

Registered number: 04703140

## **Cathay Investments Limited**

*Directors' Report, Strategic Report and Audited Consolidated Financial Statements*

for the Year Ended 30 December 2022

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## **Cathay Investments Limited**

### **Contents**

	<b>Page</b>
Company Information	1
Strategic Report	2 to 3
Directors' Report	4 to 7
Independent Auditor's Report to the members of Cathay Investments Limited	8 to 11
Consolidated Income Statement	12
Consolidated Statement of Comprehensive Income	13
Consolidated Statement of Financial Position	14
Company Statement of Financial Position	15
Consolidated Statement of Changes in Equity	16
Company Statement of Changes in Equity	17
Consolidated Statement of Cash Flows	18
Company Statement of Cash Flows	19
Notes to the Financial Statements	20 to 51

## **Cathay Investments Limited**

### **Company Information**

<b>Directors</b>	B Chaing K Johnson
<b>Company secretary</b>	M Chaing
<b>Registered office</b>	43 Friends Road Croydon United Kingdom CR0 1ED
<b>Independent auditors</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

## **Cathay Investments Limited**

### **Strategic Report for the Year Ended 30 December 2022**

The directors present their strategic report for the year ended 30 December 2022.

#### **Fair review of the business**

Trading during 2022 remained difficult for the group and has been affected by several external factors.

The directors are pleased with the results for 2022 which have improved substantially compared to 2021. This is a result of improved margins within the non woven materials division of the group ahead of inflationary price rises. The group has continued to restructure its composite materials division during the year and following the year end successfully completed its UK warehouse move. Some exceptional costs were incurred during the year in respect of this. Energy price inflation has had a particular effect within the non woven materials division where costs quadrupled during 2022. The group is looking at ways to mitigate its energy consumption costs. Following the year end the group has utilised surplus cash flow and funds from the wider group to make overpayments on its borrowing facilities.

The directors are not aware of any likely changes in the group's activities next year and there have been no events since the year end affecting the group that require disclosure in the financial statements.

The group made a profit before tax for the year of £2,099,622 (2021 - £158,433). The statement of financial position shows total assets of £47,161,228 (As at 30 December 2021 - £47,788,685), total liabilities of £35,042,253 (As at 30 December 2021 - £38,544,997) and net assets of £12,118,975 (As at 30 December 2021 - £9,243,688).

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

	<b>Unit</b>	<b>2022</b>	<b>2021</b>
EBITDA [1]	£	4,830,590	3,629,899
Cash generated from operations	£	2,939,471	(3,068,135)

All key performance indicators have been calculated on the group's continuing businesses.

[1] - Adjusted EBITDA = Earnings before interest, tax, depreciation and amortisation adjusted to remove exceptional items.

The reasons for the change in EBITDA are discussed above.

Cash generated from operations increased in 2022 due to the improvement in the level of underlying profitability. In 2021 there was an outflow of cash due to investing more in stock and debtors.

#### **Principal risks and uncertainties**

The performance of the group is to some extent determined by the general market and by its relationships with its key suppliers. The loss of key customer and supplier relationships is a key risk identified by the directors.

During 2022 the ongoing risk from coronavirus has reduced as we have become used to new ways of working. As the governments across Europe have moved from lock down to living with covid we have been able to adapt our working practices whilst maintaining safe working systems to maintain our commitment to providing a safe environment.

The group's overall risk management programme focuses on the unpredictability of the marketplace and seeks to minimise potential adverse effects on the group's financial performance. Risk management is carried out by the operating divisions under policies approved by the board of directors.

## **Cathay Investments Limited**

### **Strategic Report for the Year Ended 30 December 2022**

#### **Directors' statement of compliance with duty to promote the success of the company**

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the Companies Act 2006 which is summarised as follows:

A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a. the likely consequences of any decision in the long term;
- b. the interests of the company's employees;
- c. the need to foster the company's business relationships with suppliers, customers and others;
- d. the impact of the company's operations on the community and the environment;
- e. the desirability of the company maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly as between members of the company.

We provide key business services to our clients which underpin their business supply chains. It is important that we effectively identify, evaluate and manage risks we face, and we continue to evolve our approach to risk management. For details of principal risks and uncertainties see the relevant sections of the strategic and directors' reports. The following paragraphs summarise how the Directors fulfil their duties:

#### *Our people*

The group is committed to being a responsible business and to consult and discuss with employees matters which are likely to affect their interest and we aim to increase awareness of the wider group with employees of the Company through regular briefings and newsletters.

#### *Shareholders*

Immediate shareholders comprise the minority and majority shareholders and the ultimate shareholders of Chaing Equities Limited. All of the individuals are either directors of the company or senior employees within the wider group structure. Communication and regular engagement with Shareholders is given a high priority by the Directors.

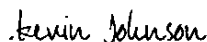
#### *Business relationships*

Our strategy prioritises cross selling and upselling of services to existing clients. To do this we need to maintain strong client relationships. We value all of our suppliers and enter into appropriate contracts where necessary. Further details are in the directors' report.

#### *Community and environment*

By its nature, the business has numbers of trucks driving on the road each day and the biggest impact on the wider community is how drivers and employees interact with the community as they carry out their business. We are committed to reducing incidents involving our fleet and we provide training and hold discussions to promote this with everyone involved in fleet operations.

Approved by the Board on 27 September 2023 and signed on its behalf by:



.....  
K Johnson  
Director

## **Cathay Investments Limited**

### **Directors' Report for the Year Ended 30 December 2022**

The directors present their report and the consolidated financial statements for the year ended 30 December 2022.

#### **Directors of the group**

The directors, who held office during the year, were as follows:

B Chaing

K Johnson

#### **Principal activities**

The principal activity of the company is that of a holding company and activities of head offices.

The principal activities of the group are:

- the import and distribution of chemicals and related products;
- the distribution of products to the thermoset industry;
- the sale and manufacture of equipment for the educational and scientific markets;
- the manufacture and supply of optical instruments for the optician and the gemmologist markets; and
- the development, distribution and global marketing of non-woven products for industrial applications in the cable, composites, automotive, construction and packaging industries.

#### **Dividends**

The directors recommend that no dividend be paid (2021 - £nil).

#### **Financial instruments**

##### **Price risk, credit risk, liquidity risk and cash flow risk**

The group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, credit risk, liquidity risk and currency risk.

With the exception of currency risk the group does not have any material exposures in any of these areas and, consequently, does not use derivative instruments to manage these exposures. The group's principal financial instruments comprise bank loans, preference shares, sterling cash and bank deposits, together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the group's financial instruments can be analysed as follows:

##### *Price risk*

The group is not exposed to equity securities price risk or commodities price risk. The company is exposed to price risk in respect of utility bills and general inflation. Significant increases in energy costs have been incurred in the year and are expected to be sustained in future years. It is unlikely the group will be able to secure fixed price energy contracts in the short to medium term. High levels of inflation in the economy, coupled with increases in the wage rates, have also led to costs pressure.

##### *Foreign currency risk*

The group has some exposure to foreign currency risk as its primary supplies are purchased in Euros and US Dollars and its sales are predominantly in Euros and Sterling. The group manages this risk by holding funds in multiple currencies. The group also has exposure to currency risk from its overseas acquisitions which is managed on an as needed basis. The group also has a natural hedge by drawing bank funding for Euro acquisitions in Euros.

##### *Credit risk*

The group has no significant concentrations of customer credit risk. It has policies in place to ensure that sales of products and services are made to credit approved customers although not all of the customers are insurable.

##### *Liquidity risk*

The group is funded by shareholder's funds, director's loans and bank debt. The group is exposed to risk through having loan repayment obligations as described in note 21. There are no significant repayments falling due immediately and the group monitors its cash flow and loan maturities carefully to manage these risks.

##### *Cash flow interest rate risk*

Group policy is to obtain short term borrowing on fixed rates when required. All current borrowings are on variable rates.

## **Cathay Investments Limited**

### **Directors' Report for the Year Ended 30 December 2022**

#### **Employee involvement**

The group's policy is to consult and discuss with employees, matters likely to affect employees' interests and we aim to increase awareness of the wider group with employees of the group through regular briefings and newsletters.

#### **Employment of disabled persons**

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retaining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

#### **Engagement with suppliers, customers and others**

We engage with customers at all levels of the business. There is day to day engagement by operations staff making pick ups and deliveries and by the customer services team, regular engagement by operations managers and key client contacts, and where necessary by directors to ensure that clients are happy and appropriate contracts are in place.

We take reasonable steps to ensure our suppliers comply with our standards such as those relating to modern slavery.

#### **Going concern**

The directors have considered carefully the appropriateness of adopting the going concern basis for these accounts.

The company is part of a larger group, headed by Chaing Equities Limited (the Group) and the ability of the Company to continue as a going concern is linked to the health of the Group in general. The Company and Group has three primary sources of funding:

- Cash generated from the profits of the Group;
- Loans from shareholders / directors (which are subordinate to the bank funding described below); and
- Bank facilities provided by HSBC UK Bank plc.

Although each company handles its own cash and bank accounts on a day to day basis, the group bank facilities and liquidity in general are managed centrally.

In considering the going concern basis, the directors have prepared a forecast model including monthly profit and loss accounts, balance sheets and cash flows for the period to 31 December 2024. The forecast is built on a bottom up basis, company by company, and adopts 2022 as its base year. The results for 2022 are based on the actual results. Following the successful roll-out of vaccines and subsequent relaxation of Covid restrictions during 2021, the impact of Covid-19 on the forecast is very limited. However, current high rates of inflation, increasing interest rates and the threat of recession may impact the company and the forecast assumes no significant growth generally.

The Group as a whole has different lines of business and operates across several European countries. The impact of recession may differ across different countries and different businesses.

In our chemicals and materials business, there was a definite downturn in demand during the initial lockdowns across all territories and turnover fell significantly. 2021 saw some improvement as the effects of Covid eased and this continued into 2022 with Lantor in particular seeing rapid growth in sales. The operations of these companies were also affected in 2021 by a worldwide shortage of raw materials and spiralling transport costs although again, this eased somewhat in the first half of 2022. As a manufacturing entity, Lantor has been particularly impacted by increases in energy costs and has seen a near quadrupling of annual spend on energy costs since 2020. However, that has eased slightly toward the end of 2022 and in early 2023. This is not assumed to improve further, indeed total costs are forecast to be higher, although gas prices have dropped a little in recent months. Cost increases have been mitigated by growth in sales and strong cost control.

Our logistics businesses, which operate predominantly in the UK, benefited from increased consumer demand online during the Covid pandemic. As anticipated this has softened during 2022 and the threat of recession means this is unlikely to improve for the time being. However, over the last 12 months our sales mix has also moved more toward B2B and long term storage customers and this helped us to significantly improve margins during 2022.

## **Cathay Investments Limited**

### **Directors' Report for the Year Ended 30 December 2022**

#### **Going concern (continued)**

With regard to bank facilities, these fall into two main categories:

- Invoice Finance facilities - these provide working capital funding for many of the Group companies, particularly those in the UK.
- Senior debt loan facilities that were used to fund previous acquisitions.

The loan facilities are fully drawn, but the invoice finance facilities are not. Whilst the drawn balance on invoice finance facilities fluctuates according to need, those facilities have never been fully drawn and there is no expectation that they will be. This is supported by the forecasts, which assume no additional draw on these facilities and suggest that considerable headroom will remain available. Cash balances and availability against these facilities are actively monitored by Group management on a weekly basis.

The bank facilities contain certain covenants that need to be met. The principal covenants relate to leverage and debt service, ratios that take a measure of EBITDA divided by debt and a measure of cash flow divided by debt service respectively. Our leverage must remain below 2.5x (excluding working capital facilities). Our cash flows must remain above 1.2x debt service requirements. These covenants have been met throughout 2021, 2022 and 2023 to date and the forecasts indicate that they will continue to be met.

The facilities secure funding for the group until Q1 2025.

In forming their conclusion the directors have also considered various alternative scenarios, principally incorporating unexpected falls in sales into the forecast. In all scenarios the forecasts show continued strong levels of cash and continuing availability against invoice finance facilities. This also ignores any further mitigating actions that management could take if required, for example, further working capital management and/or cost reductions.

As a consequence the directors consider it appropriate to adopt the going concern basis for these accounts.

#### **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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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 group and the company and of the profit or loss of the group and the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider that the annual report and the financial statements, taken as a whole, provide the information necessary to assess the company's performance, business model and strategy and are fair, balanced and understandable.



## **Cathay Investments Limited**

### **Directors' Report for the Year Ended 30 December 2022**

#### **Directors' responsibilities statement (continued)**

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge:

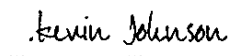
- the financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

#### **Disclosure of information to the auditor**

The directors confirm that:

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

Approved by the Board on 27 September 2023 and signed on its behalf by:



.....  
K Johnson  
Director

## **Independent auditor's report to the members of Cathay Investments Limited**

### **Opinion**

We have audited the financial statements of Cathay Investments Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 December 2022, which comprise Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 group and the parent 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**

We are responsible for concluding 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 group's and the parent 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 report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as the current economic environment, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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 group's and the parent 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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

## **Independent auditor's report to the members of Cathay Investments Limited**

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

### **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the group and the parent 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.

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 for the financial statements**

As explained more fully in the directors' responsibilities statement set out on pages 6 and 7, 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 group's and the parent 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 group or the parent 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.

## **Independent auditor's report to the members of Cathay Investments Limited**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

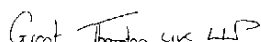
- We understood how the group and parent are complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (International and UK GAAP and the Companies Act 2006).
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices.
- We assessed the susceptibility of the group and parent's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries that increased revenues; and
  - potential management bias in journals, determining accounting estimates and any significant transactions outside of the normal conduct of business operations.
- Our audit procedures involved:
  - evaluation of the design effectiveness and assessing the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on material journals, including those with unusual account combinations and those that reclassified costs from the income statement to the balance sheet;
  - challenging assumptions and judgements made by management in its significant accounting estimates; and
  - assessing the extent of compliance with the relevant laws and regulations and part of our procedures on the related financial statement item.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations through the following:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
  - knowledge of the industry in which the client operates.

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

## **Independent auditor's report to the members of Cathay Investments Limited**

### **Use of our report**

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



.....  
Marc Summers BSc (Hons) FCA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
LONDON  
Date: 27/9/2023

**Cathay Investments Limited****Consolidated Income Statement for the Year Ended 30 December 2022**

	<b>Note</b>	<b>2022 £</b>	<b>2021 £</b>
Revenue	5	70,861,997	67,551,146
Cost of sales		(47,298,491)	(47,694,190)
Gross profit		23,563,506	19,856,956
Other income	8	-	24,004
Distribution costs		(6,428,514)	(7,284,634)
Administrative expenses		(13,819,095)	(11,468,936)
Operating profit	6	3,315,897	1,127,390
Finance income		4,736	339
Finance costs		(1,221,011)	(969,296)
Net finance cost	7	(1,216,275)	(968,957)
Profit before tax		2,099,622	158,433
Tax expense	11	(1,000,747)	(246,072)
Profit/(loss) for the year		1,098,875	(87,639)
<b>Profit/(loss) attributable to:</b>			
Owners of the company		1,098,875	(87,639)

The above results were derived from continuing operations.

# **Cathay Investments Limited**

## **Consolidated Statement of Comprehensive Income for the Year Ended 30 December 2022**

	<b>2022</b> <b>£</b>	<b>2021</b> <b>£</b>
Profit/(loss) for the year	1,090,875	(87,639)
<b>Items that may be reclassified subsequently to profit or loss</b>		
Foreign currency translation profits/(losses)	1,776,412	(1,453,493)
Total comprehensive profit/(loss) for the year	<u>2,875,287</u>	<u>(1,541,132)</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the company	<u>2,875,287</u>	<u>(1,541,132)</u>

The notes on pages 20 to 51 form an integral part of these financial statements.

**Cathay Investments Limited****(Registration number: 04703140)****Consolidated Statement of Financial Position as at 30 December 2022**

	Note	2022 £	2021 £
<b>Non-current assets</b>			
Property, plant and equipment	12	8,663,640	8,722,124
Intangible assets	13	13,255,205	12,574,840
Deferred tax assets	11	135,307	78,292
		<u>22,054,152</u>	<u>21,375,256</u>
<b>Current assets</b>			
Inventories	16	11,978,286	10,865,319
Trade and other receivables	17	10,210,147	11,732,548
Cash and cash equivalents	18	2,918,643	3,815,562
		<u>25,107,076</u>	<u>26,413,429</u>
Total assets		<u>47,161,228</u>	<u>47,788,685</u>
<b>Equity</b>			
Share capital	19	340,287	340,287
Share premium		406,230	406,230
Capital redemption reserve		153,533	153,533
Foreign currency translation reserve		6,426	(1,769,986)
Retained earnings		11,212,499	10,113,624
Equity attributable to owners of the company		<u>12,118,975</u>	<u>9,243,688</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	16,605,874	18,522,874
Lease liability	15	672,840	865,693
Provisions	23	773,033	609,545
Deferred tax liabilities	11	818,208	790,561
		<u>18,869,955</u>	<u>20,788,673</u>
<b>Current liabilities</b>			
Trade and other payables	24	13,080,992	15,284,431
Loans and borrowings	21	2,000,000	2,000,000
Lease liability	15	416,095	471,893
Tax liability		675,211	-
		<u>16,172,298</u>	<u>17,756,324</u>
Total liabilities		<u>35,042,253</u>	<u>38,544,997</u>
Total equity and liabilities		<u>47,161,228</u>	<u>47,788,685</u>

Approved by the Board on 27 September 2023 and signed on its behalf by:

*Kevin Johnson*  
 .....  
 K Johnson  
 Director

The notes on pages 20 to 51 form an integral part of these financial statements.



**Cathay Investments Limited****(Registration number: 04703140)****Company Statement of Financial Position as at 30 December 2022**

	Note	2022 £	2021 £
<b>Non-current assets</b>			
Property, plant and equipment	12	7,801	14,285
Investments	14	33,313,808	33,313,808
		<u>33,321,609</u>	<u>33,328,093</u>
<b>Current assets</b>			
Trade and other receivables	17	641,434	2,005,488
Cash and cash equivalents	18	497,411	819,925
		<u>1,138,845</u>	<u>2,825,413</u>
Total assets		<u><u>34,460,454</u></u>	<u><u>36,153,506</u></u>
<b>Equity</b>			
Share capital	19	340,287	340,287
Share premium		406,230	406,230
Capital redemption reserve		153,533	153,533
Retained earnings		(4,859,594)	(3,956,357)
Total equity		<u>(3,959,544)</u>	<u>(3,056,307)</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	16,605,874	18,522,874
Lease liability	15	820	5,231
		<u>16,606,694</u>	<u>18,528,105</u>
<b>Current liabilities</b>			
Trade and other payables	24	19,808,894	18,675,022
Loans and borrowings	21	2,000,000	2,000,000
Lease liability	15	4,410	6,686
		<u>21,813,304</u>	<u>20,681,708</u>
Total liabilities		<u>38,419,998</u>	<u>39,209,813</u>
Total equity and liabilities		<u><u>34,460,454</u></u>	<u><u>36,153,506</u></u>

Approved by the Board on 27 September 2023 and signed on its behalf by:

*Kevin Johnson*.....  
K Johnson  
Director

**Cathay Investments Limited****Consolidated Statement of Changes in Equity for the Year Ended 30 December 2022**

	Share capital £	Share premium £	Capital redemption reserve £	Foreign currency translation £	Retained earnings £	Total equity attributable to the owners of the parent company £
At 31 December 2020	340,287	406,230	153,533	(316,493)	10,201,263	10,784,820
Loss for the year	-	-	-	-	(87,639)	(87,639)
Other comprehensive income	-	-	-	(1,453,493)	-	(1,453,493)
Total comprehensive income	-	-	-	(1,453,493)	(87,639)	(1,541,132)
At 30 December 2021	340,287	406,230	153,533	(1,769,986)	10,113,624	9,243,688

	Share capital £	Share premium £	Capital redemption reserve £	Foreign currency translation £	Retained earnings £	Total equity attributable to the owners of the parent company £
At 31 December 2021	340,287	406,230	153,533	(1,769,986)	10,113,624	9,243,688
Profit for the year	-	-	-	-	1,098,875	1,098,875
Other comprehensive income	-	-	-	1,776,412	-	1,776,412
Total comprehensive income	-	-	-	1,776,412	1,098,875	2,875,287
At 30 December 2022	340,287	406,230	153,533	6,426	11,212,499	12,118,975

The notes on pages 20 to 51 form an integral part of these financial statements.

**Cathay Investments Limited****Company Statement of Changes in Equity for the Year Ended 30 December 2022**

	Share capital £	Share premium £	Capital redemption reserve £	Retained earnings £	Total £
At 31 December 2020	340,287	406,230	153,533	(2,935,512)	(2,035,462)
Loss for the year	-	-	-	(1,020,845)	(1,020,845)
Total comprehensive income	-	-	-	(1,020,845)	(1,020,845)
At 30 December 2021	340,287	406,230	153,533	(3,956,357)	(3,056,307)

	Share capital £	Share premium £	Capital redemption reserve £	Retained earnings £	Total £
At 31 December 2021	340,287	406,230	153,533	(3,956,357)	(3,056,307)
Loss for the year	-	-	-	(903,237)	(903,237)
Total comprehensive income	-	-	-	(903,237)	(903,237)
At 30 December 2022	340,287	406,230	153,533	(4,859,594)	(3,959,544)

The notes on pages 20 to 51 form an integral part of these financial statements.

**Cathay Investments Limited****Consolidated Statement of Cash Flows for the Year Ended 30 December 2022**

	Note	2022 £	2021 £
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		1,098,875	(87,639)
Adjustments to cash flows from non-cash items:			
Depreciation, amortisation and impairment	6	1,338,007	1,890,869
Gain on disposal of property, plant and equipment	6	6,826	(18,095)
Finance income	7	(4,736)	(339)
Finance costs	7	1,221,011	969,296
Tax expense	11	1,000,747	246,072
		<u>4,660,730</u>	<u>3,000,164</u>
Working capital adjustments:			
Increase in inventories	16	(1,112,967)	(2,403,139)
Decrease/(increase) in trade and other receivables	17	1,522,401	(3,983,655)
(Decrease)/increase in trade and other payables	24	(2,264,813)	556,232
Increase/(decrease) in provisions	23	163,488	(116,281)
Decrease in deferred tax	11	(29,368)	(121,456)
Cash generated from operations		<u>2,939,471</u>	<u>(3,068,135)</u>
Income taxes paid		<u>(325,536)</u>	<u>(310,562)</u>
Net cash flow from operating activities		<u>2,613,935</u>	<u>(3,378,697)</u>
<b>Cash flows from investing activities</b>			
Interest received	7	4,736	339
Acquisitions of property, plant and equipment		<u>(437,669)</u>	<u>(331,548)</u>
Net cash used in investing activities		<u>(432,933)</u>	<u>(331,209)</u>
<b>Cash flow from financing activities</b>			
Interest paid	7	(1,221,011)	(969,296)
Repayment of lease liabilities		(513,749)	(750,584)
Repayment of loans and borrowings	21	(1,917,000)	(915,826)
Increase in invoice discounting facility	24	61,374	3,362,665
Net cash used in financing activities		<u>(3,590,386)</u>	<u>726,959</u>
Net decrease in cash and cash equivalents		<u>(1,409,384)</u>	<u>(2,982,947)</u>
Cash and cash equivalents at 31 December	18	3,815,562	6,872,663
Effect of exchange rate fluctuations on cash held		512,465	(74,154)
Cash and cash equivalents at 30 December	18	<u>2,918,643</u>	<u>3,815,562</u>

The notes on pages 20 to 51 form an integral part of these financial statements.

**Cathay Investments Limited****Company Statement of Cash Flows for the Year Ended 30 December 2022**

	<b>Note</b>	<b>2022 £</b>	<b>2021 £</b>
<b>Cash flows from operating activities</b>			
Loss for the year	3	(903,237)	(1,020,845)
Adjustments to cash flows from non-cash items:			
Depreciation	12	7,729	10,879
Loss on disposal of property, plant and equipment		-	1,051
Finance income		(9,217)	(54,064)
Finance costs		1,060,285	851,044
Tax credit		-	(173)
		<u>155,560</u>	<u>(212,108)</u>
Working capital adjustments:			
Increase in trade and other receivables	17	1,364,054	2,073,273
Decrease/(increase) in trade and other payables	24	<u>1,133,872</u>	<u>(54,786)</u>
Net cash flows from operating activities		<u>2,653,486</u>	<u>1,806,379</u>
<b>Cash flows from investing activities</b>			
Interest received		9,217	54,064
Acquisitions of property, plant and equipment	12	<u>(1,245)</u>	<u>(16,524)</u>
Net cash flows from investing activities		<u>7,972</u>	<u>37,540</u>
<b>Cash flows from financing activities</b>			
Interest paid		(1,060,285)	(851,044)
Repayment of lease liabilities		(6,687)	2,288
Repayment of loans and borrowings	21	<u>(1,917,000)</u>	<u>(915,826)</u>
Net cash flows used in financing activities		<u>(2,983,972)</u>	<u>(1,764,582)</u>
Net (decrease)/increase in cash and cash equivalents		(322,514)	79,337
Cash and cash equivalents at 31 December	18	<u>819,925</u>	<u>740,588</u>
Cash and cash equivalents at 30 December	18	<u><u>497,411</u></u>	<u><u>819,925</u></u>

## **Cathay Investments Limited**

### **Notes to the Financial Statements for the Year Ended 30 December 2022**

#### **1 General information**

The company is a private company limited by share capital incorporated and domiciled in England and Wales.

The nature of the group's and the company's operations and its principal activities are set out in the Strategic Report and the Directors' Report.

The address of its registered office and principal place of business is:

43 Friends Road  
Croydon  
United Kingdom  
CR0 1ED

#### **2 Adoption of new and revised standards**

##### **New standards, interpretations and amendments effective**

During the financial year, there were no new IFRSs or IFRIC interpretations that were effective for the first time that would be expected to have a material impact on the group and the company.

The following pronouncements have been adopted in the year and either had no impact on the financial statements or resulted in changes to presentation and disclosure only:

- Annual improvements to the IFRS standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16); effective 1 January 2022
- Onerous Contracts - Cost of fulfilling a Contract (Amendments to IAS 37); effective 1 January 2022
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); effective 1 January 2022
- Reference to the Conceptual Framework (Amendments to IFRS 3); effective 1 January 2022

##### **New standards, interpretations and amendments not yet effective**

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the group and the company, which have not been applied in these financial statements, were in issue but not yet effective:

- Classification regarding the disclosure of accounting policies (Amendments to IAS 1); effective 1 January 2023
- Definition of Accounting Estimates (Amendments to IAS 8); effective 1 January 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12); effective 1 January 2023
- Leases: Seller-lessee subsequently measuring sale and leaseback (amendments to IFRS 16); effective 1 January 2024
- Disclosure of Accounting Policies (Amendments to IAS 1); effective 1 January 2024

None of the other standards, interpretations and amendments which are effective for periods beginning after 31 December 2022 and which have not been adopted early are expected to have a material effect on the financial statements. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

## **Cathay Investments Limited**

### **Notes to the Financial Statements for the Year Ended 30 December 2022**

#### **3 Accounting policies**

##### **Statement of compliance**

The group and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) including standards and interpretations issued by the International Accounting Standards Board (IASB) and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Basis of preparation**

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 on an accruals basis and under historical cost accounting rules.

The preparation of financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates and rounded to the nearest pound.

##### **Going concern**

The directors have considered carefully the appropriateness of adopting the going concern basis for these accounts.

The company is part of a larger group, headed by Chaing Equities Limited (the group) and the ability of the company to continue as a going concern is linked to the health of the group in general. The company and group has three primary sources of funding

- Cash generated from the profits of the Group;
- Loans from shareholders / directors (which are subordinate to the bank funding described below); and
- Bank facilities provided by HSBC UK Bank plc.

Although each company handles its own cash and bank accounts on a day to day basis, the group bank facilities and liquidity in general are managed centrally.

In considering the going concern basis, the directors have prepared a forecast model including monthly profit and loss accounts, balance sheets and cash flows for the period to 31 December 2024. The forecast is built on a bottom up basis, company by company, and adopts 2022 as its base year. The results for 2022 are based on the actual results. Following the successful roll-out of vaccines and subsequent relaxation of Covid restrictions during 2021, the impact of Covid-19 on the forecast is very limited. However, current high rates of inflation, increasing interest rates and the threat of recession may impact the company and the forecast assumes no significant growth generally.

The group as a whole has different lines of business and operates across several European countries. The impact of recession may differ across different countries and different businesses.

## **Cathay Investments Limited**

### **Notes to the Financial Statements for the Year Ended 30 December 2022**

#### **3 Accounting policies (continued)**

##### **Going concern (continued)**

In our chemicals and materials business, there was a definite downturn in demand during the initial lockdowns across all territories and turnover fell significantly. 2021 saw some improvement as the effects of Covid eased and this continued into 2022 with Lantor in particular seeing rapid growth in sales. The operations of these companies were also affected in 2021 by a worldwide shortage of raw materials and spiralling transport costs although again, this eased somewhat in the first half of 2022. As a manufacturing entity, Lantor has been particularly impacted by increases in energy costs and has seen a near quadrupling of annual spend on energy costs since 2020. However, that has eased slightly toward the end of 2022 and in early 2023. This is not assumed to improve further, indeed total costs are forecast to be higher, although gas prices have dropped a little in recent months. Cost increases have been mitigated by growth in sales and strong cost control.

Our logistics businesses, which operate predominantly in the UK, benefited from increased consumer demand online during the Covid pandemic. As anticipated this has softened during 2022 and the threat of recession means this is unlikely to improve for the time being. However, over the last 12 months our sales mix has also moved more toward B2B and long term storage customers and this helped us to significantly improve margins during 2022.

All of our companies have to date been able to trade throughout the Covid affected period and it is assumed that this will continue. No structural changes are required in order to achieve this.

With regard to bank facilities, these fall into two main categories:

- *Invoice Finance facilities* - these provide working capital funding for many of the Group companies, particularly those in the UK.
- Senior debt loan facilities that were used to fund previous acquisitions.

The loan facilities are fully drawn, but the invoice finance facilities are not. Whilst the drawn balance on invoice finance facilities fluctuates according to need, those facilities have never been fully drawn and there is no expectation that they will be. This is supported by the forecasts, which assume no additional draw on these facilities and suggest that considerable headroom will remain available. Cash balances and availability against these facilities are actively monitored by Group management on a weekly basis.

The bank facilities contain certain covenants that need to be met. The principal covenants relate to leverage and debt service, ratios that take a measure of EBITDA divided by debt and a measure of cash flow divided by debt service respectively. Our leverage must remain below 2.5x (excluding working capital facilities). Our cash flows must remain above 1.2x debt service requirements. These covenants have been met throughout 2021, 2022 and 2023 to date and the forecasts indicate that they will continue to be met.

The facilities secure funding for the group until Q1 2025.

In forming their conclusion the directors have also considered various alternative scenarios, principally incorporating unexpected falls in sales into the forecast. In all scenarios the forecasts show continued strong levels of cash and continuing availability against invoice finance facilities. This also ignores any further mitigating actions that management could take if required, for example, further working capital management and/or cost reductions.

As a consequence the directors consider it appropriate to adopt the going concern basis for these accounts.

##### **Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 December 2022.

Some of the subsidiary undertakings have a reporting date of 31 December 2022. This is not deemed to be materially different to the Cathay Investments Limited reporting date.

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a loss after tax for the financial year of £903,237 (2021 - £1,020,845).

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.



## **Cathay Investments Limited**

### **Notes to the Financial Statements for the Year Ended 30 December 2022**

#### **3 Accounting policies (continued)**

##### **Basis of consolidation (continued)**

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full on consolidation.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

##### **Revenue recognition**

Revenue arises mainly from the sale of chemical related products (including non-woven materials and composite materials) and medical related products (including instruments and medical equipment).

To determine whether to recognise revenue, the group follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

The group often enters into transactions involving a range of the group's products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognised either at a point in time or over time, when (or as) the group satisfies performance obligations by transferring the promised goods or services to its customers.

*The group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other payables in the statement of financial position. Similarly, if the group satisfies a performance obligation before it receives the consideration, the group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.*

For the sale of chemicals and medical products revenue is recognised when the risks and rewards of ownership of the goods have transferred to the buyer which is usually at the point the customer has signed for delivery of the goods.

##### **Government grants**

The group has benefited from government grant support, in light of the Coronavirus pandemic, by way of the Coronavirus Job Retention Scheme (CJRS). These grants were received to compensate the group for the wages, associated national insurance and employers pension contributions of employees on furlough leave.

The CJRS grants are recognised at the date at which it is reasonably assured that the company and group will comply with the conditions attached and the grants will be received. The CJRS grants are recognised within other income in the Statement of Comprehensive Income and not netted against the wages and salaries expenses.

## **Cathay Investments Limited**

### **Notes to the Financial Statements for the Year Ended 30 December 2022**

#### **3 Accounting policies (continued)**

##### **Foreign currency transactions and balances**

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in foreign currencies are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognised in profit or loss in the period in which they arise.

All other exchange differences are recognised in the statement of comprehensive income in the period in which they are incurred.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

##### **Tax**

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

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from profit before tax as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The group's and company's corporation tax liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that such taxable profits will be available, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profits nor the accounting profit.

The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt within equity.

##### **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. The group and the company recognises the carrying amount of property, plant and equipment, and the subsequent costs of replacing part of such items when there is an indication of future economic benefit. All other costs are recognised in the statement of comprehensive income as an expense as they are incurred.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

## Cathay Investments Limited

### Notes to the Financial Statements for the Year Ended 30 December 2022

#### 3 Accounting policies (continued)

##### Depreciation

Property, plant and equipment is not depreciated until it is brought into use.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land and buildings	
- Freehold buildings	2% per annum straight line
- Leasehold improvements	13 years straight line
- Short term leasehold property	Over the life of the lease
Other property, plant and equipment	
- Plant and machinery	Between 4 and 8 years per annum straight line and 33% per annum reducing balance
- Fixtures and fittings	15-33% per annum reducing balance
- Equipment	25-33% per annum reducing balance

In the case of right-of-use assets, expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

##### Business combinations

The acquisition method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. Acquisition costs are expensed as incurred.

##### Goodwill

Goodwill comprises goodwill arising on consolidation and goodwill arising at acquisition.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit and loss and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to units of the business to which independent cash flows can largely be attributed ("cash-generating units"). Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a cash-generating unit the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

##### Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss.

Customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

## **Cathay Investments Limited**

### **Notes to the Financial Statements for the Year Ended 30 December 2022**

#### **3 Accounting policies (continued)**

##### **Amortisation**

Other intangible fixed assets are not depreciated until they are brought into use.

Goodwill is not subject to amortisation but is tested for impairment.

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

<b>Asset class</b>	<b>Amortisation method and rate</b>
Licenses	5 years per annum straight line
Customer lists	5 years per annum straight line

##### **Leasing**

All leases are negotiated on an individual basis and contain a wide variety of different terms and conditions.

The company and group assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Measurement and recognition of leases as a lessee:

At the lease commencement date, the company and group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which comprises of the initial measurement of the liability, any initial direct costs incurred by the company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The company and group depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company and group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the company and group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the company's or group incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the company and group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The company and group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

##### **Investments**

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. This definition is also used for the statement of cash flows.

## **Cathay Investments Limited**

### **Notes to the Financial Statements for the Year Ended 30 December 2022**

#### **3 Accounting policies (continued)**

##### **Trade and other receivables**

Trade and other receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Across the group cost is determined using either the first-in, first-out (FIFO) method or the weighted-average cost method.

Cost includes all directly attributable expenditure necessary to bring the stocks to their existing condition and location.

An allowance is recorded for obsolescence.

##### **Trade and other payables**

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Borrowings**

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the statement of comprehensive income over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

##### **Provisions**

Provisions are recognised where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated. Provisions are recorded for the estimated ultimate liability that is expected to arise, taking into account the time value of money. A contingent liability is disclosed where the existence of the obligations will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability.

##### **Impairment of non-financial assets**

At the end of each reporting period, the group reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

## **Cathay Investments Limited**

### **Notes to the Financial Statements for the Year Ended 30 December 2022**

#### **3 Accounting policies (continued)**

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Redeemable preference shares have the characteristics of a liability and are recognised in the statement of financial position as a liability, net of issue costs.

##### **Dividends**

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

##### **Defined contribution pension obligation**

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

##### **Financial assets and liabilities**

###### **Recognition and derecognition**

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

###### **Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the group does not have any financial assets categorised as FVTPL or FVOCI.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

###### **Subsequent measurement of financial assets**

###### **Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

## **Cathay Investments Limited**

### **Notes to the Financial Statements for the Year Ended 30 December 2022**

#### **3 Accounting policies (continued)**

##### **Impairment of financial assets**

Recognition of credit losses is no longer dependent on the group first identifying a credit loss event. Instead the group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

##### **Trade and other receivables and contract assets**

The group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics.

##### **Classification and measurement of financial liabilities**

The group's financial liabilities include borrowings, leases, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges are reported in profit or loss and are included within finance costs or finance income.

## **Cathay Investments Limited**

### **Notes to the Financial Statements for the Year Ended 30 December 2022**

#### **4 Critical accounting judgements and key sources of estimation uncertainty**

In the process of applying the group's and company's accounting policies, the following judgements and key assumptions concerning the future have had the most significant effect on the amounts recognised in the financial statements:

##### **Provisions**

Provisions are recognised when management are satisfied that an outflow of economic benefits is probable and a reliable estimate can be made of the obligation. The determination of the provision requires significant judgement.

##### **Leases - incremental borrowing rate**

At the commencement date of a lease, the group measures the lease liability as the present value of the lease payments unpaid at that date, discounted using the group's incremental borrowing rate (IBR).

The IBR is the estimated rate that the group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. A different IBR has been selected for each class of leased asset; buildings, cars, commercial equipment and office equipment.

In determining the IBR for each class of leased asset, current commercially available information for comparable lease types were reviewed and the most appropriate rates selected. The determination of the IBR requires significant judgement.

##### **Impairment of property, plant and equipment and intangible assets**

The group tests goodwill, at least annually for impairment, and tests all other tangible and intangible assets when indicators of impairment exist. Impairment is determined with reference to the higher of net realisable value and value in use. Value in use is estimated using adjusted future cash flows from the cash-generating unit and a suitable discount rate in order to calculate present value. Significant other assumptions about future events, including future market conditions and future growth rates, are made in estimating future cash flows. Changes in these assumptions could affect the outcome of impairment reviews.

##### **Goodwill and intangible assets**

The group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combination. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which any goodwill is attributed, any legal or regulatory provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

##### **Inventory valuation**

Inventories are stated at the lower of cost and net realisable value. The determination of inventory provisions requires significant judgement. In making this judgement the group evaluates amongst other factors the age and physical condition of inventory and its expected saleability based on forecast demand for the products taking into account expected trading conditions.



## Cathay Investments Limited

### Notes to the Financial Statements for the Year Ended 30 December 2022

#### 5 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

	2022	2021
	£	£
Revenue from contracts with customers	<u>70,861,997</u>	<u>67,551,146</u>

In the following tables, revenue from contracts with customers is disaggregated by primary geographical market, major product and service lines and timing of revenue recognition:

	2022	2021
	£	£
<b>Primary geographical markets</b>		
UK	13,537,448	17,637,371
Europe	41,146,386	36,474,778
Rest of world	<u>16,178,163</u>	<u>13,438,997</u>
	<u>70,861,997</u>	<u>67,551,146</u>

	2022	2021
	£	£
<b>Major products and service lines</b>		
Chemicals related products	69,061,816	65,667,797
Medical related products	855,181	983,349
Management charges	<u>945,000</u>	<u>900,000</u>
	<u>70,861,997</u>	<u>67,551,146</u>

	2022	2021
	£	£
<b>Timing of revenue recognition</b>		
Products transferred at a point in time	69,916,997	66,651,146
Services transferred over time	<u>945,000</u>	<u>900,000</u>
	<u>70,861,997</u>	<u>67,551,146</u>

#### 6 Operating profit

Arrived at after charging/(crediting):

	Note	2022	2021
		£	£
Depreciation expense	12	1,258,500	1,588,104
Amortisation expense	13	79,507	302,765
Foreign exchange losses		128,112	267,834
Exceptional item - redundancy costs	8	113,440	173,775
Exceptional item - aborted transaction and other legal costs		-	1,720
Exceptional item - closure of overseas subsidiary		3,779	(4,388)
Exceptional item - settlement		-	106,825
Exceptional item - maintenance stock write down		-	148,460
Exceptional item - loan refinancing		-	117,235
Exceptional item - reorganisation		20,000	68,013
Exceptional item - moving costs		21,750	-
Exceptional item - write off exhibition costs		12,217	-
Exceptional item - other		<u>5,500</u>	<u>-</u>

**Cathay Investments Limited****Notes to the Financial Statements for the Year Ended 30 December 2022****7 Finance income and costs**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Finance income</b>		
Interest income on bank deposits	4,736	339
Total finance income	<u>4,736</u>	<u>339</u>
<b>Finance costs</b>		
Interest on bank overdrafts and borrowings	(968,447)	(777,298)
Interest on leased assets	(88,654)	(111,683)
Interest expense on inter group loans	-	2,456
Other finance costs	(163,910)	(82,771)
Total finance costs	<u>(1,221,011)</u>	<u>(969,296)</u>
Net finance costs	<u>(1,216,275)</u>	<u>(968,957)</u>

**8 Staff costs**

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Wages and salaries	8,759,322	9,689,493
Social security costs	1,477,988	1,426,979
Pension and other post-employment benefit costs	890,482	1,009,484
Redundancy and payment in lieu	284,758	173,775
	<u>11,412,550</u>	<u>12,299,731</u>

During the year, the group received government grant support by way of the Coronavirus Job Retention Scheme (CJRS). The total grant income received was £nil (2021 - £24,004) which is included within other income in the statement of comprehensive income. The staff costs are shown gross of the CJRS grants received.

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Production	120	132
Administration and support	96	98
	<u>216</u>	<u>230</u>

**9 Directors' remuneration**

The directors' remuneration for the year was as follows:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Remuneration	<u>132,568</u>	<u>131,901</u>

**10 Auditor's remuneration**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Audit of the financial statements	30,000	25,750
Audit of the financial statements of subsidiaries of the company pursuant to legislation	135,390	131,500
	<u>165,390</u>	<u>157,250</u>
<b>Other fees to auditors</b>		
Taxation compliance services	<u>22,000</u>	<u>22,500</u>

**Cathay Investments Limited****Notes to the Financial Statements for the Year Ended 30 December 2022****11 Tax**

Tax charged/(credited) in the income statement:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Current taxation</b>		
Foreign tax	1,030,115	367,528
Total current income tax	<u>1,030,115</u>	<u>367,528</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(16,377)	(121,177)
Adjustments in respect of previous periods	<u>(12,991)</u>	<u>(279)</u>
Total deferred taxation	<u>(29,368)</u>	<u>(121,456)</u>
Tax expense in the income statement	<u><u>1,000,747</u></u>	<u><u>246,072</u></u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Profit before tax	2,099,622	158,433
Corporation tax at standard rate	398,928	30,102
Increase from effect of capital allowances depreciation	(997)	-
Increase/(decrease) from effect of different foreign tax rates on some earnings	237,792	(50,221)
Decrease from effect of revenues exempt from taxation	-	(7,980)
Increase from effect of expenses not deductible in determining taxable profit	144,213	68,785
Decrease from effect of foreign exchange	-	(7,864)
Deferred tax credit relating to changes in tax rates or laws	(62,757)	-
Decrease in deferred tax from adjustment for prior periods	(12,991)	(279)
Other differences	5	98,397
Deferred tax not recognised	296,554	115,131
Total tax charge	<u><u>1,000,747</u></u>	<u><u>246,072</u></u>

**Deferred tax****Group**

Deferred tax assets and liabilities

	<b>Asset</b>	<b>Liability</b>	<b>Net deferred tax</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>2022</b>			
Other items	135,307	(818,208)	(682,901)
	<u>135,307</u>	<u>(818,208)</u>	<u>(682,901)</u>

	<b>Asset</b>	<b>Liability</b>	<b>Net deferred tax</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>2021</b>			
Accelerated tax depreciation	77,722	-	77,722
Other items	-	(790,561)	(790,561)
Tax losses carry-forwards	570	-	570
	<u>78,292</u>	<u>(790,561)</u>	<u>(712,269)</u>

**Cathay Investments Limited****Notes to the Financial Statements for the Year Ended 30 December 2022****11 Tax (continued)**

Deferred tax movement during the year:

	<b>At 31 December 2021 £</b>	<b>Recognised in income £</b>	<b>At 30 December 2022 £</b>
Accelerated tax depreciation	77,722	(77,722)	-
Other items	(790,561)	107,660	(682,901)
Tax losses carry-forwards	570	(570)	-
Net tax assets/(liabilities)	<u>(712,269)</u>	<u>29,368</u>	<u>(682,901)</u>

Deferred tax movement during the prior year:

	<b>At 31 December 2020 £</b>	<b>Recognised in income £</b>	<b>At 30 December 2021 £</b>
Accelerated tax depreciation	68,978	8,744	77,722
Other items	(903,122)	112,561	(790,561)
Tax losses carry-forwards	419	151	570
Net tax assets/(liabilities)	<u>(833,725)</u>	<u>121,456</u>	<u>(712,269)</u>

**Cathay Investments Limited****Notes to the Financial Statements for the Year Ended 30 December 2022****12 Property, plant and equipment  
Group**

	<b>Land and buildings £</b>	<b>Other property, plant and equipment £</b>	<b>Total £</b>
<b>Cost of valuation</b>			
At 31 December 2020	10,238,937	38,127,085	48,366,022
Additions	309,821	554,498	864,319
Disposals	(201,711)	(530,717)	(732,428)
Foreign exchange movements	(590,001)	(2,350,682)	(2,940,683)
At 30 December 2021	<u>9,757,046</u>	<u>35,800,184</u>	<u>45,557,230</u>
At 31 December 2021	9,757,046	35,800,184	45,557,230
Additions	118,727	584,040	702,767
Disposals	-	(125,867)	(125,867)
Foreign exchange movements	488,711	1,932,204	2,420,915
At 30 December 2022	<u>10,364,484</u>	<u>38,190,561</u>	<u>48,555,045</u>
<b>Depreciation</b>			
At 31 December 2020	5,102,672	33,194,418	38,297,090
Charge for the year	259,086	1,329,018	1,588,104
Eliminated on disposals	(178,055)	(503,737)	(681,792)
Foreign exchange movements	(303,770)	(2,064,526)	(2,368,296)
At 30 December 2021	<u>4,879,933</u>	<u>31,955,173</u>	<u>36,835,106</u>
At 31 December 2021	4,879,933	31,955,173	36,835,106
Charge for the year	425,646	832,854	1,258,500
Eliminated on disposals	-	(119,041)	(119,041)
Foreign exchange movements	233,439	1,683,401	1,916,840
At 30 December 2022	<u>5,539,018</u>	<u>34,352,387</u>	<u>39,891,405</u>
<b>Carrying amount</b>			
At 30 December 2022	<u>4,825,466</u>	<u>3,838,174</u>	<u>8,663,640</u>
At 30 December 2021	<u>4,877,113</u>	<u>3,845,011</u>	<u>8,722,124</u>
At 31 December 2020	<u>5,136,265</u>	<u>4,932,667</u>	<u>10,068,932</u>

Included within the net book value of land and buildings above is £4,090,530 (2021 - £3,953,275) in respect of freehold land and buildings and £734,936 (2021 - £939,782) in respect of short leasehold land and buildings.

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	<b>2022 £</b>	<b>2021 £</b>
Land and buildings	751,029	939,782
Other property, plant and equipment	257,895	330,984
	<u>1,008,924</u>	<u>1,270,766</u>

**Cathay Investments Limited****Notes to the Financial Statements for the Year Ended 30 December 2022****12 Property, plant and equipment (continued)**  
**Company**

	<b>Other property, plant and equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>		
At 31 December 2020	37,051	37,051
Additions	16,524	16,524
Disposals	(27,086)	(27,086)
At 30 December 2021	26,489	26,489
At 31 December 2021	26,489	26,489
Additions	1,245	1,245
Disposals	(8,243)	(8,243)
At 30 December 2022	19,491	19,491
<b>Depreciation</b>		
At 31 December 2020	27,360	27,360
Charge for year	10,879	10,879
Eliminated on disposals	(26,035)	(26,035)
At 30 December 2021	12,204	12,204
At 31 December 2021	12,204	12,204
Charge for year	7,729	7,729
Eliminated on disposals	(8,243)	(8,243)
At 30 December 2022	11,690	11,690
<b>Carrying amount</b>		
At 30 December 2022	7,801	7,801
At 30 December 2021	14,285	14,285
At 31 December 2020	9,691	9,691

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	<b>2022 £</b>	<b>2021 £</b>
Other property, plant and equipment	6,115	12,669

**Cathay Investments Limited****Notes to the Financial Statements for the Year Ended 30 December 2022****13 Intangible assets****Group**

	<b>Goodwill</b>	<b>Customer lists</b>	<b>Other intangible assets</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost or valuation</b>				
At 31 December 2020	13,679,086	2,049,510	1,921,436	17,650,032
Foreign exchange movements	(776,101)	-	(111,066)	(887,167)
At 30 December 2021	12,902,985	2,049,510	1,810,370	16,762,865
At 31 December 2021	12,902,985	2,049,510	1,810,370	16,762,865
Foreign exchange movements	746,876	-	90,422	837,298
At 30 December 2022	13,649,861	2,049,510	1,900,792	17,600,163
<b>Amortisation</b>				
At 31 December 2020	621,510	2,049,510	1,294,455	3,965,475
Amortisation charge	-	-	302,765	302,765
Foreign exchange movements	-	-	(80,215)	(80,215)
At 30 December 2021	621,510	2,049,510	1,517,005	4,188,025
At 31 December 2021	621,510	2,049,510	1,517,005	4,188,025
Amortisation charge	-	-	79,507	79,507
Foreign exchange movements	-	-	77,426	77,426
At 30 December 2022	621,510	2,049,510	1,673,938	4,344,958
<b>Carrying amount</b>				
At 30 December 2022	13,028,351	-	226,854	13,255,205
At 30 December 2021	12,281,475	-	293,365	12,574,840
At 31 December 2020	13,057,576	-	626,981	13,684,557

In accordance with IAS 36 we have carried out an impairment review of the goodwill, other intangible assets and right of use assets of each of our group companies which are considered to be separate cash generating units. This has been done by comparing the carrying value to the value in use. The assessment has been based on the 2023 budget prepared at the beginning of the year which includes a 5 year forecast. Key assumptions affecting the valuation include:

- Forecast EBITDA for each year, as a proxy for operating cash flow;
- Assessment of a terminal value after 5 years;
- Company specific growth rates of between 0% and 5%; and
- Cash flows discounted at the Weighted Average Cost of Capital of the group after applying a single company premium dependent on the characteristics of each company of between 5% and 20%.

No impairment is indicated where the value in use is higher than the carrying value.

**Cathay Investments Limited****Notes to the Financial Statements for the Year Ended 30 December 2022****14 Investments**

Details of the company subsidiaries as at 30 December 2022 are as follows:

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Country of incorporation and principal place of business</b>	<b>Proportion of ownership interest and voting rights held</b>	
			<b>2022</b>	<b>2021</b>
Marpex Chemicals Limited*	Export and import of chemicals	England and Wales	100%	100%
Sussex Vision International Limited*	Dormant	England and Wales	100%	100%
Educational & Scientific Products Limited*	Sale and manufacture of equipment	England and Wales	100%	100%
Wellmar Limited*	Holding company	England and Wales	100%	100%
Cathay Composites Limited	<i>Holding company</i>	<i>England and Wales</i>	100%	100%
Euroresins International GmbH*	Distribution of products	Germany	100%	100%
Euroresins UK Limited	Distribution of products	England and Wales	100%	100%
Euroresins Spain S.A.	<i>Distribution of products</i>	Spain	100%	100%
Euroresins France S.A.S	Distribution of products	France	100%	100%
Euroresins Scandinavia OY	Distribution of products	Finland	100%	100%
Euroresins Benelux BV	Distribution of products	Netherlands	100%	100%
Euroresins Italia S.r.L	Distribution of products	Italy	100%	100%
Euroresins Scandinavia AS	Distribution of products	Norway	100%	100%
Cathay Investments BV*	Holding company	Netherlands	100%	100%
Lantor BV	Development and manufacture of non-woven products	Netherlands	100%	100%
Lantor GmbH	Distribution of non-woven products	Germany	100%	100%

\* indicates direct investment of the company



**Cathay Investments Limited****Notes to the Financial Statements for the Year Ended 30 December 2022****14 Investments (continued)**

In line with the exemption allowed under section 479A of the Companies Act 2006 certain of the subsidiary companies of Cathay Investments Limited have been made exempt from requirements to have an audit under section 475 of the Companies Act 2006. In order to meet this exemption Cathay Investments Limited has pledged to guarantee all outstanding liabilities to which the relevant subsidiaries are subject to at the end of the financial year to which the guarantee relates until they are satisfied in full and that this guarantee is enforceable against the parent undertaking by any person to which the subsidiaries are liable in respect of those liabilities.

For the year ended 30 December 2022 the following subsidiaries were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

Educational & Scientific Products Limited (Registration number: 02437468)

Cathay Composites Limited (Registration number: 01121145)

Marpex Chemicals Limited (Registration number: 01762817)

Wellmar Limited (Registration number: 02583403)

**Summary of the company's investments**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Investments in subsidiaries	<u>33,313,808</u>	<u>33,313,808</u>
<b>Subsidiaries</b>		
<b>Cost or valuation</b>		
At 31 December 2020		<u>33,313,808</u>
At 30 December 2021		<u>33,313,808</u>
At 31 December 2021		<u>33,313,808</u>
At 30 December 2022		<u>33,313,808</u>
<b>Carrying amount</b>		
At 30 December 2022		<u>33,313,808</u>
At 30 December 2021		<u>33,313,808</u>
At 31 December 2020		<u>33,313,808</u>

## Cathay Investments Limited

### Notes to the Financial Statements for the Year Ended 30 December 2022

#### 15 Leases

Lease liabilities are presented in the statement of financial position as follows:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Current	416,095	471,893	4,410	6,686
Non-current	672,840	865,693	820	5,231
	<u>1,088,935</u>	<u>1,337,586</u>	<u>5,231</u>	<u>11,917</u>

Lease liabilities of £1,088,935 (2021 - £1,337,586) are secured over the leased assets in the group.

#### Group

Leasing activities by type of right-of-use asset recognised on balance sheet:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining lease term	Average remaining lease term	No. of leases with extension options	No. of leases with termination options
Land and buildings	4	1 - 5 years	3 years	4	4
Other property, plant and equipment	51	1 - 6 years	2 years	51	51

Future minimum lease payments at 30 December 2022 were as follows:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
	£	£	£	£	£	£	£
<b>30 December 2022</b>							
Lease payments	471,125	333,763	259,976	104,482	12,565	23,838	1,205,749
Finance charges	(55,030)	(32,488)	(19,982)	(8,610)	13,986	(14,690)	(116,814)
<b>Net present values</b>	<b>416,095</b>	<b>301,275</b>	<b>239,994</b>	<b>95,872</b>	<b>26,551</b>	<b>9,148</b>	<b>1,088,935</b>

Future minimum lease payments at 30 December 2021 were as follows:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
	£	£	£	£	£	£	£
<b>30 December 2021</b>							
Lease payments	546,664	393,767	258,920	203,697	89,457	3,466	1,495,971
Finance charges	(74,771)	(44,391)	(25,357)	(10,723)	(2,980)	(163)	(158,385)
<b>Net present values</b>	<b>471,893</b>	<b>349,376</b>	<b>233,563</b>	<b>192,974</b>	<b>86,477</b>	<b>3,303</b>	<b>1,337,586</b>

#### Company

Leasing activities by type of right-of-use asset recognised on balance sheet:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining lease term	Average remaining lease term	No. of leases with extension options	No. of leases with termination options
Other property, plant and equipment	1	1 year	1 year	1	1

## Cathay Investments Limited

## Notes to the Financial Statements for the Year Ended 30 December 2022

## 15 Leases (continued)

Future minimum lease payments at 30 December 2022 were as follows:

	1 year	1-2	2-3	Total
	£	years	years	£
		£	£	
<b>30 December 2022</b>				
Lease payments	6,755	1,407	-	8,162
Finance charges	(2,345)	(586)	-	(2,931)
<b>Net present values</b>	<b>4,410</b>	<b>820</b>	<b>-</b>	<b>5,231</b>

Future minimum lease payments at 30 December 2021 were as follows:

	Within	1-2	2-3	Total
	1 year	years	years	£
	£	£	£	
<b>30 December 2021</b>				
Lease payments	8,384	6,755	1,407	16,546
Finance charges	(1,698)	(832)	(2,099)	(4,629)
<b>Net present values</b>	<b>6,686</b>	<b>5,923</b>	<b>(692)</b>	<b>11,917</b>

The group and company recognised Enil (2021 - Enil) expense relating to payments for short-term leases, leases of low value assets and variable lease payments.

At the year end the group and company was not committed to any short-term leases.

## Right-of-use assets

## Group

	Land and buildings	Other property, plant and equipment	Total
	£	£	£
<b>Gross carrying amount</b>			
Balance at 31 December 2021	1,515,347	1,149,081	2,664,428
Additions	137,711	127,387	265,098
Disposals	-	(33,046)	(33,046)
Foreign exchange movements	37,315	60,718	98,033
<b>Balance at 30 December 2022</b>	<b>1,690,373</b>	<b>1,304,140</b>	<b>2,994,513</b>
<b>Depreciation and impairment</b>			
Balance at 31 December 2021	575,565	818,097	1,393,662
Depreciation	350,346	222,703	573,049
Disposals	-	(33,046)	(33,046)
Foreign exchange movements	13,433	38,491	51,924
<b>Balance at 30 December 2022</b>	<b>939,344</b>	<b>1,046,245</b>	<b>1,985,589</b>
<b>Carrying amount 30 December 2022</b>	<b>751,029</b>	<b>257,895</b>	<b>1,008,924</b>
Carrying amount 30 December 2021	939,782	330,984	1,270,766

## Company

	Other property, plant and equipment	Total
	£	£
<b>Gross carrying amount</b>		
Balance at 31 December 2021	23,428	23,428
Additions	-	-
Disposals	(8,243)	(8,243)
<b>Balance at 30 December 2022</b>	<b>15,185</b>	<b>15,185</b>
<b>Depreciation and impairment</b>		
Balance at 31 December 2021	10,759	10,759
Depreciation	6,554	6,554
Disposals	(8,243)	(8,243)
<b>Balance at 30 December 2022</b>	<b>9,070</b>	<b>9,070</b>
<b>Carrying amount 30 December 2022</b>	<b>6,115</b>	<b>6,115</b>
Carrying amount 30 December 2021	12,669	12,669

**Cathay Investments Limited****Notes to the Financial Statements for the Year Ended 30 December 2022****16 Inventories**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Finished goods and goods for resale	<u>11,978,286</u>	<u>10,865,319</u>	<u>-</u>	<u>-</u>

The cost of group inventories recognised as an expense in the year amounted to £42,310,891 (2021 - £45,828,627). This is included within cost of sales.

The amount of write-down of group inventories recognised as an expense in the year is £78,659 (2021 - £243,671). This is included within cost of sales.

**17 Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade receivables	8,940,383	10,405,649	-	24,693
Receivables from related parties	106,067	6,704	606,067	1,939,348
Other prepayments	359,854	766,168	-	-
Other receivables	803,843	554,027	35,367	41,447
	<u>10,210,147</u>	<u>11,732,548</u>	<u>641,434</u>	<u>2,005,488</u>

The amortised cost of those trade and other receivables, classified as financial instrument loans and receivables are disclosed in the financial instruments note.

The group's exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other receivables is disclosed in the financial risk management and impairment note.

**18 Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank	<u>2,918,643</u>	<u>3,815,562</u>	<u>497,411</u>	<u>819,925</u>

**19 Share capital**

	<b>2022</b>		<b>2021</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Ordinary shares of £1 each	<u>340,287</u>	<u>340,287</u>	<u>340,287</u>	<u>340,287</u>

## Cathay Investments Limited

### Notes to the Financial Statements for the Year Ended 30 December 2022

#### 20 Reserves

##### Group

##### Share capital

Represents the nominal value of shares that have been issued.

##### Share premium

Represents the premium arising on the issue of shares net of issue costs.

##### Capital redemption reserve

Represents the amount of shares the group bought back.

##### Foreign currency translation reserve

Represents the reserve account on foreign currency translations.

##### Retained earnings

Includes all current and prior period retained profits and losses.

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

	2022	Total
	£	£
Foreign currency translation gains	<u>1,776,412</u>	<u>1,776,412</u>

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	2021	Total
	£	£
Foreign currency translation losses	<u>(1,453,493)</u>	<u>(1,453,493)</u>

##### Company

##### Share capital

Represents the nominal value of shares that have been issued.

##### Share premium

Represents the premium arising on the issue of shares net of issue costs.

##### Capital redemption reserve

Represents the amount of shares the company bought back.

##### Retained earnings

Includes all current and prior period retained profits and losses.



**Cathay Investments Limited****Notes to the Financial Statements for the Year Ended 30 December 2022****24 Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade payables	4,415,630	6,201,354	40,029	12,183
Accrued expenses	987,828	890,916	35,954	35,954
Amounts due to related parties	1,056,754	1,444,784	19,488,499	18,570,379
Social security and other taxes	379,769	737,954	55,157	53,266
Other payables	6,241,011	6,009,423	189,255	3,240
	<u>13,080,992</u>	<u>15,284,431</u>	<u>19,808,894</u>	<u>18,675,022</u>

Included within the other payables balance is an amount of £5,293,703 (2021 - £5,232,329) in respect of the group's invoice discounting facility. This amount is secured by fixed and floating charges over the group's assets.

The amortised cost of the trade and other payables classified as financial instruments are disclosed in the financial instruments note.

The group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in the financial risk management and impairment note.

**25 Contingent liabilities****Company**

The company has given cross guarantees to the group's bankers in respect of borrowings by certain group companies. The amount guaranteed is £8,638,630 (2021 - £9,852,485). The company has also given a cross guarantee in support of a group VAT registration. The amount guaranteed is £37,193 (2021 - £51,838).

**26 Financial instruments****Categories of financial instruments**

The group and the company held the following financial assets:

		<b>Group</b>		<b>Company</b>	
		<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade and other receivables	17	9,850,293	10,966,380	641,434	2,005,488
Cash and short-term deposits	18	2,918,643	3,815,562	497,411	819,925
		<u>12,768,936</u>	<u>14,781,942</u>	<u>1,138,845</u>	<u>2,825,413</u>

The group and the company held the following financial liabilities:

		<b>Group</b>		<b>Company</b>	
		<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade and other payables	24	13,080,992	15,284,431	19,808,894	18,675,022
Bank borrowings	21	15,305,874	17,222,874	15,305,874	17,222,874
Lease liabilities	15	1,088,935	1,337,586	5,231	11,917
Redeemable preference shares	21	3,300,000	3,300,000	3,300,000	3,300,000
		<u>32,775,801</u>	<u>37,144,891</u>	<u>38,419,999</u>	<u>39,209,813</u>

## **Cathay Investments Limited**

### **Notes to the Financial Statements for the Year Ended 30 December 2022**

#### **27 Financial risk management and impairment of financial assets**

The group's and the company's activities expose it to a variety of financial risks: market risks, credit risk, liquidity risk, cash flow interest rate risk and fair value interest rate risk. The group's and the company's overall risk management programme focuses on the unpredictability of the marketplace and seeks to minimise potential adverse effects on the group's and the company's financial performance.

Risk management is carried out by the operating divisions under policies approved by the board of directors.

##### **Market risk**

##### **Foreign exchange risk**

Exposures to currency exchange rates arise from the group's overseas sales and purchases, which are primarily denominated in Euros and US dollars. The group also holds subsidiaries in overseas territories which report in Euros and Norwegian Kroner.

The group does not enter into forward exchange contracts in respect of translation differences arising from translating the results of overseas subsidiaries.



## Cathay Investments Limited

### Notes to the Financial Statements for the Year Ended 30 December 2022

#### 27 Financial risk management and impairment of financial assets (continued)

##### Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in currency rates and the impact on profit and loss and equity. The 10% sensitivity rate applied to foreign currency represents management's assessment of the reasonably possible change in foreign exchange rates within a 12 month period. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The analysis includes the impact of financial derivatives. The results of the sensitivity analysis should not be considered as projections of likely future events, gains or losses as actual results may differ materially in the future as a result of developments in global financial markets impacting exchange rates and interest rates.

Year ended 30 December 2022	GBP/USD	GBP/EUR	EUR/USD	EUR/NOK	EUR/SEK	NOK/SEK	NOK/USD
Total in the consolidated financial statements	133,314	(10,242,777)	689,835	(401)	(74,683)	-	(55)
Reasonable shift	10%	10%	10%	10%	10%	10%	10%
Total effect on profit + 10%	13,331	(1,024,278)	68,984	(40)	(7,468)	-	(5)
Total effect on profit - 10%	(13,331)	1,024,278	(68,984)	40	7,468	-	5
Year ended 30 December 2021	GBP/USD	GBP/EUR	EUR/USD	EUR/NOK	EUR/SEK	NOK/SEK	NOK/USD
Total in the consolidated financial statements	1,233,507	(5,778,388)	1,410,169	(308,744)	266,310	(4,292)	(49)
Reasonable shift	10%	10%	10%	10%	10%	10%	10%
Total effect on profit + 10%	123,351	(577,839)	141,017	(30,874)	26,631	(429)	(5)
Total effect on profit - 10%	(123,351)	577,839	(141,017)	30,874	(26,631)	429	5

## Cathay Investments Limited

### Notes to the Financial Statements for the Year Ended 30 December 2022

#### 27 Financial risk management and impairment of financial assets (continued)

##### Interest rate risk

The group's and company's interest rate risk arises from long term borrowings. Borrowings at variable rate expose the group and company to cash flow interest rate risk which is partially offset by cash held at variable rates.

##### Sensitivity analysis

The sensitivity analysis below has been determined based on exposure to interest rates for the fixed term borrowings of the group and company subject to interest charges at the statement of financial position date. For floating rate liabilities the analysis is prepared assuming the amount of the liability outstanding at the statement of financial position date was outstanding for the whole year. The group's and company's assessment of the reasonably possible change in interest rates is 2.5% increase or decrease.

Based on bank borrowings at 30 December 2022 if interest rates were 2.5% higher (or lower) and all other variables were held constant, the group's net profit would decrease (or increase) by £382,647.

##### Credit risk and impairment

The group's and the company's exposure to credit risk is limited to the carrying value of financial assets recognised at the year end. The maximum exposure to credit risk in relation to trade receivables is equivalent to the year end balance. The group continuously monitors the creditworthiness of customers and other counterparties. The group's and the company's policy is to deal only with creditworthy counterparties. The group benefits from credit insurance on some of its trade receivables.

The group and the company is not exposed to any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics. The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Impairment losses on financial assets recognised in profit or loss were as follows:

	2022 £	2021 £
Impairment loss/(reversal) on trade receivables	<u>228,293</u>	<u>(101,632)</u>

##### Past due and impaired financial assets

The directors consider that all the above financial assets that are not impaired for each of the reporting dates under review are of good quality credit, based on financial information and past trading history, including those that are past due.

##### Liquidity risk

Liquidity needs are monitored carefully on a day-to-day basis. Longer term liquidity needs are assessed through monthly, quarterly, and annual cash flow forecasts.

##### Maturity analysis

	Within 1 year £	After 1 year £	Total £
<b>2022</b>			
Bank borrowings	2,000,000	13,305,874	15,305,874
Redeemable preference shares	-	3,300,000	3,300,000
Leases	416,095	672,840	1,088,935
	<u>2,416,095</u>	<u>17,278,714</u>	<u>19,694,809</u>
<b>2021</b>			
Bank borrowings	2,000,000	15,222,874	17,222,874
Redeemable preference shares	-	3,300,000	3,300,000
Leases	471,893	865,693	1,337,586
	<u>2,471,893</u>	<u>19,388,567</u>	<u>21,860,460</u>

## Cathay Investments Limited

### Notes to the Financial Statements for the Year Ended 30 December 2022

#### 27 Financial risk management and impairment of financial assets (continued)

##### Capital risk management

##### Capital components

Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus debt.

##### Externally imposed capital requirements

The group has no externally imposed capital requirements.

##### Capital management

The group's policy is to maintain a strong capital base with a view to underpinning shareholder and creditor confidence and sustaining the future development of the business. Capital consists of ordinary shares, share premium, other capital reserves, retained earnings, preference shares and other debt. The group monitors performance at both a corporate and individual asset level and sets internal guidelines for interest cover and gearing. The group manages the capital structure and makes changes to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The amounts managed as capital by the group and the company for the reporting periods under review are summarised as follows:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Share capital	340,287	340,287	340,287	340,287
Share premium	406,230	406,230	406,230	406,230
Capital redemption reserve	153,533	153,533	153,533	153,533
Foreign currency translation reserve	6,426	(1,769,986)	-	-
Retained earnings	11,212,499	10,113,624	(4,859,594)	(3,956,357)
Bank borrowings	15,305,874	17,222,874	15,305,874	17,222,874
Redeemable preference shares	3,300,000	3,300,000	3,300,000	3,300,000
	<u>30,724,849</u>	<u>29,766,562</u>	<u>14,646,330</u>	<u>17,466,567</u>

#### 28 Related party transactions

##### Key management personnel

B Chaing, director

K Johnson, director

##### Key management compensation

	2022	2021
	£	£
Salaries and other short term employee benefits	<u>132,568</u>	<u>131,901</u>

##### Summary of transactions with parent company

During the year, Chaing Equities Limited continued to provide a loan to the group. During the year, Chaing Equities Limited recharged insurance costs to Cathay Investments Limited of £55,740 (2021 - £52,470), rent of £35,850 (2021 - £20,912) and office expenses £nil (2021 - £560). The amount due to Chaing Equities Limited at the year end is £954,240 (2021 - £961,370).

## Cathay Investments Limited

### Notes to the Financial Statements for the Year Ended 30 December 2022

#### 28 Related party transactions (continued)

##### Summary of transactions with entities with joint control or significant interest

Cathay Investments 2 Limited and its subsidiary companies, related due to common control

Cathay Investments Limited recharged costs to Cathay Investments 2 Limited and its subsidiary companies of £86,577 (2021 - £136,080). During the year the group charged management expenses of £945,000 (2021 - £900,000) to Cathay Investments 2 Limited and its subsidiary companies.

During the year the group was invoiced for services of £1,008,545 (2021 - £1,381,489) by Cathay Investments 2 Limited and its subsidiary companies.

During the year, Cathay Investments 2 Limited advanced an amount of £505,219 (2021 - £100,000) during the year. The group made loan repayments of £503,279 (2021 - £1,181,596) during the year. The amount due from Cathay Investments 2 Ltd at the end of year is £2,680 (2021 - £5,504).

The group has given cross guarantees in respect of borrowings by Cathay Investments 2 Limited. The total amount of contingencies not included in the balance sheet is £7,582,535 (2021 - £7,622,113).

At the end of the year the amount receivable from Cathay Investments 2 Limited and its subsidiary companies was £3,553 (2021 - payable of £476,710).

All loans are interest free and repayable on demand.

##### Income and receivables from related parties

	Entities with joint control or significant influence £
<b>2022</b>	
Receipt of services	945,000
Recharged costs	63,545
	<u>1,008,545</u>
Amounts receivable from related party	<u>106,067</u>
	Entities with joint control or significant influence £
<b>2021</b>	
Receipt of services	900,000
Recharged costs	136,080
	<u>1,036,080</u>
Amounts receivable from related party	<u>6,704</u>

**Cathay Investments Limited****Notes to the Financial Statements for the Year Ended 30 December 2022****28 Related party transactions (continued)****Expenditure with and payables to related parties**

	<b>Parent company</b>	<b>Entities with joint control or significant influence</b>
	<b>£</b>	<b>£</b>
<b>2022</b>		
Rendering of services	91,590	1,031,577
Settlement of liabilities	(91,590)	(1,414,909)
Provision of loan	(7,130)	(1,940)
	<u>(7,130)</u>	<u>(385,272)</u>
Amounts payable to related party	<u>954,240</u>	<u>102,514</u>

	<b>Parent company</b>	<b>Entities with joint control or significant influence</b>
	<b>£</b>	<b>£</b>
<b>2021</b>		
Rendering of services	73,942	1,381,489
Settlement of liabilities	(30,032)	(1,181,916)
Provision of loan	77,404	100
	<u>121,314</u>	<u>199,673</u>
Amounts payable to related party	<u>961,370</u>	<u>483,414</u>

**29 Controlling party**

The company's immediate parent company is Chaing Equities Limited, incorporated in England and Wales.

The ultimate controlling party is B Chaing and members of his close family, who control, directly or indirectly, 100% of the share capital in Chaing Equities Limited.

The most senior parent entity producing publicly available financial statements is Chaing Equities Limited. These financial statements are available upon request from 43 Friends Road, Croydon, United Kingdom, CR0 1ED.