

Cathay Investments 2 Limited

Directors' Report, Strategic Report and Audited Consolidated Financial Statements
for the Year Ended 31 December 2022

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Cathay Investments 2 Limited

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Cathay Investments 2 Limited

Company Information

Directors	B Chaing K Johnson D Nicholas M Chaing S Chaing
Registered office	43 Friends Road Croydon United Kingdom CR0 1ED
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

Cathay Investments 2 Limited

Strategic Report for the Year Ended 31 December 2022

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

Fair review of the business

In April 2022 the group acquired CAJ Mercian Holdings Limited, and its trading subsidiary Mercian Logistics Limited, which provides courier and pallet services from its basis in Herefordshire. Details of the acquisition are included in note 16. The acquisition of Mercian allows the group to offer improved transport services to its customers and, during the year, we have started to integrate the operations of Mercian together with our existing businesses to provide transport as well as logistics services to our customers. However, during the year Mercian contributed a loss to the group which has reduced profitability overall. The warehousing business has refocused in the year, changing its mix of clients from high activity clients with lower profitability to lower activity higher margin work, which has improved the profitability of the existing members of the group.

The directors are not aware of any likely changes in the group's activities next year.

The group made a profit before tax for the year of £467,629 (2021 - £1,609,946). The statement of financial position shows total assets of £48,084,739 (As at 31 December 2021 - £50,686,022), total liabilities of £48,567,007 (As at 31 December 2021 - £50,179,506) and net liabilities of £482,268 (As at 31 December 2021 - net assets of £506,516).

Whilst individual companies within the group have positive net assets, the group as a whole has consolidated net liabilities. This results from the amortisation of the contract assets acquired on acquisition which offsets on consolidation the profits made in the individual group companies and the dividend and share repurchase in the year (which have been adequately funded by individual company reserves). The group as a whole has reported a profit for the year and as the effects of the unwinding of intangible assets expire we expect to return to positive consolidated net assets in the future.

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

	Unit	2022	2021
EBITDA [1] from continuing operations	£	7,869,449	8,970,019
Cash generated from continuing operations	£	7,615,143	6,439,568

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.

EBITDA declined in 2022 due primarily to the losses in the acquired business. Cash generated from operations improved as the group maintained greater stability in the level of its working capital in 2022 compared to 2021.

Principal risks and uncertainties

The performance of the group is to some extent determined by the sales performance of its clients. The range of markets covered by its clients and the quality of those clients helps to mitigate this risk, providing diversification and trading stability. The company is also dependent upon the performance of key service providers principally staffing agencies and transport providers. The company continually reviews the performance of its service providers to look for ways to mitigate risk.

During 2022 the ongoing risk from Covid-19 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 2 Limited

Strategic Report for the Year Ended 31 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 Company 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 parent undertakings within the Chaing Equities Limited group, the ultimate shareholders of Chaing Equities Limited and minority shareholders in intermediate holding companies. 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.

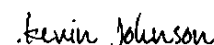
Community and environment

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.

Streamlined energy & carbon reporting

None of the group's UK subsidiaries are large companies and therefore, are not obliged to report under the SECR regulations. Accordingly, the group has excluded the data from the subsidiary companies for its report. The parent company consumes less than 40MWh of energy per year and is, therefore, exempt from providing full disclosure in the directors' report.

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



.....
K Johnson
Director

Cathay Investments 2 Limited

Directors' Report for the Year Ended 31 December 2022

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

Directors of the group

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

B Chaing
K Johnson
D Nicholas
G Thwaites (resigned 13 July 2022)
M Chaing
S Chaing

Principal activities

The principal activity of the company is that of a holding company.

The principal activities of the group are:

- import and distribution of toys, costumes, stationery and seasonal products;
- warehousing, storage services, road haulage, transport and logistics services;
- freight forwarding, associated logistics and distribution including e-fulfilment;
- design, manufacture and distribution of greeting cards;
- information technology consultancy services; and
- provision of courier and pallet transport services.

Dividends

During the year, an interim dividend totalling £1,000,000 was paid (2021 - £1,000,003).

Post balance sheet events

On 29 June 2023 the company declared a dividend of £2,779,440 in respect of the A Ordinary shares and £220,506 in respect of the B Ordinary shares. There were no conditions or restrictions associated with the dividend.

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 and liquidity 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 receivables and trade payables 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 no significant foreign currency risk as the majority of the group's transactions are carried out in sterling.

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.

Cathay Investments 2 Limited

Directors' Report for the Year Ended 31 December 2022

Financial instruments (continued)

Liquidity risk

The group is funded by shareholders' funds, directors' loans and bank debt. The group is exposed to risk through having loan repayment obligations as described in note 23. 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.

Employment of disabled persons

The directors have maintained the group's established policy of giving full and fair consideration to applications for employment from disabled persons, and to continue the employment and training of employees who become disabled during their employment with the group.

Employee involvement

Maintaining the quality and commitment of employees is an important factor for the continued success of the group. Employees' performance is aligned to the group's objectives through an annual review process that is carried out with all employees.

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.

Cathay Investments 2 Limited

Directors' Report for the Year Ended 31 December 2022

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.

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.

Cathay Investments 2 Limited

Directors' Report for the Year Ended 31 December 2022

Statement of directors' responsibilities

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 the annual report and the financial statements, taken as a whole, provides the information necessary to assess the group's performance, business model and strategy and is fair, balanced and understandable.

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:

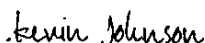
- the financial statements, prepared in accordance with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the annual report, including the Strategic Report, includes 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 2 Limited

Opinion

We have audited the financial statements of Cathay Investments 2 Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 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 31 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 2 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 their 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 page 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.

Independent auditor's report to the members of Cathay Investments 2 Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 on unusual user postings, unexpected dates and those journals around the year end; 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, including those with unusual user postings, unexpected dates and those journals around the year end;
 - challenging assumptions and judgements made by management in its significant accounting estimates; and
 - assessing the extent of compliance with the relevant laws and regulations as 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.

Independent auditor's report to the members of Cathay Investments 2 Limited

Auditor's responsibilities for the audit of the financial statements (continued)

- 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. This description forms part of our auditor's report.

Use of our report

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



.....
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 2 Limited**Consolidated Income Statement for the Year Ended 31 December 2022**

	Note	2022 £	2021 £
Revenue	5	39,371,328	43,418,713
Cost of sales		<u>(18,681,917)</u>	<u>(22,035,093)</u>
Gross profit		20,689,411	21,383,620
Other income	6	39,027	104,604
Distribution costs		(3,845,599)	(4,401,793)
Administrative expenses		<u>(15,030,291)</u>	<u>(14,081,707)</u>
Operating profit	7	<u>1,852,548</u>	<u>3,004,724</u>
Finance income		10,403	3,492
Finance costs		<u>(1,395,322)</u>	<u>(1,398,270)</u>
Net finance costs	8	<u>(1,384,919)</u>	<u>(1,394,778)</u>
Profit before tax		467,629	1,609,946
Tax charge	12	<u>(84,002)</u>	<u>(84,611)</u>
Profit for the year		<u>383,627</u>	<u>1,525,335</u>
Profit attributable to:			
Owners of the company		<u>383,627</u>	<u>1,525,335</u>

The above results were derived from continuing operations.

Cathay Investments 2 Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022

	2022 £	2021 £
Profit for the year	383,627	1,525,335
Total comprehensive income for the year	<u>383,627</u>	<u>1,525,335</u>
Total comprehensive income attributable to:		
Owners of the company	<u>383,627</u>	<u>1,525,335</u>

The notes on pages 21 to 51 form an integral part of these financial statements.

Cathay Investments 2 Limited**(Registration number: 07475530)****Consolidated Statement of Financial Position as at 31 December 2022**

	Note	2022 £	2021 £
Non-current assets			
Property, plant and equipment	13	30,098,483	32,618,382
Intangible assets	14	4,487,238	3,766,914
Investments	15	10,000	-
Deferred tax assets	12	-	99,422
		<u>34,595,721</u>	<u>36,484,718</u>
Current assets			
Inventories	18	957,954	919,016
Trade and other receivables	19	8,978,319	8,131,473
Cash and cash equivalents	20	3,552,745	5,150,815
		<u>13,489,018</u>	<u>14,201,304</u>
Total assets		<u>48,084,739</u>	<u>50,686,022</u>
Equity			
Share capital	21	14,001	14,802
Capital redemption reserve		801	-
Retained earnings		(497,070)	491,714
Equity attributable to owners of the company		<u>(482,268)</u>	<u>506,516</u>
Non-current liabilities			
Loans and borrowings	23	7,155,378	6,382,011
Provisions	25	1,115,072	974,000
Lease liability	17	25,574,987	27,637,450
Deferred tax liabilities	12	561,702	355,354
		<u>34,407,139</u>	<u>35,348,815</u>
Current liabilities			
Trade and other payables	26	6,107,831	6,416,113
Loans and borrowings	23	954,841	944,041
Provisions	25	3,199,163	2,589,167
Lease liability	17	3,898,033	4,449,384
Corporation tax liability		-	431,986
		<u>14,159,868</u>	<u>14,830,691</u>
Total liabilities		<u>48,567,007</u>	<u>50,179,506</u>
Total equity and liabilities		<u>48,084,739</u>	<u>50,686,022</u>

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

Kevin Johnson

 K Johnson
 Director

Cathay Investments 2 Limited**(Registration number: 07475530)****Company Statement of Financial Position as at 31 December 2022**

	Note	2022 £	2021 £
Non-current assets			
Investments	15	14,432,538	12,766,699
Current assets			
Trade and other receivables	19	1,254,720	721,279
Cash and cash equivalents	20	81,325	251,093
		<u>1,336,045</u>	<u>972,372</u>
Total assets		<u>15,768,583</u>	<u>13,739,071</u>
Equity			
Share capital	21	14,001	14,802
Capital redemption reserve		801	-
Retained earnings		<u>4,622,726</u>	<u>6,164,233</u>
Total equity		<u>4,637,528</u>	<u>6,179,035</u>
Non-current liabilities			
Loans and borrowings	23	7,132,011	6,382,011
Current liabilities			
Trade and other payables	26	3,055,003	233,984
Loans and borrowings	23	<u>944,041</u>	<u>944,041</u>
		<u>3,999,044</u>	<u>1,178,025</u>
Total liabilities		<u>11,131,055</u>	<u>7,560,036</u>
Total equity and liabilities		<u>15,768,583</u>	<u>13,739,071</u>

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

Kevin Johnson

 K Johnson
 Director

Cathay Investments 2 Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £	Capital redemption reserve £	Retained earnings £	Total equity attributable to the owners of the parent company £
At 1 January 2021	14,802	-	(33,618)	(18,816)
Profit for the year	-	-	1,525,335	1,525,335
Total comprehensive income	-	-	1,525,335	1,525,335
Dividends paid	-	-	(1,000,003)	(1,000,003)
At 31 December 2021	14,802	-	491,714	506,516

	Share capital £	Share capital £	Retained earnings £	Total equity attributable to the owners of the parent company £
At 1 January 2022	14,802	-	491,714	506,516
Profit for the year	-	-	383,627	383,627
Total comprehensive income	-	-	383,627	383,627
Repurchase and cancellation of share capital	(801)	801	(372,411)	(372,411)
Dividends paid	-	-	(1,000,000)	(1,000,000)
At 31 December 2022	14,001	801	(497,070)	(482,268)

Cathay Investments 2 Limited**Company Statement of Changes in Equity for the Year Ended 31 December 2022**

	Share capital	Capital redemption reserve	Retained earnings	Total
	£	£	£	£
At 1 January 2021	14,802	-	388,874	403,676
Profit for the year	-	-	6,775,362	6,775,362
Total comprehensive income	-	-	6,775,362	6,775,362
Dividends paid	-	-	(1,000,003)	(1,000,003)
At 31 December 2021	14,802	-	6,164,233	6,179,035

	Share capital	Capital redemption reserve	Retained earnings	Total
	£	£	£	£
At 1 January 2022	14,802	-	6,164,233	6,179,035
Loss for the year	-	-	(169,096)	(169,096)
Total comprehensive income	-	-	(169,096)	(169,096)
Repurchase and cancellation of share capital	(801)	801	(372,411)	(372,411)
Dividends paid	-	-	(1,000,000)	(1,000,000)
At 31 December 2022	14,001	801	4,622,726	4,637,528

Cathay Investments 2 Limited**Consolidated Statement of Cash Flows for the Year Ended 31 December 2022**

	Note	2022 £	2021 £
Cash flows from operating activities			
Profit for the year		383,627	1,525,335
Adjustments to cash flows from non-cash items:			
Depreciation, amortisation and impairment		6,059,279	5,804,804
Profit on disposal of property, plant and equipment		(14,917)	(68,777)
Finance income	8	(10,403)	(3,492)
Finance costs	8	1,395,322	1,398,270
Tax charge	12	84,002	84,611
		<u>7,896,910</u>	<u>8,740,751</u>
Working capital adjustments:			
(Increase)/decrease in inventories	18	(38,938)	116,700
Decrease in trade and other receivables	19	875,706	4,505,596
Decrease in trade and other payables	26	(1,755,160)	(7,447,328)
Increase in provisions	25	751,068	588,167
Decrease in deferred tax	12	(114,443)	(64,318)
Cash generated from operations		<u>7,615,143</u>	<u>6,439,568</u>
Income taxes paid		<u>(585,069)</u>	<u>(802,422)</u>
Net cash flow from operating activities		<u>7,030,074</u>	<u>5,637,146</u>
Cash flows from investing activities			
Interest received	8	10,403	3,492
Acquisitions of property, plant and equipment		(166,954)	(92,684)
Acquisitions of intangible fixed assets		-	(8,057)
Proceeds from sale of property, plant and equipment		24,778	-
Net cash outflow arising on acquisition	16	<u>(1,608,360)</u>	<u>-</u>
Net cash from investing activities		<u>(1,740,133)</u>	<u>(97,249)</u>

The notes on pages 21 to 51 form an integral part of these financial statements.

Cathay Investments 2 Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Cash flow from financing activities			
Interest paid		(1,395,322)	(1,398,270)
Repurchase of ordinary shares		(372,411)	-
Proceeds from issue of preference shares	23	750,000	-
Dividends paid		(1,000,000)	(1,000,003)
Repayment of loans and borrowings	23	(7,229)	(1,000,000)
Repayment of lease liabilities		(4,823,471)	(4,227,844)
(Decrease)/increase in invoice discounting facility	26	(39,578)	2,176,987
Net cash from financing activities		(6,888,011)	(5,449,130)
Net (decrease)/increase in cash and cash equivalents		(1,598,070)	90,767
Cash and cash equivalents at 1 January	20	5,150,815	5,060,048
Cash and cash equivalents at 31 December	20	3,552,745	5,150,815

The notes on pages 21 to 51 form an integral part of these financial statements.

Cathay Investments 2 Limited**Company Statement of Cash Flows for the Year Ended 31 December 2022**

	Note	2022 £	2021 £
Cash flows from operating activities			
(Loss)/profit for the year		(169,096)	6,775,361
Adjustments to cash flows from non-cash items:			
Finance income		(3,229)	(7,091,097)
Finance costs		282,567	226,298
		110,242	(89,438)
Working capital adjustments:			
(Increase)/decrease in trade and other receivables	19	(533,441)	1,015,289
Increase/(decrease) in trade and other payables	26	2,821,019	(5,641,813)
Net cash flows from operating activities		2,397,820	(4,715,962)
Cash flows from investing activities			
Interest received		3,229	160
Dividends received		-	7,090,937
Acquisition of subsidiaries	15	(1,665,839)	-
Net cash flows from investing activities		(1,662,610)	7,091,097
Cash flows from financing activities			
Interest paid		(282,567)	(226,298)
Repurchase of ordinary shares	21	(372,411)	-
Proceeds from issue of preference shares	23	750,000	-
Dividends paid		(1,000,000)	(1,000,003)
Repayment of loans and borrowings	23	-	(1,000,000)
Net cash flows from financing activities		(904,978)	(2,226,301)
Net (decrease)/increase in cash and cash equivalents		(169,768)	148,834
Cash and cash equivalents at 1 January	20	251,093	102,259
Cash and cash equivalents at 31 December	20	81,325	251,093

The notes on pages 21 to 51 form an integral part of these financial statements.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 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 statement 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 1 January 2023 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.

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 Standard 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.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 Accounting policies (continued)

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 Chasing 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 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 Accounting policies (continued)

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.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2022.

Three of the subsidiary undertakings has a reporting date of 30 December 2022. This is not deemed to be materially different to the Cathay Investments 2 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 £169,096 (2021 - profit after tax £6,775,362).

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 consolidated 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.

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.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 Accounting policies (continued)

Revenue recognition

Revenue arises mainly from the provision of third party logistics services (including warehousing and freight forwarding), provision of courier and pallet transport services and the sale of toys, stationery and greetings cards.

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 third party logistics services and courier and pallet transport services, performance obligations are satisfied and revenue is recognised on the basis of activity performed by the group in the supply of the service. For the sale of toys, stationery and greetings cards 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.

Amounts recoverable on long term contracts, being the amount by which recorded as turnover is in excess of payments on account, is classified under debtors.

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.

Foreign currency transactions and balances

In preparing the financial statements, transactions in foreign currencies are recognised at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 Accounting policies (continued)

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 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 with in 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 sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

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 less their estimated residual values over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold buildings	2% per annum straight line
Leasehold buildings	5 - 10% per annum straight line and shorter of lease life and 15 years per annum straight line
Plant and equipment	Between 3 and 15 years per annum straight line and 15% per annum reducing balance
Fixtures and fittings	10 - 33% per annum straight line and 15 - 25% per annum reducing balance
Motor vehicles	12.5 - 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.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 Accounting policies (continued)

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.

Amortisation

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:

Asset class

Contractual customer relationships
Development expenditure
Website costs

Amortisation method and rate

25% - 50% per annum straight line
Between 3 and 6 years per annum straight line
10 years per annum straight line

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 Accounting policies (continued)

Leasing

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

The 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 group recognises a right-of-use asset and a lease liability on the statement of financial position. 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 group, 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 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 group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the 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 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 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 call 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.

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. Cost is determined using either the first-in, first-out (FIFO) method.

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

An allowance is recorded for obsolescence.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 Accounting policies (continued)

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 and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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.

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 prior to the reporting date.

Defined contribution pension obligation

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

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 Accounting policies (continued)

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.

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.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 Accounting policies (continued)

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.

4 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the group'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:

Provision for dilapidations

Provision is made for dilapidations due to be carried out on leased properties. 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 dilapidation provision requires significant judgement.

In making this judgement, the group considers the likelihood of being able to sublet the properties, the expected level of rentals, expected future trading conditions, whether uneconomic sites will be closed and sublet, the dilapidations required under the terms of the lease, and the anticipated condition of properties at the end of the lease.

Provision for rates

Provision is made for rates due at one of the sites in which the group operates. The site has not been assessed for rates and therefore no invoice for rates has been provided to date. 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 rates provision requires significant judgement. Management have engaged an expert to assist in reviewing and estimating the provision for rates.

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 are made in estimating future cash flows about future events, including future market conditions and future growth rates. Changes in these assumptions could affect the outcome of impairment reviews.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

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.

Provision for bad debts

The directors have reviewed the ageing of the trade debtors at the year end and the level of recovery following the year end. The provision is based on historical experience of recovery and the ageing of debts as well as specific knowledge of the solvency ability to pay of the group's customers at the reporting date and the level of coverage provided by the group's credit insurance.

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.

5 Revenue

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

	2022 £	2021 £
Revenue from contracts with customers	39,371,328	43,418,713
	<u>39,371,328</u>	<u>43,418,713</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 £
<i>Primary geographical markets</i>		
UK	39,287,464	43,418,713
Europe	58,628	-
Rest of world	25,236	-
	<u>39,371,328</u>	<u>43,418,713</u>
<i>Major products and service lines</i>		
Third party warehousing and logistics	28,947,837	38,010,014
Courier and pallet transport	5,695,786	-
Toys, stationery and greetings cards	4,727,705	5,407,446
IT services	-	1,253
	<u>39,371,328</u>	<u>43,418,713</u>
<i>Timing of revenue recognition</i>		
Products transferred at a point in time	4,510,556	5,407,446
Services transferred over time	34,860,772	38,011,267
	<u>39,371,328</u>	<u>43,418,713</u>

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****6 Other income**

	2022	2021
	£	£
Insurance claims	38,256	-
Government grants received	771	104,604
	<u>39,027</u>	<u>104,604</u>

7 Operating profit

Arrived at after charging/(crediting):

	2022	2021
	£	£
Depreciation expense	5,147,767	5,131,554
Amortisation expense	911,512	673,250
Foreign exchange (gains)/losses	(401)	9,795
(Profit)/loss on disposal of property, plant and equipment	(14,917)	674
Exceptional item - redundancy costs	57,419	141,767
Exceptional item - other costs	58,901	2,018
Exceptional item - Rhys Davies & Sons Limited - administration costs	227	56,365
Exceptional item - aborted transaction and other legal costs	5,150	59,437
Exceptional item - Rhys Davies & Sons Limited - funds returned by Administrators	(137,000)	(200,000)
Exceptional item - legal costs relating to historic court case	75	62,895
Exceptional item - exit costs for toys division customer	-	26,660
Exceptional item - bad debts	10,850	11,349
Exceptional item - claim settlement	(42,000)	-
Exceptional item - dilapidation costs	<u>4,000</u>	<u>-</u>

8 Net finance costs

	2022	2021
	£	£
Finance income		
Interest income on bank deposits	10,403	3,492
Finance costs		
Interest on bank overdrafts and borrowings	(320,157)	(255,343)
Interest expense on leasing arrangements	<u>(1,075,165)</u>	<u>(1,142,927)</u>
	<u>(1,395,322)</u>	<u>(1,398,270)</u>
Net finance costs from continuing operations	<u>(1,384,919)</u>	<u>(1,394,778)</u>

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****9 Staff costs**

The aggregate payroll costs from continuing operations were as follows:

	2022	2021
	£	£
Wages and salaries	6,451,035	6,856,214
Social security costs	607,289	555,508
Pension and other post-employment benefit costs	176,647	135,496
Redundancy and payment in lieu	57,419	141,767
	<u>7,292,390</u>	<u>7,688,985</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 £771 (2021 - £104,604) 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:

	2022	2021
	No.	No.
Administration and support	29	40
Sales	5	6
Marketing	1	1
Distribution	248	243
Management	7	4
	<u>290</u>	<u>294</u>

Directors' remuneration is borne by Cathay Investments Limited - a related party due to common control.

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022	2021
	£	£
Remuneration	<u>391,029</u>	<u>437,581</u>

The directors' remuneration is paid by Cathay Investments Limited, another company in the group.

The highest paid director's emoluments were as follows:

	2022	2021
	£	£
Remuneration	131,161	131,814
Pension and other post-employment benefit costs	<u>1,321</u>	<u>1,318</u>

11 Auditor's remuneration

	2022	2021
	£	£
Audit of the financial statements	28,750	25,000
Audit of the financial statements of subsidiaries of the company pursuant to legislation	158,875	103,500
	<u>187,625</u>	<u>128,500</u>
Other fees to auditors		
Taxation compliance services	<u>28,600</u>	<u>25,000</u>

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****12 Tax**

Tax charge in the income statement:

	2022	2021
	£	£
Current taxation		
UK corporation tax	292,206	387,150
UK corporation tax adjustment to prior periods	(93,762)	(238,220)
Total current income tax	<u>198,444</u>	<u>148,930</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(130,778)	45,386
Effect of tax rate change on opening balance	-	(31,334)
Adjustments in respect of previous periods	16,336	(78,371)
Total deferred taxation	<u>(114,442)</u>	<u>(64,319)</u>
Tax expense in the income statement	<u><u>84,002</u></u>	<u><u>84,611</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:

	2022	2021
	£	£
Profit before tax from continuing operations	<u>467,629</u>	<u>1,609,946</u>
Corporation tax at standard rate	88,850	305,890
Decrease in current tax from adjustment for prior periods	(93,762)	(241,246)
Increase from effect of capital allowances depreciation	69,766	37,114
Increase from effect of expenses not deductible in determining taxable profit	13,725	6,743
Deferred tax not recognised	26,831	55,048
Deferred tax credit relating to changes in tax rates of laws	(7,126)	(45,344)
Decrease in deferred tax from adjustment for prior periods	16,336	(78,371)
Other difference leading to an increase in taxation	<u>(30,617)</u>	<u>44,778</u>
Total tax expense/(credit)	<u><u>84,002</u></u>	<u><u>84,611</u></u>

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****12 Tax (continued)****Deferred tax****Group**

Deferred tax assets and liabilities

	Asset	Liability	Net deferred tax
	£	£	£
2022			
Accelerated tax depreciation	-	(225,766)	(225,766)
Tax losses carry-forwards	-	6,498	6,498
Other items	-	(342,434)	(342,434)
	<u>-</u>	<u>(561,702)</u>	<u>(561,702)</u>

	Asset	Liability	Net deferred tax
	£	£	£
2021			
Accelerated tax depreciation	99,066	(344,787)	(245,721)
Tax losses carry-forwards	227	-	227
Other items	130	(10,567)	(10,437)
	<u>99,423</u>	<u>(355,354)</u>	<u>(255,931)</u>

Deferred tax movement during the year:

	At 1 January 2022	Arising on acquisition	Recognised in income	At 31 December 2022
	£	£	£	£
Accelerated tax depreciation	(245,721)	(103,713)	123,668	(225,766)
Tax losses carry-forwards	227	-	6,271	6,498
Other items	(10,437)	(316,500)	(15,497)	(342,434)
Net tax assets/(liabilities)	<u>(255,931)</u>	<u>(420,213)</u>	<u>114,442</u>	<u>(561,702)</u>

Deferred tax movement during the prior year:

	At 1 January 2021	Recognised in income	At 31 December 2021
	£	£	£
Accelerated tax depreciation	16,478	(262,199)	(245,721)
Tax losses carry-forwards	3,804	(3,577)	227
Other items	(340,532)	330,095	(10,437)
Net tax assets/(liabilities)	<u>(320,250)</u>	<u>64,319</u>	<u>(255,931)</u>

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****13 Property, plant and equipment Group**

	Land and buildings £	Furniture, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2021	42,550,865	14,724,094	313,083	57,588,042
Additions	9,256	234,772	-	244,028
Disposals	(98,875)	(494,475)	(13,648)	(606,998)
At 31 December 2021	42,461,246	14,464,391	299,435	57,225,072
At 1 January 2022	42,461,246	14,464,391	299,435	57,225,072
Additions	-	1,233,002	25,205	1,258,207
Acquired through business combinations	782,619	595,050	-	1,377,669
Disposals	-	(1,047,387)	(79,849)	(1,127,236)
At 31 December 2022	43,243,865	15,245,056	244,791	58,733,712
Depreciation and impairment losses				
At 1 January 2021	9,105,585	10,882,366	150,360	20,138,311
Charge for the year	3,860,803	1,246,487	24,264	5,131,554
Eliminated on disposals	(96,875)	(559,290)	(7,010)	(663,175)
At 31 December 2021	12,869,513	11,569,563	167,614	24,606,690
At 1 January 2022	12,869,513	11,569,563	167,614	24,606,690
Transfer to intangible fixed assets	-	(1,853)	-	(1,853)
Charge for the year	3,918,531	1,184,229	45,007	5,147,767
Eliminated on disposals	-	(1,053,054)	(64,321)	(1,117,375)
At 31 December 2022	16,788,044	11,698,885	148,300	28,635,229
Carrying amount				
At 31 December 2022	26,455,821	3,546,171	96,491	30,098,483
At 31 December 2021	29,591,733	2,894,828	131,821	32,618,382
At 1 January 2021	33,445,280	3,841,728	162,723	37,449,731

Included within the net book value of land and buildings above is £101,634 (2021 - £101,634) in respect of freehold land and buildings and £26,354,187 (2021 - £29,490,099) in respect of short leasehold land and buildings.

Pledged as security

Freehold land and buildings with a carrying amount of £101,634 (2021 - £101,634) have been pledged as security for the group's other bank borrowings.

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

	2022 £	2021 £
Land and buildings	23,258,701	26,013,706
Furniture, fittings and equipment	2,744,372	2,247,883
Motor vehicles	58,103	98,850
	<u>26,061,176</u>	<u>28,360,439</u>

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****14 Intangible assets****Group**

	Goodwill	Other intangible assets	Total
	£	£	£
Cost or valuation			
At 1 January 2021	5,451,435	7,074,456	12,525,891
Additions	-	8,057	8,057
At 31 December 2021	5,451,435	7,082,513	12,533,948
At 1 January 2022	5,451,435	7,082,513	12,533,948
Additions	367,689	-	367,689
Acquired through business combinations	-	1,266,000	1,266,000
At 31 December 2022	5,819,124	8,348,513	14,167,637
Amortisation			
At 1 January 2021	2,814,661	5,279,123	8,093,784
Amortisation charge	-	673,250	673,250
At 31 December 2021	2,814,661	5,952,373	8,767,034
At 1 January 2022	2,814,661	5,952,373	8,767,034
Transfer from property, plant and equipment	-	1,853	1,853
Amortisation charge	-	911,512	911,512
At 31 December 2022	2,814,661	6,865,738	9,680,399
Carrying amount			
At 31 December 2022	3,004,463	1,482,775	4,487,238
At 31 December 2021	2,636,774	1,130,140	3,766,914
At 1 January 2021	2,636,774	1,795,333	4,432,107

Other intangible assets include contractual customer relationships and development expenditure.

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.

15 Investments**Group**

	Other investments
	£
Cost or valuation	
At 1 January 2022	-
Acquired through business combinations	10,000
At 31 December 2022	10,000
Carrying amount	
At 31 December 2022	10,000
At 31 December 2021	-

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****15 Investments (continued)****Company**

Details of the company subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2022	2021
Perkins Group Services Limited*	Import and distribution of toys, stationery and seasonal products, warehousing and logistics	England and Wales	100%	100%
Humatt Limited*	Dormant	England and Wales	100%	100%
Buttons Bear and Friends Limited	Dormant	England and Wales	100%	100%
Williams of Swansea Limited*	Import and distribution of toys, stationery and seasonal products	England and Wales	100%	100%
Amethyst Group Limited*	Provision of warehousing and logistics services	England and Wales	100%	100%
Cathay Investments 2 Properties Limited*	Non-trading	England and Wales	100%	100%
The Original Poster Company Limited*	Producer and distributor of greeting cards	England and Wales	100%	100%
PNC Global Logistics Limited*	Holding company	England and Wales	100%	100%
Amethyst Global Freight Limited	Freight forwarding	England and Wales	100%	100%
Warehouse One Distribution Limited*	Warehousing, logistics and transportation services	England and Wales	100%	100%
Mercian Logistics Limited	Provision of courier and pallet transport services	England and Wales	100%	-
CAJ Mercian Holdings Limited*	Holding company	England and Wales	100%	-
C5 Digitals Limited*	Information technology consultancy services	England and Wales	100%	100%

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

15 Investments (continued)

* indicates direct investment of the company

In line with the exemption allowed under section 479A of the Companies Act 2006 certain of the subsidiary companies of Cathay Investments 2 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 2 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 31 December 2022 the following subsidiaries were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

Cathay Investments 2 Properties Limited (Registration number: 09622202)

Williams of Swansea Limited (Registration number: 03579111)

The Original Poster Company (Registration number: 02580821)

PNC Global Logistics Limited (Registration number: 07677779)

Amethyst Global Freight Limited (Registration number: 04688688)

C5 Digital Limited (Registration number: 12391026)

CAJ Mercian Holdings Limited (Registration number: 10538685)

Mercian Logistics Limited (Registration number: 03974880)

Summary of the company's investments

	2022	2021
	£	£
Investments in subsidiaries	<u>14,432,538</u>	<u>12,766,699</u>
Subsidiaries		
Cost or valuation		
At 1 January 2021		<u>12,766,699</u>
At 31 December 2021		<u>12,766,699</u>
At 1 January 2022		<u>12,766,699</u>
Additions		<u>1,665,839</u>
At 31 December 2022		<u>14,432,538</u>
Carrying amount		
At 31 December 2022		<u>14,432,538</u>
At 31 December 2021		<u>12,766,699</u>
At 1 January 2021		<u>12,766,699</u>

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****16 Acquisition of subsidiaries**

The group acquired 100% of the issued share capital of CAJ Mercian Holdings Limited group of companies, obtaining control. The principal activity of the Mercian group of companies is the provision of courier services.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	2022
	£
Assets and liabilities acquired	
Identifiable intangible fixed assets - customer contracts	1,266,000
Investments	10,000
Property, plant and equipment	209,271
Property, plant and equipment - right of use assets	1,168,398
Trade and other receivables	1,696,550
Cash and cash equivalents	57,479
Trade and other payables	(1,341,808)
Social security and other taxes	(144,648)
Corporation tax liability	(43,079)
Bank borrowings	(41,396)
Lease liability	(1,118,404)
Deferred tax	(103,713)
Deferred tax recognised on identifiable intangible assets	(316,500)
Total identifiable assets	<u>1,298,150</u>
Goodwill	<u>367,689</u>
Total consideration	<u><u>1,665,839</u></u>
Satisfied by:	
Cash	<u>1,665,839</u>
Total consideration transferred	<u><u>1,665,839</u></u>
Cash flow analysis:	
Cash consideration	1,665,839
Less: cash and cash equivalent balances acquired	<u>(57,479)</u>
Net cash outflow arising on acquisition	<u><u>1,608,360</u></u>

Acquisition-related costs amount to £40,832 in 2022.

CAJ Mercian Holdings Limited and its subsidiary contributed £5,730,521 revenue and a loss of £716,306 to the group's profit for the period between the date of acquisition and the balance sheet date.

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****17 Leases**

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

	Group	
	2022	2021
	£	£
Current	3,898,033	4,449,384
Non-current	25,574,987	27,637,450
	<u>29,473,020</u>	<u>32,086,834</u>

Lease liabilities of £29,473,020 (2021 - £32,086,834) are secured over the leased assets.

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

Group

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 variable payments linked to an index	No. of leases with termination options
Land and buildings	7	1 - 12 years	6 years	7	-	7
Furniture, fittings and equipment	27	1 - 3 years	3 years	27	-	27
Motor vehicles	9	1 year	1 year	9	-	9

Future minimum lease payments at 31 December 2022 were as follows:

Group

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
	£	£	£	£	£	£	£
31 December 2022							
Lease payments	4,854,617	4,383,156	4,053,730	3,922,271	3,546,285	13,545,275	34,305,334
Finance charges	(956,584)	(832,459)	(691,626)	(585,438)	(475,603)	(1,290,604)	(4,832,314)
Net present values	3,898,033	3,550,697	3,362,104	3,336,833	3,070,682	12,254,671	29,473,020

Future minimum lease payments at 31 December 2021 were as follows:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
	£	£	£	£	£	£	£
31 December 2021							
Lease payments	5,420,729	4,379,786	3,919,964	3,674,398	3,617,340	16,221,432	37,233,649
Finance charges	(971,345)	(829,408)	(717,026)	(618,268)	(527,645)	(1,483,123)	(5,146,815)
Net present values	4,449,384	3,550,378	3,202,938	3,056,130	3,089,695	14,738,309	32,086,834

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

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

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****17 Leases (continued)****Right-of-use assets****Group**

	Land and buildings	Furniture, fittings and equipment	Motor vehicles	Total
	£	£	£	£
Gross carrying amount				
Balance at 1 January 2022	35,741,981	4,513,409	215,183	40,470,573
Additions	-	1,044,003	47,250	1,091,253
Acquired through business combinations	742,602	425,796	-	1,168,398
Disposals	-	(1,038,028)	(79,849)	(1,117,877)
Balance at 31 December 2022	36,484,583	4,945,180	182,584	41,612,347
Depreciation and impairment				
Balance at 1 January 2022	9,728,275	2,265,526	116,333	12,110,134
Depreciation	3,497,607	973,310	87,997	4,558,914
Disposals	-	(1,038,028)	(79,849)	(1,117,877)
Balance at 31 December 2022	13,225,882	2,200,808	124,481	15,551,171
Carrying amount 31 December 2022	23,258,701	2,744,372	58,103	26,061,176
Carrying amount 31 December 2021	26,013,706	2,247,883	98,850	28,360,439

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****18 Inventories**

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Finished goods and goods for resale	<u>957,954</u>	<u>919,016</u>	<u>-</u>	<u>-</u>

The cost of group inventories recognised as an expense in the year amounted to £2,336,646 (2021 - £2,372,225). This is included within cost of sales.

The amount of write-down of group inventories recognised as an expense in the year is £nil (2021 - £nil). This is included in cost of sales.

19 Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade receivables	7,586,870	5,963,027	-	-
Receivables from related parties	133,412	483,414	1,251,639	719,720
Other prepayments	848,352	1,409,573	-	-
Social security and other taxes	26,002	-	-	-
Other receivables	<u>383,683</u>	<u>275,459</u>	<u>3,081</u>	<u>1,559</u>
	<u>8,978,319</u>	<u>8,131,473</u>	<u>1,254,720</u>	<u>721,279</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.

20 Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Cash at bank	<u>3,552,745</u>	<u>5,150,815</u>	<u>81,325</u>	<u>251,093</u>

21 Share capital

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	12,000	12,000	12,000	12,000
Ordinary shares of £3 each	<u>667</u>	<u>2,001</u>	<u>934</u>	<u>2,802</u>
	<u>12,667</u>	<u>14,001</u>	<u>12,934</u>	<u>14,802</u>

Rights, preferences and restrictions

Each ordinary share of £1 is entitled to one vote. Each ordinary share of £3 is entitled to three votes.

On 13 July 2022, the company repurchased 267 B Ordinary shares. A total consideration of £372,411 was paid on the repurchase of the shares. The repurchased shares were cancelled. The share capital of the company was reduced by £801 comprising the 267 B Ordinary shares of £3 each.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

22 Reserves

Group

Share capital

Represents the nominal value of shares that have been issued.

Capital redemption reserve

Represents the amount of shares the group bought back.

Retained earnings

Includes all current and prior period retained profits and losses.

Company

Share capital

Represents the nominal value of shares that have been issued.

Capital redemption reserve

Represents the amount of shares the company bought back.

Retained earnings

Includes all current and prior period retained profits and losses.

23 Loans and borrowings

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Non-current loans and borrowings				
Bank borrowings	5,468,493	5,445,126	5,445,126	5,445,126
Redeemable preference shares	1,686,885	936,885	1,686,885	936,885
	<u>7,155,378</u>	<u>6,382,011</u>	<u>7,132,011</u>	<u>6,382,011</u>
	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Current loans and borrowings				
Bank borrowings	10,800	-	-	-
Other borrowings	944,041	944,041	944,041	944,041
	<u>954,841</u>	<u>944,041</u>	<u>944,041</u>	<u>944,041</u>

Group

Bank borrowings

On 18 December 2020 the group, together with its related company Cathay Investments Limited, refinanced their bank borrowings with HSBC Bank PLC. All the loans are denominated in sterling with a nominal interest rate of 3.0 - 4.0% above the SONIA Rate, and with the final instalment due by 28 February 2025. The carrying amount of these loans at the year end is £5,445,126 (2021: £5,445,126).

On the acquisition of CAJ Mercian Holdings Limited group of companies, the group acquired a further bank loan. The loan is provided by Lloyds Bank and is denominated in sterling with a nominal interest rate of 2.5%, and with the final instalment due by 5 May 2026. The carrying amount at the year end is £34,167 (2021: £Nil).

Redeemable preference shares

The holder of the redeemable preference shares has the right to redeem such shares at par. The holders of the redeemable preference shares have confirmed their intentions to hold the shares for more than one year. Accordingly, these redeemable preference shares are presented as a liability within non-current loans and borrowings in the statement of financial position.

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

23 Loans and borrowings (continued)

The redeemable preference shares carry a 0% coupon rate.

Movement in liability:

	2022 £	2021 £
Proceeds from issue of redeemable preference shares	750,000	-

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The group's exposure to market and liquidity risk, including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.

24 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charged for the year from continuing operations represents contributions payable by the group to the scheme and amounted to £177,169 (2021 - £135,496).

Contributions totalling £25,807 (2021 - £33,996) were payable to the scheme at the end of the year and are included in creditors.

25 Other provisions

Group

	Rates provision £	Dilapidations provision £	Total £
At 1 January 2022	2,589,167	974,000	3,563,167
Additional provisions	609,996	141,072	751,068
Provisions used	-	-	-
At 31 December 2022	<u>3,199,163</u>	<u>1,115,072</u>	<u>4,314,235</u>
Non-current liabilities	<u>-</u>	<u>1,115,072</u>	<u>1,115,072</u>

Provisions with amounts of £3,199,163 (2021 - £2,589,167) expected to fall due within one year and £1,115,072 (2021 - £974,000) expected to fall due after more than one year.

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****26 Trade and other payables**

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade payables	2,026,010	1,989,205	218	5,645
Accrued expenses	427,592	1,076,506	21,000	21,000
Amounts due to related parties	318,095	91,553	3,033,775	205,242
Social security and other taxes	1,024,452	1,071,857	-	2,087
Other payables	2,311,682	2,186,992	10	10
	<u>6,107,831</u>	<u>6,416,113</u>	<u>3,055,003</u>	<u>233,984</u>

Included within the other payables balance is an amount of £2,137,409 (2021 - £2,176,987) 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.

27 Contingent liabilities**Company**

The company has given cross guarantees to the groups bankers in respect of borrowings by certain group companies. The amount guaranteed is £18,748,378 (2021 - £21,962,233).

28 Financial instruments**Categories of financial instruments**

The group and the company held the following financial assets:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade and other receivables	8,129,967	6,721,900	1,254,720	721,279
Cash and cash equivalents	3,552,745	5,150,815	81,325	251,093
	<u>11,682,712</u>	<u>11,872,715</u>	<u>1,336,045</u>	<u>972,372</u>

The group and the company held the following financial liabilities:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade and other payables	6,107,831	6,416,113	3,055,003	233,984
Bank borrowings	5,479,293	5,445,126	5,445,126	5,445,126
Lease liabilities	29,473,020	32,086,834	-	-
Other borrowings	944,041	944,041	944,041	944,041
Redeemable preference shares	1,686,885	936,885	1,686,885	936,885
	<u>43,691,070</u>	<u>45,828,999</u>	<u>11,131,055</u>	<u>7,560,036</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

29 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

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 31 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 £136,982.

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 on trade receivables	(42,127)	(11,660)

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.

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****29 Financial risk management and impairment of financial assets (continued)****Maturity analysis**

	Within 1 year	After 1 year	Total
	£	£	£
2022			
Non-interest bearing borrowings	944,041	-	944,041
Bank borrowings	10,800	5,468,493	5,479,293
Redeemable preference shares	-	1,686,885	1,686,885
Lease liabilities	3,898,033	25,574,987	29,473,020
	<u>4,852,874</u>	<u>32,730,365</u>	<u>37,583,239</u>
2021			
Non-interest bearing borrowings	944,041	-	944,041
Bank borrowings	-	5,445,126	5,445,126
Redeemable preference shares	-	936,885	936,885
Lease liabilities	4,449,384	27,637,450	32,086,834
	<u>5,393,425</u>	<u>34,019,461</u>	<u>39,412,886</u>

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 and company'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, 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.

29 Financial risk management and impairment of financial assets (continued)

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	14,001	14,802	14,001	14,802
Retained earnings	(497,070)	491,714	4,622,726	6,164,233
Redeemable preference shares	1,686,885	936,885	1,686,885	936,885
Bank borrowings	<u>5,479,293</u>	<u>5,445,126</u>	<u>5,445,126</u>	<u>5,445,126</u>
	<u>6,683,109</u>	<u>6,888,527</u>	<u>11,768,738</u>	<u>12,561,046</u>

Cathay Investments 2 Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

30 Related party transactions

Key management personnel

B Chaing, director
K Johnson, director
D Nicholas, director
M Chaing, director
S Chaing, director

During the financial year, on 13 July 2022, G Thwaites resigned as a director and the company repurchased the shares of the director as disclosed in note 21.

Summary of transactions with key management

During the year, B Chaing continued to provide a loan to the company. At the year end the amount due to B Chaing was £944,041 (2021 - £944,041). The loan from B Chaing is interest free and repayable on demand.

Summary of transactions with parent company

During the year, Chaing Equities Limited provided a loan to the company. During the year, Chaing Equities Limited recharged insurance costs to Cathay Investments 2 Limited totalling £52,797 (2021 - £52,470). Chaing Equities Limited charged rent to Cathay Investments 2 Limited group companies totalling £17,925 (2021: £7,469). Cathay Investments 2 Limited charged accounts and audit fees to Chaing Equities Limited totalling £nil (2021: £18,025). The amount due to Chaing Equities Limited at the year end is £84,162 (2021 - £84,162).

Summary of transactions with entities with joint control or significant interest

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

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

During the year, the group made sales of £1,008,545 (2021 - £1,232,101) to Cathay Investments Limited and its subsidiary companies.

During the year, the group received a loan from Cathay Investments Limited. The group advanced an amount of £505,219 (2021 - £200,000) to Cathay Investments Limited during the year. Cathay Investments Limited made loan repayments of £503,279 (2021 - £1,281,596) during the year.

The group has given cross guarantees in respect of borrowings by Cathay Investments Limited and certain of its subsidiaries. The total amount of contingencies not included in the balance sheet is £16,610,969 (2021 - £19,785,245).

At the year end the net amount due from Cathay Investments Limited and its subsidiary companies is £7,543 (2021 - due from £476,710).

Cathay Investments 3 Limited and its subsidiary companies, related due to common control

During the year, Cathay Investments 3 Limited and subsidiary companies recharged costs of £863,465 (2021 - £5,687) to the group.

During the year, the group made sales of £4,871 (2021 - £nil) to Cathay Investments 3 Limited and its subsidiary companies.

During the year, the group advanced an amount of £3,000 (2021 - £5,000) to Cathay Investments 3 Limited and its subsidiaries.

At the year end the net amount due to Cathay Investments 3 Limited and its subsidiary companies is £92,977 (2021 - £687).

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****30 Related party transactions (continued)****Income and receivables from related parties**

	Parent company £	Entities with joint control or significant influence £
2022		
Receipt of services	-	1,013,016
Recharged expenses	-	-
Settlement of liabilities	-	(503,279)
Provision of loan	-	505,219
	<u>-</u>	<u>1,014,956</u>
Amounts receivable from related party	<u>-</u>	<u>98,412</u>

	Parent company £	Entities with joint control or significant influence £
2021		
Receipt of services	-	1,232,101
Recharged expenses	18,025	-
Settlement of liabilities	-	(1,281,596)
Provision of loan	-	200,000
	<u>18,025</u>	<u>150,505</u>
Amounts receivable from related party	<u>-</u>	<u>482,214</u>

Expenditure with and payables to related parties

	Parent company £	Entities with joint control or significant influence £
2022		
Rendering of services	17,925	1,808,435
Recharged expenses	52,797	86,577
	<u>70,722</u>	<u>1,895,012</u>
Amounts payable to related party	<u>84,162</u>	<u>198,932</u>

	Parent company £	Entities with joint control or significant influence £
2021		
Rendering of services	7,469	900,000
Recharged expenses	54,470	136,080
	<u>61,939</u>	<u>1,036,080</u>
Amounts payable to related party	<u>84,162</u>	<u>6,191</u>

Cathay Investments 2 Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****30 Related party transactions (continued)****Loans from related parties**

	Key management
	£
2022	
At start of period	944,041
At end of period	<u>944,041</u>
	Key management
	£
2021	
At start of period	944,041
At end of period	<u>944,041</u>

31 Post balance sheet events

On 29 June 2023 the company declared a dividend of £2,779,440 in respect of the A Ordinary shares and £220,506 in respect of the B Ordinary shares. There were no conditions or restrictions associated with the dividend.

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