

Company registration number 02175879 (England and Wales)

MONARCH ACOUSTICS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



MONARCH ACOUSTICS LIMITED

COMPANY INFORMATION

Directors	Mr Stuart Hopkin Mr Gary Frost
Company number	02175879
Registered office	Newstead House Pelham Road Nottingham NG5 1AP
Auditor	Rogers Spencer Newstead House Pelham Road Nottingham NG5 1AP
Business address	Nottingham Airport Tollerton Lane Tollerton Notts NG12 4GA

MONARCH ACOUSTICS LIMITED

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MONARCH ACOUSTICS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Fair review of the business

The company has made a loss during this trading period with turnover of £12.3m (2021: £12.2m) and a loss of £0.2m (2021: profit £0.9m).

As with many businesses, we saw large increases in the cost of raw materials, container shipping, wages and salaries and general overheads. Although we passed on large increases to our customers, it took time to implement, and we weren't not able to pass on the increased costs in full.

At the end of 2022 we made a number of cost savings including consolidating stock to reduce storage costs, and returning to a single manufacturing shift during our off peak season.

Principal risks and uncertainties

The Board has identified the following factors as principal potential risks to the successful operation of the business. This list is not exhaustive as there may be potential risks that are not yet known to the Board.

Economic and market risks:

Exchange rates continue to cause margin fluctuations with the large value of USD purchases.

Although many of our cost saving activities at the end of 2022 were successful the pressures on education budgets have caused a drop in turnover through 2023.

Employees:

The employees of the company are key to the success of the business. Good relations with employees and investing in their training and development are essential to the efficiency and sustainability of the Company's operations. The Company's employment policies and remuneration packages are designed to be competitive with other companies.

IT systems:

A failure in IT systems could have a significant impact on our business. The Company has controls in place to maintain the integrity and efficiency of its systems which are regularly updated and tested.

Key performance indicators

The directors use the standard key performance indicators to monitor the performance of the company. These include gross profit percentage, net profit percentage and gearing ratio.

On behalf of the board



Mr Stuart Hopkin

Director

20/09/2023

MONARCH ACOUSTICS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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 and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

MONARCH ACOUSTICS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Principal activities

The principal activity of the company continued to be that of the manufacture and sale of educational furniture and the import, export and sale of the company's LapCabby range (laptop & tablet storage trolleys and devices).

Directors

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

Mr Stuart Hopkin

Mr Gary Frost

Results and dividends

The results for the year are set out on page 6.

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

Research and development

Research and development will continue as in previous years. The LapCabby side of the business is always evolving to ensure that our range meets the needs of our customers and the end users.

Future developments

At the start of the year 2023 Monarch launched the Monarch Tray, and proceeded to use this across all of the tray storage range.

Jamie Woods joined the senior management team as Head of Sales & Marketing.

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 company's auditor 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 company's auditor is aware of that information.

On behalf of the board



Mr Stuart Hopkin

Director

20/09/2023

MONARCH ACOUSTICS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MONARCH ACOUSTICS LIMITED

Opinion

We have audited the financial statements of Monarch Acoustics Limited (the 'company') for the year ended 31 December 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2022 and of its loss 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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

MONARCH ACOUSTICS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MONARCH ACOUSTICS LIMITED

Matters on which we are required to report by exception

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

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, 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.

MONARCH ACOUSTICS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MONARCH ACOUSTICS LIMITED

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

Our approach to identifying and assessing the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- We identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the manufacturing and supply sector;
- We focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, environmental and health and safety legislation;
- We assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations; and
- Understanding the design of the company's remuneration policies.

To address the risk of fraud through management bias and override of controls, we:

- Performed analytical procedures to identify any unusual or unexpected relationships;
- Tested journal entries to identify unusual transactions;
- Assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias; and
- Investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- Agreeing financial statement disclosures to underlying supporting documentation;
- Enquiring of management as to actual and potential litigation and claims; and
- Reviewing correspondence with HMRC, relevant regulators and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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.

MONARCH ACOUSTICS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MONARCH ACOUSTICS LIMITED

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.



Alistair Allcock

Senior Statutory Auditor

For and on behalf of Rogers Spencer

Date: 27/9/23

Chartered Accountants

Statutory Auditor

Newstead House
Pelham Road
Nottingham
NG5 1AP

MONARCH ACOUSTICS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	12,276,737	12,161,226
Cost of sales		(8,696,772)	(8,315,534)
Gross profit		3,579,965	3,845,692
Administrative expenses		(3,526,161)	(3,092,326)
Other operating income		-	37,078
Operating profit	4	53,804	790,444
Interest receivable and similar income	8	(76,711)	144,749
Interest payable and similar expenses	9	(207,622)	(14,650)
(Loss)/profit before taxation		(230,529)	920,543
Tax on (loss)/profit	10	97,138	(114,586)
(Loss)/profit for the financial year		(133,391)	805,957

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

MONARCH ACOUSTICS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
(Loss)/profit for the year	(133,391)	805,957
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(133,391)</u>	<u>805,957</u>

MONARCH ACOUSTICS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Intangible assets	12	66,499		61,230	
Tangible assets	13	1,266,445		1,134,008	
		<u>1,332,944</u>		<u>1,195,238</u>	
Current assets					
Stocks	14	3,226,945		2,720,457	
Debtors	15	1,537,328		1,671,652	
Cash at bank and in hand		221,832		1,030,793	
		<u>4,986,105</u>		<u>5,422,902</u>	
Creditors: amounts falling due within one year	17	<u>(3,466,735)</u>		<u>(3,774,673)</u>	
Net current assets		<u>1,519,370</u>		<u>1,648,229</u>	
Total assets less current liabilities		<u>2,852,314</u>		<u>2,843,467</u>	
Creditors: amounts falling due after more than one year	19	(338,825)		(220,355)	
Provisions for liabilities					
Deferred tax liability	20	<u>146,100</u>		<u>122,332</u>	
		<u>(146,100)</u>		<u>(122,332)</u>	
Net assets		<u>2,367,389</u>		<u>2,500,780</u>	
Capital and reserves					
Called up share capital	22	100		100	
Profit and loss reserves		<u>2,367,289</u>		<u>2,500,680</u>	
Total equity		<u>2,367,389</u>		<u>2,500,780</u>	

The financial statements were approved by the board of directors and authorised for issue on 20/9/23 and are signed on its behalf by:



Mr Stuart Hopkin
Director

Company Registration No. 02175879

MONARCH ACOUSTICS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2021		100	12,754,258	12,754,358
Year ended 31 December 2021:				
Profit and total comprehensive income for the year		-	805,957	805,957
Dividends	11	-	(11,059,535)	(11,059,535)
Balance at 31 December 2021		100	2,500,680	2,500,780
Year ended 31 December 2022:				
Loss and total comprehensive income for the year		-	(133,391)	(133,391)
Balance at 31 December 2022		100	2,367,289	2,367,389

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Monarch Acoustics Limited is a private company limited by shares incorporated in England and Wales. The registered office is Newstead House, Pelham Road, Nottingham, NG5 1AP.

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.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;

The company is a wholly owned subsidiary of Monarch Acoustics (SPV) Limited, registered in the United Kingdom. Monarch Acoustics (SPV) Limited is a wholly owned subsidiary of Monarch Acoustics Holdings Limited, registered in the United Kingdom. Monarch Acoustics Holdings Limited is the parent undertaking which consolidates the financial information of the group. The ultimate controlling party is considered to be Monarch Acoustics Holdings Limited. Therefore, the company has taken advantage of the exemption available under Section 400 of the Companies Act 2006 not to prepare consolidated financial statements itself.

Copies of the group's financial statements may be obtained from Monarch Acoustics Holdings Limited, at their principal place of business which is Unit 2, Nottingham Airport, Tollerton Lane, Tollerton, Nottingham, NG12 4GA.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, 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.

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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 acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development Costs	33.3% straight line
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1.6 Tangible fixed assets

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Leasehold	10% straight line
Plant and machinery	20% straight line
Fixtures, fittings & equipment	20% straight line
Computer equipment	33.3% straight line
Motor vehicles	25% straight line

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 credited or charged to profit or loss.

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.

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.

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises 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.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents 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 instruments 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 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.

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

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.

1.12 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 when the company has 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 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.

1.14 Retirement benefits

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

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

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.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2022	2021
	£	£
Turnover analysed by class of business		
Core business	12,276,737	12,161,226

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3 Turnover and other revenue (Continued)

	2022 £	2021 £
Turnover analysed by geographical market		
UK & ROI	10,857,156	10,273,584
EU	1,095,526	1,370,227
Non-EU	324,055	517,415
	<u>12,276,737</u>	<u>12,161,226</u>
	2022 £	2021 £
Other revenue		
Interest income	(76,711)	144,749
Grants received	-	37,078
	<u></u>	<u></u>

During the previous year the company had the opportunity to diversify, due to the Covid pandemic, which involved several different contracts utilising current suppliers. These were non-recurring activities and is the reason for the significant decrease in turnover as shown above.

4 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	242,554	216,085
Government grants	-	(37,078)
Fees payable to the company's auditor for the audit of the company's financial statements	11,750	9,500
Depreciation of owned tangible fixed assets	173,033	213,495
Depreciation of tangible fixed assets held under finance leases	127,059	31,574
Amortisation of intangible assets	47,614	41,176
Loss on disposal of intangible assets	23,133	-
	<u></u>	<u></u>

5 Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	<u>11,750</u>	<u>9,500</u>

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

6 Employees

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

	2022 Number	2021 Number
Office	29	26
Drivers	6	7
Production	63	49
Total	98	82

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	3,101,090	2,870,325
Social security costs	257,933	213,789
Pension costs	101,338	113,536
	3,460,361	3,197,650

7 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	148,438	142,793

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021 - 2).

8 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	-	657
Other income from investments		
Gain on financial instruments in a fair value hedge	(76,711)	144,092
Total income	(76,711)	144,749

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Interest payable and similar expenses

	2022	2021
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	2,080	-
Interest on invoice finance arrangements	64,966	4,429
	<u>67,046</u>	<u>4,429</u>
Other finance costs:		
Interest on finance leases and hire purchase contracts	140,576	10,221
	<u>207,622</u>	<u>14,650</u>

10 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	(56,596)	64,816
Adjustments in respect of prior periods	(64,310)	-
Total current tax	<u>(120,906)</u>	<u>64,816</u>
Deferred tax		
Origination and reversal of timing differences	41,492	49,770
Tax losses carried forward	(17,724)	-
Total deferred tax	<u>23,768</u>	<u>49,770</u>
Total tax (credit)/charge	<u>(97,138)</u>	<u>114,586</u>

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

10 Taxation

(Continued)

The actual (credit)/charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
(Loss)/profit before taxation	(230,529)	920,543
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(43,800)	174,903
Tax effect of expenses that are not deductible in determining taxable profit	-	3,613
Gains not taxable	4,395	-
Tax effect of utilisation of tax losses not previously recognised	17,724	-
Permanent capital allowances in excess of depreciation	(63,184)	(72,224)
Depreciation on assets not qualifying for tax allowances	9,047	7,823
Research and development tax credit	(48,448)	(30,109)
Deferred tax adjustments	(23,768)	49,770
Tax credit claimed	56,596	-
Pensions accruals b/f paid	(5,700)	(19,190)
Taxation (credit)/charge for the year	(97,138)	114,586

11 Dividends

	2022 £	2021 £
Interim paid	-	11,059,535

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Intangible fixed assets

	Development Costs £
Cost	
At 1 January 2022	880,828
Additions - internally developed	52,883
	<hr/>
At 31 December 2022	933,711
	<hr/>
Amortisation and impairment	
At 1 January 2022	819,598
Amortisation charged for the year	47,614
	<hr/>
At 31 December 2022	867,212
	<hr/>
Carrying amount	
At 31 December 2022	66,499
	<hr/>
At 31 December 2021	61,230
	<hr/>

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2022	1,139,561	1,426,692	100,348	211,395	104,078	2,982,074
Additions	2,653	482,117	-	33,041	2,850	520,661
Disposals	-	(111,000)	-	-	-	(111,000)
At 31 December 2022	1,142,214	1,797,809	100,348	244,436	106,928	3,391,735
Depreciation and impairment						
At 1 January 2022	482,795	1,047,042	87,693	137,770	92,766	1,848,066
Depreciation charged in the year	114,105	132,109	4,939	37,494	11,445	300,092
Eliminated in respect of disposals	-	(22,868)	-	-	-	(22,868)
At 31 December 2022	596,900	1,156,283	92,632	175,264	104,211	2,125,290
Carrying amount						
At 31 December 2022	545,314	641,526	7,716	69,172	2,717	1,266,445
At 31 December 2021	656,767	379,650	12,655	73,625	11,311	1,134,008

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Tangible fixed assets

(Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2022 £	2021 £
Plant and machinery	498,001	268,596
Land and buildings - Leasehold	108,466	127,330
	<u> </u>	<u> </u>
Depreciation charge for the year in respect of leased assets	127,059	31,574
	<u> </u>	<u> </u>

14 Stocks

	2022 £	2021 £
Raw materials and consumables	1,358,986	1,245,671
Work in progress	150,931	77,262
Finished goods and goods for resale	1,717,028	1,397,524
	<u> </u>	<u> </u>
	3,226,945	2,720,457
	<u> </u>	<u> </u>

15 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	1,412,708	1,538,964
Other debtors	3,234	6,528
Prepayments and accrued income	121,386	126,160
	<u> </u>	<u> </u>
	1,537,328	1,671,652
	<u> </u>	<u> </u>

16 Loans and overdrafts

	2022 £	2021 £
Bank loans	228,546	-
Other loans	992,770	938,047
	<u> </u>	<u> </u>
	1,221,316	938,047
	<u> </u>	<u> </u>
Payable within one year	1,221,316	938,047
	<u> </u>	<u> </u>

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Creditors: amounts falling due within one year

	Notes	2022 £	2021 £
Bank loans and overdrafts	16	228,546	-
Obligations under finance leases	18	118,886	90,148
Other borrowings	16	992,770	938,047
Trade creditors		1,060,328	1,108,453
Amounts due to group undertakings		92,945	9,811
Corporation tax		198,806	1,021,024
Other taxation and social security		603,532	394,089
Other creditors		27,995	-
Accruals and deferred income		142,927	213,101
		<u>3,466,735</u>	<u>3,774,673</u>

Bank loans and overdrafts are secured by way of fixed and floating charges over the assets of the company.

18 Finance lease obligations

	2022 £	2021 £
Future minimum lease payments due under finance leases:		
Within one year	118,886	90,148
In two to five years	338,825	220,355
	<u>457,711</u>	<u>310,503</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. No restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

19 Creditors: amounts falling due after more than one year

	Notes	2022 £	2021 £
Obligations under finance leases	18	<u>338,825</u>	<u>220,355</u>

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2022 £	Liabilities 2021 £
Balances:		
ACAs	163,824	122,332
Tax losses	(17,724)	-
	<u>146,100</u>	<u>122,332</u>
Movements in the year:		2022 £
Liability at 1 January 2022		122,332
Charge to profit or loss		23,768
Liability at 31 December 2022		<u>146,100</u>

21 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	101,338	113,536

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.

22 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	100	100	100	100

MONARCH ACOUSTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

23 Operating lease commitments

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:

	2022 £	2021 £
Within one year	335,786	259,661
Between two and five years	967,625	764,945
In over five years	62,500	312,500
	<u>1,365,911</u>	<u>1,337,106</u>

Lease payments recognised as an expense for the period under review totalled £344,527 (2021: £465,274).

24 Related party transactions

The company's share capital is owned solely by Monarch Acoustics (SPV) Limited. At the year end, a balance of £95,945 (2021: £9,811) was owed to Monarch Acoustics (SPV) Limited.