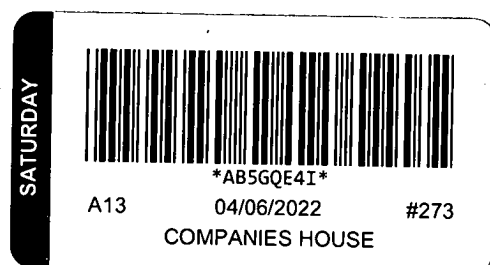


Dolphin Solutions Ltd
Financial Statements
31 December 2021



RIVERSIDE ACCOUNTANCY LANCASTER LIMITED

Chartered accountants & statutory auditor
Second Floor, Riverside Offices
26 St George's Quay
Lancaster
LA1 1RD

Dolphin Solutions Ltd

Financial Statements

Year ended 31 December 2021

Contents	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	5
Independent auditor's report to the members	7
Statement of comprehensive income	12
Statement of financial position	13
Statement of changes in equity	14
Notes to the financial statements	15

Dolphin Solutions Ltd

Officers and Professional Advisers

The board of directors

Mr J Beattie
Mr C J Beattie
Mr R J Beattie
Mr R Beattie
Mr K W Beattie

Registered office

Southpoint
Compass Park
Bodiam
Robertsbridge
East Sussex
TN32 5BS

Auditor

Riverside Accountancy Lancaster Limited
Chartered accountants & statutory auditor
Second Floor, Riverside Offices
26 St George's Quay
Lancaster
LA1 1RD

Bankers

HSBC
4 Robertson Street
Hastings
East Sussex
TB34 1HW

Lloyds
17 Wellington Place
Hastings
East Sussex
TN34 1NX

Dolphin Solutions Ltd

Strategic Report

Year ended 31 December 2021

Principal activities and business review

The principal activity of the company during the year was the Manufacturing and Wholesale Distribution of Washroom Equipment in the UK and internationally with a global distribution network in Europe, USA, Asia, Australasia and the Middle East.

Despite the global pandemic COVID-19 continuing, the company's year was still strong with turnover of £19,753,590 in 2021 compared to £22,891,698 in 2020.

The Directors measure the performance of the company on its working capital, which has increased significantly during the year with a net current asset position of £5,780,169 at 31 December 2021 compared to £3,297,377 at the end of 2020. The team collectively supported the entity and worked hard together to bring about profitability.

As at 31 December 2021 the company's balance sheet was in a very strong position with net assets of £6,233,895 (2020 - £4,201,697).

During the year all key KPI's have been strengthened due to the activities of the company, and we are confident we have the financial stability to cover any expansion or downturn in the market.

In order to focus on our core business in the Commercial Washroom Market, we divested Dolphin Solutions of its Excel Division and at the same time placed the trade injection moulding division into a new separate company called Compass Mouldings Ltd. The major customer of Compass Mouldings Ltd made the decision to make an offer and formally acquired the company as of 1st January 2022.

Future developments

The company will continue to consolidate its position and concentrate its efforts on achieving maximum growth in its existing markets. We continue to invest in our people and systems to enable a continuously improved profitability throughout the group. We will continue to strive to be the best in the industry that we serve.

Principal risks and uncertainties facing the company

The company's operations expose it to a variety of financial risks that include the effects of market risk (including currency and price risk), credit risk and liquidity risk. The company's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the company's financial performance.

The company uses sound management principles to protect against certain financial risk exposure.

The directors are responsible for setting the objectives and underlying principals of financial risk management for the company. The senior management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies.

The policies set by the board of directors are implemented by the company's finance department.

Currency risk

Currency risk arises when transactions are denominated in foreign currencies. To manage the currency risk, the directors periodically will authorise limited foreign currency planning to mitigate the relevant foreign exchange exposure.

Dolphin Solutions Ltd

Strategic Report *(continued)*

Year ended 31 December 2021

Price risk

The company is exposed to commodity price risk as a result of its operations. However given the size of the company's operations, the cost of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The trade receivables, the company performs ongoing credit valuations of its customers and the company maintains an allowance or doubtful debts which, when realised, have been within the range of management expectations. For other financial assets, the company adopts the policy of dealing only with high credit quality counterparts.

Credit exposure to an individual counterparty is restricted by credit limited that are approved based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored by management.

Liquidity risk

The liquidity risk is usually assessed by comparing liquid assets and short term liabilities. The company manages the liquidity risk by using cash flow forecasts which enables the company to monitor its working capital and make remedial action when necessary.

Research and development

The company operates a continual R&D development policy that proactively seeks to meet or exceed market demand for both product quality and unique solutions. This is and will be an ongoing investment focus by the company which will continue to assist with business growth.

Disabled and handicapped employees

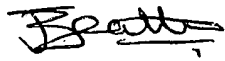
The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled or handicapped, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled or handicapped employees wherever appropriate.

Dolphin Solutions Ltd

Strategic Report *(continued)*

Year ended 31 December 2021

This report was approved by the board of directors on 10 May 2022 and signed on behalf of the board by:



Mr J Beattie
Director

Registered office:
Southpoint
Compass Park
Bodiam
Robertsbridge
East Sussex
TN32 5BS

Dolphin Solutions Ltd

Directors' Report

Year ended 31 December 2021

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

Directors

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

Mr J Beattie
Mr C J Beattie
Mr R J Beattie
Mr R Beattie
Mr K W Beattie

Dividends

Particulars of recommended dividends are detailed in note 12 to the financial statements.

Disclosure of information in the strategic report

As permitted by paragraph 1A of Schedule 7 to the Large and Medium-sized Companies (accounts and reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 1 and 2. These matters relate to business review, future developments and principal risks and uncertainties.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 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 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 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.

Dolphin Solutions Ltd

Directors' Report *(continued)*

Year ended 31 December 2021

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 10 May 2022 and signed on behalf of the board by:



Mr J Beattie
Director

Registered office:
Southpoint
Compass Park
Bodiam
Robertsbridge
East Sussex
TN32 5BS

Dolphin Solutions Ltd

Independent Auditor's Report to the Members of Dolphin Solutions Ltd

Year ended 31 December 2021

Opinion

We have audited the financial statements of Dolphin Solutions Ltd (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, statement of financial position, 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Dolphin Solutions Ltd

Independent Auditor's Report to the Members of Dolphin Solutions Ltd *(continued)*

Year ended 31 December 2021

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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.

Dolphin Solutions Ltd

Independent Auditor's Report to the Members of Dolphin Solutions Ltd *(continued)*

Year ended 31 December 2021

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Review of directors' minutes and review of nominal postings for legal and professional fees ensured we identified any regulatory compliance issues and laws that company must follow in the year and to the date of signing the financial statements
- The assessment of fraud was considered as low due to the segregation of duties seen, the low levels of cash handled and the regular reporting required of the company to its shareholders.
- A review of journal entries and consideration of their appropriateness was carried out through the audit
- During the audit we speak to management, test the systems and speak to various members of the finance function to understand the entity its processes and the nature of trade to assist in determining if the financial statements are true and fair.
- Challenging assumptions made by management in making their significant accounting estimates.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations
- In respect of stock we attended a stock take to test physical evidence of stock held, reviewed stock lines for slow movement to ensure adequate provisions were in place
- Physical verification of fixed assets was carried out which aided us to assess for any potential impairment required

Dolphin Solutions Ltd

Independent Auditor's Report to the Members of Dolphin Solutions Ltd *(continued)*

Year ended 31 December 2021

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Dolphin Solutions Ltd

Independent Auditor's Report to the Members of Dolphin Solutions Ltd *(continued)*

Year ended 31 December 2021

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 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.



Lyndsay Nicholson ACA (Senior Statutory Auditor)

For and on behalf of
Riverside Accountancy Lancaster Limited
Chartered accountants & statutory auditor
Second Floor, Riverside Offices
26 St George's Quay
Lancaster
LA1 1RD

10 May 2022

Dolphin Solutions Ltd

Statement of Comprehensive Income

Year ended 31 December 2021

		2021		2020	
	Note	Continuing operations £	Discont'd operations £	Total £	Total £
Turnover	4	16,351,254	3,384,336	19,735,590	22,891,698
Cost of sales		10,291,366	2,230,625	12,521,991	14,835,545
Gross profit		6,059,888	1,153,711	7,213,599	8,056,153
Administrative expenses		3,111,775	992,643	4,104,418	3,769,231
Other operating income	5	192,843	-	192,843	166,663
Operating profit	6	3,140,956	161,068	3,302,024	4,453,585
Other interest receivable and similar income	9	62	-	62	-
Interest payable and similar expenses	10	30,479	-	30,479	60,971
Profit before taxation		3,110,539	161,068	3,271,607	4,392,614
Tax on profit	11	273,455	95,374	368,829	986,858
Profit for the financial year and total comprehensive income		2,837,084	65,694	2,902,778	3,405,756

The notes on pages 15 to 29 form part of these financial statements.

Dolphin Solutions Ltd
Statement of Financial Position
31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	13	—	59,143
Tangible assets	14	635,432	1,309,279
		<u>635,432</u>	<u>1,368,422</u>
Current assets			
Stocks	15	2,123,603	2,101,439
Debtors	16	3,605,161	3,434,452
Cash at bank and in hand		2,688,492	1,418,756
		<u>8,417,256</u>	<u>6,954,647</u>
Creditors: amounts falling due within one year	17	<u>2,637,087</u>	<u>3,657,270</u>
Net current assets		<u>5,780,169</u>	<u>3,297,377</u>
Total assets less current liabilities		<u>6,415,601</u>	<u>4,665,799</u>
Creditors: amounts falling due after more than one year	18	100,846	302,413
Provisions	20	80,860	161,689
Net assets		<u>6,233,895</u>	<u>4,201,697</u>
Capital and reserves			
Called up share capital	25	86,700	86,700
Profit and loss account	26	6,147,195	4,114,997
Shareholders funds		<u>6,233,895</u>	<u>4,201,697</u>

These financial statements were approved by the board of directors and authorised for issue on 10 May 2022, and are signed on behalf of the board by:



Mr J Beattie
Director

Company registration number: 03702978

The notes on pages 15 to 29 form part of these financial statements.

Dolphin Solutions Ltd
Statement of Changes in Equity
Year ended 31 December 2021

		Called up share capital £	Profit and loss account £	Total £
At 1 January 2020		86,700	1,274,891	1,361,591
Profit for the year			3,405,756	3,405,756
Total comprehensive income for the year		—	3,405,756	3,405,756
Dividends paid and payable	12	—	(565,650)	(565,650)
Total investments by and distributions to owners		—	(565,650)	(565,650)
At 31 December 2020		86,700	4,114,997	4,201,697
Profit for the year			2,902,778	2,902,778
Total comprehensive income for the year		—	2,902,778	2,902,778
Dividends paid and payable	12	—	(870,580)	(870,580)
Total investments by and distributions to owners		—	(870,580)	(870,580)
At 31 December 2021		<u>86,700</u>	<u>6,147,195</u>	<u>6,233,895</u>

The notes on pages 15 to 29 form part of these financial statements.

Dolphin Solutions Ltd

Notes to the Financial Statements

Year ended 31 December 2021

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Southpoint, Compass Park, Bodiam, Robertsbridge, East Sussex, TN32 5BS.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

The financial statements are rounded to the nearest £1.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Dolphin Solutions (Holdings) Ltd which can be obtained from Southpoint, Compass Park, Bodiam, Robertsbridge, East Sussex, TN32 5BS. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) Disclosures in respect of share-based payments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

There have been no critical judgements made by the directors in the process of applying the company's accounting policies that have a significant effect on the amounts recognised in the statutory financial statements.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Recoverability of debtors

The company establishes a provision for debtors that are estimated not to be recoverable. When assessing recoverability the directors have considered factors such as the ageing of the debtors, past experience of recoverability, and the credit profile of individual groups of customers.

(ii) Determining the residual values and useful economic lives of property plant and equipment and intangible assets

The company depreciates tangible and intangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

(iii) Impairment of intangible assets

Intangible assets are tested for impairment where there is an indication that the asset may be impaired. Existence of impairment indicators is assessed at each reporting date, and the director deemed there to be no indicators at the end of the year.

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; - the amount of revenue can be measured reliably; - it is probable that the company will receive the consideration due under the transaction; and - the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied: - the amount of revenue can be measured reliably; - it is probable that the company will receive the consideration due under the contract; - the stage of completion of the contract at the end of the reporting period can be measured reliably; and - the costs incurred and the costs to complete the contract can be measured reliably.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill - 33% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Research and development

Research expenditure is written off in the period in which it is incurred.

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is the intention to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- The use or sale of the intangible asset will generate probable future economic benefits;
- There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred.

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Plant and machinery	- 25% reducing balance, 25% straight line on assets purchased 2021 onwards
Fixtures and fittings	- 25% reducing balance, 25% straight line on assets purchased 2021 onwards
Motor vehicles	- 25% reducing balance
Equipment	- 25% reducing balance, 25% straight line on assets purchased 2021 onwards

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

3. Accounting policies *(continued)*

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2021	2020
	£	£
Sale of goods	19,469,725	22,712,710
Rendering of services	265,865	178,988
	<u>19,735,590</u>	<u>22,891,698</u>

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

4. Turnover *(continued)*

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2021	2020
	£	£
United Kingdom	16,904,782	18,517,182
Overseas	2,830,808	4,374,516
	<u>19,735,590</u>	<u>22,891,698</u>

5. Other operating income

	2021	2020
	£	£
Commission receivable	15,356	–
Government grant income	1,314	166,663
Other operating income	176,173	–
	<u>192,843</u>	<u>166,663</u>

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2021	2020
	£	£
Amortisation of intangible assets	59,143	78,825
Depreciation of tangible assets	311,337	374,612
(Gains)/loss on disposal of tangible assets	(14,566)	9,396
Loss on disposal of intangible assets	766,899	–
Impairment of trade debtors	(2,186)	6,465
Research and development expenditure written off	207,809	152,328
Foreign exchange differences	3,983	9,983
	<u>3,983</u>	<u>9,983</u>

7. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2021	2020
	No.	No.
Distribution staff	55	56
Administrative staff	26	26
	<u>81</u>	<u>82</u>

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

7. Staff costs *(continued)*

The aggregate payroll costs incurred during the year, relating to the above, were:

	2021	2020
	£	£
Wages and salaries	4,116,088	4,015,948
Social security costs	14,756	43,242
Other pension costs	155	318
	<u>4,130,999</u>	<u>4,059,508</u>

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2021	2020
	£	£
Remuneration	<u>79,827</u>	<u>81,079</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2021	2020
	No.	No.
Defined contribution plans	<u>1</u>	<u>2</u>

9. Other interest receivable and similar income

	2021	2020
	£	£
Interest on bank deposits	<u>62</u>	<u>—</u>

10. Interest payable and similar expenses

	2021	2020
	£	£
Interest on banks loans and overdrafts	—	26,864
Interest on obligations under finance leases and hire purchase contracts	30,479	34,107
	<u>30,479</u>	<u>60,971</u>

11. Tax on profit

Major components of tax expense

	2021	2020
	£	£
Current tax:		
UK current tax expense	744,928	837,241
Adjustments in respect of prior periods	(295,270)	—
Total current tax	<u>449,658</u>	<u>837,241</u>

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

11. Tax on profit *(continued)*

	2021 £	2020 £
Deferred tax:		
Origination and reversal of timing differences	(80,829)	149,617
Tax on profit	<u>368,829</u>	<u>986,858</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
Profit on ordinary activities before taxation	3,271,607	4,392,614
Profit on ordinary activities by rate of tax	621,605	834,597
Adjustment to tax charge in respect of prior periods	(295,270)	—
Effect of expenses not deductible for tax purposes	12,707	7,396
Effect of capital allowances and depreciation	110,616	(4,752)
Adjust closing deferred tax to average rate of 19%	(80,829)	149,617
Tax on profit	<u>368,829</u>	<u>986,858</u>

12. Dividends

	2021 £	2020 £
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year)	<u>870,580</u>	<u>565,650</u>

13. Intangible assets

	Goodwill £
Cost	
At 1 January 2021 and 31 December 2021	<u>236,500</u>
Amortisation	
At 1 January 2021	177,357
Charge for the year	59,143
At 31 December 2021	<u>236,500</u>
Carrying amount	
At 31 December 2021	—
At 31 December 2020	<u>59,143</u>

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

14. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Equipment £	Total £
Cost					
At 1 January 2021	1,798,774	834,657	257,945	664,175	3,555,551
Additions	48,637	1,315	65,590	12,561	128,103
Disposals	(1,614,232)	–	(160,090)	–	(1,774,322)
At 31 December 2021	233,179	835,972	163,445	676,736	1,909,332
Depreciation					
At 1 January 2021	1,131,764	421,757	185,834	506,917	2,246,272
Charge for the year	141,295	99,383	29,970	40,689	311,337
Disposals	(1,156,214)	–	(127,495)	–	(1,283,709)
At 31 December 2021	116,845	521,140	88,309	547,606	1,273,900
Carrying amount					
At 31 December 2021	116,334	314,832	75,136	129,130	635,432
At 31 December 2020	667,010	412,900	72,111	157,258	1,309,279

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery £	Motor vehicles £	Total £
At 31 December 2021	7,516	–	7,516
At 31 December 2020	74,084	40,331	114,415

15. Stocks

	2021 £	2020 £
Raw materials and consumables	(6,407)	236,052
Work in progress	110,974	195,675
Finished goods and goods for resale	2,019,036	1,669,712
	2,123,603	2,101,439

16. Debtors

	2021 £	2020 £
Trade debtors	2,383,435	3,221,227
Amounts owed by group undertakings	441,167	–
Prepayments and accrued income	142,683	48,934
Other debtors	637,876	164,291
	3,605,161	3,434,452

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

17. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	755,079	1,175,619
Amounts owed to group undertakings	—	53,653
Accruals and deferred income	454,722	83,702
Corporation tax	259,061	837,241
Social security and other taxes	312,312	744,157
Obligations under finance leases and hire purchase contracts	192,402	243,793
Director loan accounts	378,489	123,489
Other creditors	285,022	395,616
	<u>2,637,087</u>	<u>3,657,270</u>

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

	2021 £	2020 £
Accruals and deferred income	36,960	38,274
Obligations under finance leases and hire purchase contracts	63,886	264,139
	<u>100,846</u>	<u>302,413</u>

19. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2021 £	2020 £
Not later than 1 year	192,402	243,793
Later than 1 year and not later than 5 years	63,886	264,139
	<u>256,288</u>	<u>507,932</u>

20. Provisions

	Warranties £	Deferred tax (note 21) £	Total £
At 1 January 2021	40,000	121,689	161,689
Charge against provision	—	(80,829)	(80,829)
At 31 December 2021	<u>40,000</u>	<u>40,860</u>	<u>80,860</u>

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

21. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2021 £	2020 £
Included in provisions (note 20)	<u>40,860</u>	<u>121,689</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2021 £	2020 £
Accelerated capital allowances	<u>40,860</u>	<u>121,689</u>

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £155 (2020: £318).

23. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2021 £	2020 £
Recognised in creditors:		
Deferred government grants due within one year	1,314	1,314
Deferred government grants due after more than one year	<u>36,960</u>	<u>38,274</u>
	<u>38,274</u>	<u>39,588</u>
Recognised in other operating income:		
Government grants recognised directly in income	<u>1,314</u>	<u>166,663</u>

24. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2021 £	2020 £
Financial assets measured at fair value through profit or loss		
Financial assets measured at fair value through profit or loss	<u>3,462,478</u>	<u>3,385,518</u>
Financial liabilities measured at fair value through profit or loss		
Financial liabilities measured at fair value through profit or loss	<u>3,172,710</u>	<u>3,000,466</u>

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

25. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary A shares of £1 each	28,900	28,900	28,900	28,900
Ordinary B shares of £1 each	28,900	28,900	28,900	28,900
Ordinary C shares of £1 each	28,900	28,900	28,900	28,900
	<u>86,700</u>	<u>86,700</u>	<u>86,700</u>	<u>86,700</u>

26. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

27. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
	£	£
Not later than 1 year	335,406	342,594
Later than 1 year and not later than 5 years	1,237,230	1,235,106
Later than 5 years	3,000,000	3,250,000
	<u>4,572,636</u>	<u>4,827,700</u>

28. Charges on assets

The bank loan is secured by a general pledge over assets given by the company together with an unlimited composite company guarantee given by Dolphin Solutions (Holdings) Ltd to secure all liabilities of each other.

The hire purchase / finance leases are secured against the assets acquired under such agreements.

Dolphin Solutions Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 December 2021

29. Directors' advances, credits and guarantees

During the year the directors entered into the following advances and credits with the company:

	2021		
	Balance brought forward £	Advances/ (credits) to the directors £	Balance outstanding £
Mr J Beattie	(12,323)	(107,500)	(119,823)
Mr C J Beattie	(111,166)	(147,500)	(258,666)
	<u>(123,489)</u>	<u>(255,000)</u>	<u>(378,489)</u>

	2020		
	Balance brought forward £	Advances/ (credits) to the directors £	Balance outstanding £
Mr J Beattie	(94,988)	82,665	(12,323)
Mr C J Beattie	(128,834)	17,668	(111,166)
	<u>(223,822)</u>	<u>100,333</u>	<u>(123,489)</u>

30. Related party transactions

The company is a wholly owned subsidiary of Dolphin Solutions (Holdings) Ltd and as such has taken advantage of the exemption permitted by Section 33 'Related Party Disclosures' not to provide disclosures of transactions entered into with other wholly owned members of the Group.

31. Controlling party

The company is controlled by Dolphin Solutions (Holdings) Ltd.