

THE KEYHOLDING COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

THE KEYHOLDING COMPANY LIMITED

COMPANY INFORMATION

Directors	C B Gordon Lennox A E Kennedy A V Shuttleworth C J R Godfrey L D E Hollingworth
Registered number	03538605
Registered office	28 Kirby Street London EC1N 8TE
Independent auditors	Xeinadin Audit Limited Chartered Accountants & Statutory Auditors 8th Floor Becket House 36 Old Jewry London EC2R 8DD
Accountants	Elman Wall Limited 8th Floor Becket House 36 Old Jewry London EC2R 8DD

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

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

The Keyholding Company Limited (the “Company”) is a leading, UK based, technology and data driven response business; offering a set of niche mobile security services. These core services comprise: a security platform, keyholding, alarm response, mobile patrols, locks & unlocks, house & vacant property checks, and temporary guarding. Customers include public sector organisations, industrial and commercial businesses (blue-chip groups and SMEs) and residential property owners. The Company's end clients are typically contracted either directly or through an intermediate partner such as facilities management providers.

The Company delivers its services to thousands of properties through a nationwide network of carefully selected, accredited service partners. Core operations and client service are managed centrally through a bespoke software platform.

Business review

The Company's strategy is to change the way security services are delivered through continuous technological improvement. This is achieved by an ambitious investment program building a unique operational job management platform. The proprietary system allows the Company to manage jobs from end-to-end, on a mass scale, whilst retaining operational control.

Investment in people and technology continued in 2022. Both the technology and business development teams grew. The former allowed the Company to start the process of bringing outsourced software development in-house. The investment in the business development team laid the groundwork for a strong sales pipeline in 2023. Growth in the guarding support team and account management team resulted in a significant revenue increase from the temporary and emergency guarding sector.

In January 2022 the Company achieved ISO 27001 certification for the first time which was validated by UKAS accredited auditors from the British Assessment Bureau. This recognises compliance with standards for information security management systems.

The Company was again carbon neutral in 2022, expanding testing to include the emissions created by service partners on work they perform for the Company. During the year more than half of the petrol car fleet was replaced with electric vehicles. A challenging target has been set to be net zero by 2025.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties

The Company is fortunate to operate in a sector where its services are seen as essential and a good example of this is the work that was undertaken throughout the COVID-19 pandemic. The challenge is once again underlying economic uncertainty, where there is a risk of clients failing, resulting in lost revenue and bad debts.

The Company's financial performance is subject to inflationary pressure, particularly wage and salary inflation as staffing is a significant cost to the Company; both directly through employees and indirectly through the service partner network. With continued customer pricing pressure (particularly from large corporate procurement processes), it is not always possible to offset these costs.

As the Company becomes more digitally focused, cyber-crime and information security has become an increased focus. There is also the ongoing risk that changes in legislation/ taxation will have on the business.

The Board manages these risks by:

- performing regular reviews of processes and its risk register
- performing regular contingency and succession planning
- increased investment in the sales pipeline and a strong account management function maintaining long term relationships with its broad client base
- providing a wide spread of service types
- the use of financial reporting and key metrics including profitability of service lines
- adherence to ISO 27001 (Information Security Management Systems Standard)
- continuously seeking to innovate its technology, services and processes
- continued investment in systems, and third-party auditing and testing of these systems
- remaining agile through a fast-changing landscape

These combined allow the Company to be vigilant, be better prepared and be more robust as a business, enabling it to take advantage of new opportunities as they arise.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Key Performance Indicators

The Board considers the following metrics to be key indicators of the Company's performance:

	2022	2021
	£m	£m
Turnover	18.8	17.0
Gross Profit	6.0	5.7
Underlying EBITDA	0.5	0.5
Fixed Assets	4.7	3.3
Intangible Software Development	4.2	3.0

Note: Underlying EBITDA is earnings before interest, taxation, depreciation and amortisation and excludes: (i) exceptional profit generated in 2021 from Covid-19 related work and (ii) an intercompany loan impairment in 2022.

This report was approved by the board and signed on its behalf.

C B Gordon Lennox

Director

Date: 26 September 2023

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

Directors' responsibilities statement

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to 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.

Results and dividends

The loss for the year, after taxation, amounted to £563,984 (2021 - profit £1,279,785).

Directors

The directors who served during the year were:

C B Gordon Lennox
A E Kennedy
A V Shuttleworth
C J R Godfrey
L D E Hollingworth

Future developments

The Company's continued strategy is to change the way security services are delivered through technological enhancements via its unique platform. The Company will use this platform to further connect technology and offer the best possible response services. The platform developed underpins the business model and enables The Keyholding Company to be at the forefront of the sectors within it works.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

In January 2023 the Company completed an investment in Eurotech Monitoring Services Limited, acquiring a 51% equity stake. This will allow the Company to expand the range of services offered to clients.

A 5-year term loan of £750,000 was secured from HSBC to facilitate ongoing growth and provide additional working capital.

Auditors

The auditors, Xeinadin Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 26 September 2023 and signed on its behalf.

C B Gordon Lennox
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE KEYHOLDING COMPANY LIMITED

Opinion

We have audited the financial statements of The Keyholding Company Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes, 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 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE KEYHOLDING COMPANY LIMITED (CONTINUED)

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE KEYHOLDING COMPANY LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 4, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE KEYHOLDING COMPANY LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

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

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

- Enquiry of management and those charged with governance around actual and potential litigation and claims and to identify any instances of non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Auditors' 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.

THE KEYHOLDING COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE KEYHOLDING COMPANY LIMITED (CONTINUED)

Ian Palmer FCA (Senior statutory auditor)

for and on behalf of
Xeinadin Audit Limited

Chartered Accountants
Statutory Auditors

8th Floor
Becket House
36 Old Jewry
London
EC2R 8DD

26 September 2023

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	4	18,754,676	16,994,669
Cost of sales		(14,033,952)	(11,309,838)
Gross profit		<u>4,720,724</u>	<u>5,684,831</u>
Administrative expenses		(5,335,630)	(4,317,098)
Other operating income	5	<u>13,415</u>	<u>9,906</u>
Operating (loss)/profit	6	(601,491)	1,377,639
Interest payable and similar expenses	10	<u>(57,209)</u>	<u>(33,040)</u>
(Loss)/profit before tax		(658,700)	1,344,599
Tax on (loss)/profit	11	<u>94,716</u>	<u>(64,814)</u>
(Loss)/profit for the year		<u><u>(563,984)</u></u>	<u><u>1,279,785</u></u>

There were no recognised gains and losses for 2022 or 2021 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2022 (2021: £NIL).

Included in Administrative Expenses is £148,291 (2021: £NIL) being the write-off of an amount owed from its subsidiary The London Keyholding Company Limited.

The notes on pages 16 to 32 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	12	4,266,494	2,995,174
Tangible assets	13	411,080	339,802
		<u>4,677,574</u>	<u>3,334,976</u>
Current assets			
Debtors: amounts falling due within one year	15	4,136,365	3,880,768
Cash at bank and in hand	16	1,200,054	2,886,879
		<u>5,336,419</u>	<u>6,767,647</u>
Creditors: amounts falling due within one year	17	(6,817,577)	(5,996,191)
Net current (liabilities)/assets		<u>(1,481,158)</u>	<u>771,456</u>
Total assets less current liabilities		<u>3,196,416</u>	<u>4,106,432</u>
Creditors: amounts falling due after more than one year	18	(612,981)	(959,013)
Net assets		<u><u>2,583,435</u></u>	<u><u>3,147,419</u></u>
Capital and reserves			
Called up share capital	21	22,653	22,653
Share premium account	22	11,872	11,872
Capital redemption reserve	22	1,565	1,565
Profit and loss account	22	2,547,345	3,111,329
		<u><u>2,583,435</u></u>	<u><u>3,147,419</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 September 2023.

C B Gordon Lennox
Director

The notes on pages 16 to 32 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2022	22,653	11,872	1,565	3,111,329	3,147,419
Comprehensive income for the year					
Loss for the year	-	-	-	(563,984)	(563,984)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(563,984)	(563,984)
Total transactions with owners	-	-	-	-	-
At 31 December 2022	<u>22,653</u>	<u>11,872</u>	<u>1,565</u>	<u>2,547,345</u>	<u>2,583,435</u>

The notes on pages 16 to 32 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2021	2,421,728	1,187,286	-	(1,530,160)	2,078,854
Comprehensive income for the year					
Profit for the year	-	-	-	1,279,785	1,279,785
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,279,785	1,279,785
Contributions by and distributions to owners					
Purchase of own shares	-	-	1,565	3,361,704	3,363,269
Shares reduction during the year	(2,397,510)	(1,175,414)	-	-	(3,572,924)
Shares cancelled during the year	(1,565)	-	-	-	(1,565)
Total transactions with owners	(2,399,075)	(1,175,414)	1,565	3,361,704	(211,220)
At 31 December 2021	<u>22,653</u>	<u>11,872</u>	<u>1,565</u>	<u>3,111,329</u>	<u>3,147,419</u>

The notes on pages 16 to 32 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(563,984)	1,279,785
Adjustments for:		
Amortisation of intangible assets	708,543	523,275
Depreciation of tangible assets	148,120	129,329
Interest paid	57,209	33,040
Taxation charge	(94,716)	64,814
(Increase) in debtors	(413,285)	(644,347)
Decrease in amounts owed by subsidiary	148,291	-
Increase in creditors	861,301	1,182,565
Corporation tax received	104,113	48,432
Net cash generated from operating activities	<u>955,592</u>	<u>2,616,893</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,979,863)	(1,140,420)
Purchase of tangible fixed assets	(219,398)	(160,293)
HP interest paid	(630)	-
Net cash from investing activities	<u>(2,199,891)</u>	<u>(1,300,713)</u>
Cash flows from financing activities		
Purchase of ordinary shares	-	(209,655)
New secured loans	-	750,000
Repayment of loans	(385,257)	(363,179)
Repayment of/new finance leases	(690)	(9,855)
Interest paid	(56,579)	(33,040)
Net cash used in financing activities	<u>(442,526)</u>	<u>134,271</u>
Net (decrease)/increase in cash and cash equivalents	<u>(1,686,825)</u>	<u>1,450,451</u>
Cash and cash equivalents at beginning of year	<u>2,886,879</u>	<u>1,436,428</u>
Cash and cash equivalents at the end of year	<u><u>1,200,054</u></u>	<u><u>2,886,879</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>1,200,054</u>	<u>2,886,879</u>
	<u><u>1,200,054</u></u>	<u><u>2,886,879</u></u>

The notes on pages 16 to 32 form part of these financial statements.

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

1. General information

The Keyholding Company Limited is a private company limited by shares incorporated in England. The address of the registered company is 28 Kirby Street, London, England, EC1N 8TE.

The principal activity of the Company continued to be a provider of security services for its customers throughout the United Kingdom.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Revenue

Revenue represents the value, net of value added tax and discounts, of goods provided to customers and work carried out in respect of services provided to customers. Service contract revenue is recognised on a straight line basis over the duration of the contract.

2.3 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.4 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Consolidated profit and loss account in the same period as the related expenditure.

In the current year, the Company benefited from taking advantage of government support in the form of the Innovation UK Grant. During the prior year the Company benefited from taking advantage of government support in the form of the Coronavirus Job Retention Scheme (CJRS) (see note 5).

2.5 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.6 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

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

2. Accounting policies (continued)

2.7 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.9 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 8 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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

2. Accounting policies (continued)

2.10 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	- Over the length of the lease
Plant and machinery	- 16%-29% straight line
Motor vehicles	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.12 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

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

2. Accounting policies (continued)

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.16 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.17 Foreign currency translation

The Company's functional and presentational currency is GBP.

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

2. Accounting policies (continued)

2.18 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

3. Judgments in applying accounting policies 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 recognised 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 statement of comprehensive income in the period in which the estimate is revised where the revision affects only that period, or in the period of revision and future periods where the revision affects both current and future periods.

4. Turnover

	2022 £	2021 £
Sales	18,754,676	16,994,669
	<u>18,754,676</u>	<u>16,994,669</u>

All turnover arose within the United Kingdom.

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

5. Other operating income - Government grants receivable

	2022	2021
	£	£
Coronavirus Job Retention Scheme	-	9,906
Innovation UK Grant	13,415	-
	<u>13,415</u>	<u>9,906</u>

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2022	2021
	£	£
Exchange differences	(3,883)	(830)
Other operating lease rentals	<u>199,063</u>	<u>239,250</u>

7. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors:

	2022	2021
	£	£
Fees payable to the Company's auditors for the audit of the Company's financial statements	15,000	12,000
Other non-audit services	5,000	4,000
	<u>20,000</u>	<u>16,000</u>

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

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £	2021 £
Wages and salaries	5,160,236	4,520,844
Social security costs	743,014	542,965
Cost of defined contribution scheme	354,390	291,025
	<u>6,257,640</u>	<u>5,354,834</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Staff	<u>174</u>	<u>139</u>

9. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	631,418	726,522
Company contributions to defined contribution pension schemes	76,213	74,041
	<u>707,631</u>	<u>800,563</u>

During the year retirement benefits were accruing to 3 directors (2021 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £185,233 (2021 - £185,999).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £27,013 (2021 - £26,080).

Salaries paid to key management personnel amounted to £786,938 (2021: £726,522) in the year.

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

10. Interest payable and similar expenses

	2022 £	2021 £
Other loan interest payable	56,579	33,040
Finance leases and hire purchase contracts	630	-
	<u>57,209</u>	<u>33,040</u>

11. Taxation

	2022 £	2021 £
Corporation tax		
Adjustments in respect of previous periods	-	(1,381)
	<u>-</u>	<u>(1,381)</u>
Total current tax	<u>-</u>	<u>(1,381)</u>
Deferred tax		
Origination and reversal of timing differences	(94,716)	66,195
Total deferred tax	<u>(94,716)</u>	<u>66,195</u>
Taxation on (loss)/profit on ordinary activities	<u>(94,716)</u>	<u>64,814</u>

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

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2021 - the same as) the standard rate of corporation tax in the UK of 19% (2021 - 19%) as set out below:

	2022 £	2021 £
(Loss)/profit on ordinary activities before tax	<u>(658,700)</u>	<u>1,344,599</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(125,153)	255,474
Effects of:		
Fixed asset differences	(8,728)	(722)
Expenses not deductible for tax purposes	28,992	10,462
Remeasurment of deferred tax for changes in tax rates	(33,123)	(96,138)
Movement in deferred tax not recognised	43,296	-
Additional deduction for R&D expenditure	-	(104,262)
Total tax charge for the year	<u>(94,716)</u>	<u>64,814</u>

Factors that may affect future tax charges

The Company has trading losses carried forward of £4,931,098 (2021: £4,325,392).

The rate of corporation tax has been increased from 19% to 25% with effect from 1 April 2023. Deferred assets and liabilities have therefore been remeasured at 25%.

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

12. Intangible assets

	Development expenditure £	Intellectual Property £	Computer software £	Total £
Cost				
At 1 January 2022	4,673,727	41,066	79,423	4,794,216
Additions	1,946,530	33,333	-	1,979,863
At 31 December 2022	6,620,257	74,399	79,423	6,774,079
Amortisation				
At 1 January 2022	1,686,627	41,066	71,349	1,799,042
Charge for the year on owned assets	703,748	1,562	3,233	708,543
At 31 December 2022	2,390,375	42,628	74,582	2,507,585
Net book value				
At 31 December 2022	4,229,882	31,771	4,841	4,266,494
At 31 December 2021	2,987,100	-	8,074	2,995,174

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

13. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2022	149,227	471,722	225,305	846,254
Additions	8,065	170,539	40,794	219,398
At 31 December 2022	157,292	642,261	266,099	1,065,652
Depreciation				
At 1 January 2022	54,165	293,375	158,912	506,452
Charge for the year on owned assets	17,461	96,975	33,684	148,120
At 31 December 2022	71,626	390,350	192,596	654,572
Net book value				
At 31 December 2022	85,666	251,911	73,503	411,080
At 31 December 2021	95,062	178,347	66,393	339,802

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

14. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2022	800,577
At 31 December 2022	<u>800,577</u>
Impairment	
At 1 January 2022	800,577
At 31 December 2022	<u>800,577</u>
Net book value	
At 31 December 2022	<u>-</u>
At 31 December 2021	<u>-</u>

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

15. Debtors

	2022 £	2021 £
Trade debtors	1,765,263	2,262,816
Amounts owed by group undertakings	-	148,291
Other debtors	101,880	99,460
Prepayments and accrued income	1,964,222	1,055,804
Tax recoverable	-	104,113
Deferred taxation	305,000	210,284
	<u>4,136,365</u>	<u>3,880,768</u>

16. Cash and cash equivalents

	2022 £	2021 £
Cash at bank and in hand	1,200,054	2,886,879
	<u>1,200,054</u>	<u>2,886,879</u>

17. Creditors: Amounts falling due within one year

	2022 £	2021 £
Bank loans	360,775	400,000
Trade creditors	3,065,920	2,974,411
Other taxation and social security	331,388	278,106
Obligations under finance lease and hire purchase contracts	-	690
Other creditors	566,052	467,420
Accruals and deferred income	2,493,442	1,875,564
	<u>6,817,577</u>	<u>5,996,191</u>

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

18. Creditors: Amounts falling due after more than one year

	2022 £	2021 £
Bank loans	462,981	809,013
Other creditors	150,000	150,000
	<u>612,981</u>	<u>959,013</u>

HSBC Bank PLC has a fixed and floating charge over the undertaking and all present and future assets.

Other creditors as at the balance sheet date includes directors loans amounting to £150,000 (2021: £150,000).

19. Loans

Analysis of the maturity of loans is given below:

	2022 £	2021 £
Amounts falling due within one year		
Bank loans	360,775	400,000
	<u>360,775</u>	<u>400,000</u>
Amounts falling due 1-2 years		
Bank loans	219,745	305,520
	<u>219,745</u>	<u>305,520</u>
Amounts falling due 2-5 years		
Bank loans	243,236	503,493
	<u>243,236</u>	<u>503,493</u>
	<u>823,756</u>	<u>1,209,013</u>

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

20. Deferred taxation

	2022 £
At beginning of year	210,284
Charged to profit or loss	94,716
At end of year	<u>305,000</u>

The deferred tax asset is made up as follows:

	2022 £	2021 £
Fixed asset timing differences	(808,327)	-
Short term timing differences	86,218	-
Losses and other deductions	1,027,109	-
Accelerated capital allowances	-	(707,031)
Tax losses carried forward	-	917,315
	<u>305,000</u>	<u>210,284</u>

21. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
1,185,730 (2022 - 1,185,700) Ordinary shares shares of £0.01 each (2021: £0.01)	11,857	11,857
1,079,539 (2022 - 1,079,600) Ordinary A shares shares of £0.01 each (2021: £0.01)	10,796	10,796
	<u>22,653</u>	<u>22,653</u>

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

22. Reserves

Share premium account

Share premium account includes all current and prior year share premium paid.

Capital redemption reserve

A statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares out of distributable profits.

Profit and loss account

Profit and loss includes all current and prior year retained profit.

23. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £269,825 (2021: £216,984). Contributions totalling £41,724 (2021: £44,796) were payable to the fund at the balance sheet date were included in creditors.

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

24. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	195,719	190,938
Later than 1 year and not later than 5 years	222,760	413,698
	<u>418,479</u>	<u>604,636</u>

25. Other financial commitments

At 31 December 2022 the Company had financial commitments due under non-cancellable agreements for each of the following periods:

	2022 £	2021 £
Not later than 1 year	68,429	59,978
Later than 1 year and not later than 5 years	31,348	-
	<u>99,777</u>	<u>59,978</u>

26. Related party transactions

As at the balance sheet date the Company was due £Nil (2021 - £148,291) from its subsidiary The London Keyholding Company Limited.

The director, C B Gordon Lennox, was due £150,000 (2021 - £150,000) from the Company as at the balance sheet date. During the year, interest was paid to the director amounting to £7,531 (2021: £16,134).

During the year the Company made advancements to director C B Gordon Lennox amounting to £Nil (2021: £16,000) and repayments were made amounting to £Nil (2021: £Nil). As at the balance sheet date the Company owed C B Gordon Lennox £Nil (2021: £360).

27. Controlling party

There is no ultimate controlling party.

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