, the Data Protection Act, ISO 9001 and ISO 14001.
- We obtained an understanding of how the company are complying with those legal and regulatory frameworks and made enquiries to the management of known or suspected instances of fraud and non-compliance with laws and regulations.
- We corroborated our enquiries through our review of board minutes, other relevant meeting minutes and review of correspondence with regulatory bodies and also obtained management representations regarding compliance with applicable laws and regulations.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the audit team included:

- Identifying and assessing the controls management has in place to prevent and detect fraud, including the existence of supervisory controls;
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process including the existence of monthly management accounts review process;
- Challenging assumptions and judgements made by management in its significant accounting estimates and judgements, (in particular in relation to amortisation, depreciation, dilapidation provisions and warranty provisions);
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations; and
- Assessing the extent of compliance with the relevant laws and regulations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations are from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusions. There is always the unavoidable risk that material misstatements in the financial statements may not be detected despite the audit being properly performed in accordance with UK Auditing standards.

A further description of our responsibilities is available 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.

Gary Heywood

Gary A Heywood (Senior Statutory Auditor)
For and on behalf of Haines Watts
Chartered Accountants
Statutory Auditor

31/8/12

Oakingham House
Frederick Place
High Wycombe
Buckinghamshire
HP11 1JU

MONODRAUGHT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover		11,897,526	12,220,552
Cost of sales		(7,610,662)	(7,821,086)
Gross profit		4,286,864	4,399,466
Administrative expenses		(4,014,860)	(4,153,006)
Other operating income		63,413	214,441
Operating profit	3	335,417	460,901
Interest payable and similar expenses	7	(4,214)	(43)
Profit before taxation		331,203	460,858
Tax on profit	8	142,062	180,091
Profit for the financial year		473,265	640,949

Profit for the financial period is all attributable to the owners of the parent company.

There are no recognised gains and losses other than those passing through the profit and loss account.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

MONODRAUGHT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets	9		945,429		563,019
Tangible assets	10		405,975		429,087
			1,351,404		992,106
Current assets					
Stocks	11	1,734,401		943,964	
Debtors	12	3,151,895		3,149,773	
Cash at bank and in hand		8,469		959,853	
		4,894,765		5,053,590	
Creditors: amounts falling due within one year	13	(1,853,903)		(1,909,478)	
Net current assets			3,040,862		3,144,112
Total assets less current liabilities			4,392,266		4,136,218
Creditors: amounts falling due after more than one year	14		-		(238,630)
Provisions for liabilities	16		(161,548)		(140,135)
Net assets			4,230,718		3,757,453
Capital and reserves					
Called up share capital	19		3,000		3,000
Profit and loss reserves	20		4,227,718		3,754,453
Total equity			4,230,718		3,757,453

The financial statements were approved by the board of directors and authorised for issue on 25/8/22 and are signed on its behalf by:

A J McCubbin
Director

Company Registration No. 01163485

MONODRAUGHT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2020	3,000	3,113,504	3,116,504
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	640,949	640,949
Balance at 31 December 2020	3,000	3,754,453	3,757,453
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	473,265	473,265
Balance at 31 December 2021	3,000	4,227,718	4,230,718

1 Accounting policies

Company information
Monodraught Limited is a private company limited by shares incorporated in England and Wales. The registered office is Halifax House, Cressex Business Park, High Wycombe, Bucks, United Kingdom, HP12 3SE.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption in FRS 102 section 7 from the requirement to produce a cash flow statement on the grounds that it is a member of a group where the parent prepares publicly available consolidated financial statements and it's results are included in the consolidation.

The financial statements of the company are consolidated in the financial statements of Monodraught Topco Limited. These consolidated financial statements are available from its registered office, Halifax House, Cressex Business Park, High Wycombe, Buckinghamshire, United Kingdom .

1.2 Going concern

The financial statements have been prepared on a going concern basis. The directors have reviewed and considered relevant information, including the annual budget and future cash flows in making their assessment. In particular, in response to the COVID-19 pandemic and the conflict in Ukraine, the directors have tested their cash flow analysis to take into account the impact on their business of possible scenarios brought on by the impact of COVID-19, alongside the measures that they can take to mitigate the impact. Based on these assessments, given the measures that could be undertaken to mitigate the current adverse conditions, and the current resources available, the directors have concluded that they can continue to adopt the going concern basis in preparing the annual report and accounts.

1.3 Turnover

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue is recognised on despatch of goods when the amount of revenue can be measured reliably, and when it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services
Revenue arising from manufacture and installation of products is recognised based on the stage of project completion and in proportion to costs incurred. Upon successful installation and testing of the manufactured system on site, final income is recognised.

1 Accounting policies **(Continued)**

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. The useful economic lives of intangible assets are as follows:

Product certifications & development costs	20% per annum on a straight line basis

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, over their expected useful life as follows:

Plant and machinery	20% per annum on a straight line basis.
Fixtures, fittings & equipment	15% - 33% per annum on a straight line basis.
Motor vehicles	25% per annum on a straight line basis.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1 Accounting policies **(Continued)**

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value. Costs include all costs incurred in bringing each product to its present location and condition. Cost comprises of direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

1.9 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial assets are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at fair value which is normally the transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies **(Continued)**

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss is measured at fair value.

Other financial liabilitles

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

Financial liabilities are derecognised when and only when, the companys' obligations are discharged, cancelled, or they expire.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1 Accounting policies **(Continued)**

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision in measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1 Accounting policies **(Continued)**

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to the profit and loss account on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.17 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

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

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

The directors' judgement is applied when calculating the warranty and dilapidations provisions.

3 Operating profit

Operating profit for the year is stated after charging/(crediting):	2021 £	2020 £
Exchange losses	16,436	15,117
Research and development costs	186,136	171,628
Government furlough scheme	(63,413)	(211,773)
Depreciation of owned tangible fixed assets	137,975	110,880
Amortisation of intangible fixed assets	167,106	105,190
Operating lease charges	189,440	206,581

4 Auditor's remuneration

Fees payable to the company's auditor:	2021 £	2020 £
For audit services		
Audit of the financial statements of the company	10,600	10,600
Other audit services	2,600	1,500
	13,200	12,100

5 Employees

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

	2021 Number	2020 Number
Senior management (including directors)	7	7
Administration	47	48
Production	39	35
Total	93	90

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	3,657,744	3,948,410
Social security costs	302,669	319,174
Pension costs	177,535	168,217
	4,137,948	4,435,801

6 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	195,033	251,158
Company pension contributions to defined contribution schemes	49,104	35,965
	244,137	287,123

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2020 - 2).

6 Directors' remuneration **(Continued)**

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	105,865	137,287
Company pension contributions to defined contribution schemes	34,768	21,659

7 Interest payable and similar expenses

	2021 £	2020 £
Interest on bank overdrafts and loans	4,214	43

8 Taxation

	2021 £	2020 £
Current tax		
Adjustments in respect of prior periods	(139,074)	(214,305)
Deferred tax		
Origination and reversal of timing differences	(2,988)	34,214
Total tax credit	(142,062)	(180,091)

The credit for the year can be reconciled to the statement of comprehensive income per the profit and loss account as follows:

	2021 £	2020 £
Profit before taxation	331,203	460,858
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	62,929	87,563
Tax effect of expenses that are not deductible in determining taxable profit	263	745
Tax effect of income not taxable in determining taxable profit	-	(3,680)
Tax adjustments in respect of prior years	(139,074)	(214,305)
Deferred tax (credit)/charge	(2,988)	34,214
Group relief	(69,122)	(72,769)
Patent Box	-	(11,859)
Other adjustments	5,930	-
Taxation credit for the year	(142,062)	(180,091)

9 Intangible fixed assets

	Product certifications & development costs
	£
Cost	
At 1 January 2021	1,024,384
Additions	549,516
At 31 December 2021	1,573,900
Amortisation and impairment	
At 1 January 2021	461,365
Amortisation charged for the year	167,106
At 31 December 2021	628,471
Carrying amount	
At 31 December 2021	945,429
At 31 December 2020	563,019

10 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2021	824,813	1,011,654	77,470	1,913,937
Additions	91,926	22,937	-	114,863
At 31 December 2021	916,739	1,034,591	77,470	2,028,800
Depreciation and impairment				
At 1 January 2021	601,897	841,481	41,472	1,484,850
Depreciation charged in the year	61,130	57,752	19,093	137,975
At 31 December 2021	663,027	899,233	60,565	1,622,825
Carrying amount				
At 31 December 2021	253,712	135,358	16,905	405,975
At 31 December 2020	222,916	170,173	35,998	429,087

11 Stocks

	2021	2020
	£	£
Finished goods and goods for resale	1,734,401	943,964

12 Debtors

Amounts falling due within one year:	2021 £	2020 £
Trade debtors	2,014,451	2,053,348
Amounts owed by group undertakings	339,947	143,968
Other debtors	503,351	563,685
Prepayments	294,146	388,772
	3,151,895	3,149,773

13 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Bank loans and overdrafts	15	379,320	11,370
Trade creditors		831,539	927,972
Taxation and social security		88,656	557,259
Accruals		554,388	412,877
		1,853,903	1,909,478

14 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Bank loans	15	-	238,630

15 Loans and overdrafts

	2021 £	2020 £
Bank loans	-	250,000
Bank overdrafts	379,320	-
	379,320	250,000
Payable within one year	379,320	11,370
Payable after one year	-	238,630

Bank loans of £250,000 in 2020 relate to a Coronavirus Business Interruption Loan. No repayments were due for the first 12 months and the loans were interest-free for the company for this period, as the UK Government was covering the interest for this time.

This year the loan has been transferred to Monodraught Holdings Limited, the immediate parent undertaking of the company.

The overdraft is secured against the assets of the company.

16 Provisions for liabilities

	Notes	2021 £	2020 £
Other provisions		124,465	100,064
Deferred tax liabilities	17	37,083	40,071
		161,548	140,135

Other provisions are represented by a warranty provision of £94,465 (2020: £70,064) and a dilapidation provision of £30,000 (2020: £30,000). The closing warranty provision of £94,465 (2020: £70,064) is after provision utilisation in the year of £3,486 (2020: £2,235) and a current year charge of £27,887 (2020: £7,910). The warranty provision is expected to be utilised within four years. The dilapidation provision is expected to be utilised within four years.

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

Balances:	Liabilities 2021 £	Liabilities 2020 £
Accelerated capital allowances	37,083	40,071

Movements in the year:	2021 £
Liability at 1 January 2021	40,071
Credit to profit or loss	(2,988)
Liability at 31 December 2021	37,083

18 Retirement benefit schemes

Defined contribution schemes	2021 £	2020 £
Charge to profit or loss in respect of defined contribution schemes	177,535	168,217

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2021	2020
Ordinary share capital	**£**	**£**
Issued and fully paid		
3,000 Ordinary shares of £1 each	3,000	3,000

20 Profit and loss reserves

Retained earnings

Profit and loss account - includes all current and prior period retained profits and losses.

21 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£	£
Within one year	234,038	254,307
Between two and five years	403,718	636,456
	637,756	890,763

22 Ultimate controlling party

The company's parent undertaking is Monodraught Holdings Limited a company registered in England and Wales.

The ultimate controlling party is Monodraught Topco Limited by virtue of its 100% shareholding of the parent undertaking.