

## **Cathay Investments 2 Limited**

Directors' Report, Strategic Report and Audited Consolidated Financial Statements

for the Year Ended 31 December 2021



## **Cathay Investments 2 Limited**

### **Contents**

	<b>Page</b>
Company Information	1
Strategic Report	2 to 4
Directors' Report	5 to 8
<i>Independent Auditor's Report</i>	9 to 12
Consolidated Income Statement	13
Consolidated Statement of Comprehensive Income	14
Consolidated Statement of Financial Position	15
Company Statement of Financial Position	16
Consolidated Statement of Changes in Equity	17
Company Statement of Changes in Equity	18
<i>Consolidated Statement of Cash Flows</i>	19 to 20
Company Statement of Cash Flows	21
Notes to the Financial Statements	22 to 50

**Cathay Investments 2 Limited**

**Company Information**

<b>Directors</b>	B Chaing K Johnson D Nicholas G Thwaites (resigned 13 July 2022) M Chaing S Chaing
<b>Registered office</b>	43 Friends Road Croydon United Kingdom CR0 1ED
<b>Independent auditors</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

## Cathay Investments 2 Limited

### Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

#### Fair review of the business

The performance of the group improved in total this year turning a loss in 2020 into a profit in 2021. On turnover level, the drop is mainly due to the loss of a large client in the toys division. However, this customer was not profitable so the effect of this loss on EBITDA was minimal. There has been a small decrease in logistics revenue during the year due to difficult trading conditions in the start of the year caused by covid and shortages of agency staff. Overall the business has returned to profitability as no further support was needed for Rhys Davies & Sons Limited after its administration, which significantly affected the 2020 results. The group received a small refund of administration costs in the year.

Following the year end the group has acquired CAJ Mercian Holdings Limited, and its trading subsidiary Mercian Logistics Limited, which provides courier and pallet services from its bases in Herefordshire. We hope that this acquisition will enhance the range of services which we can offer as a group to our customers and allow for greater use of our own transport and therefore reduced reliance on external hauliers.

The group made a profit before tax for the year from continuing operations of £1,609,946 (2020 - loss before tax £1,130,998). The group made no profits or losses during the year from discontinued operations (2020 - £646,767). The statement of financial position shows total assets of £50,686,022 (As at 31 December 2020 - £60,741,875), total liabilities of £50,179,506 (As at 31 December 2020 - £60,760,691) and net assets of £506,516 (As at 31 December 2020 - net liabilities of £18,816).

As referred to above, Rhys Davies & Sons Limited was placed into administration on 8 December 2020. The results of Rhys Davies & Sons Limited for the period from 1 January 2020 to 8 December 2020 are presented in the Consolidated Income Statement comparatives within Discontinued Operations – Loss for the year from discontinued operations. Following this, the group lost access to key accounting records for Rhys Davies & Sons Limited as a result of which our auditors have been unable to obtain all of the evidence they would usually expect to receive and the audit report contains a limitation of scope in respect of the comparative period. The qualification has no impact on the results of continuing operations for the comparative period, the results for the current year or on the consolidated balance sheet as at 31 December 2020 or 2021.

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

	Unit	2021	2020
EBITDA [1] from continuing operations	£	8,970,019	11,394,744
Cash generated from continuing operations	£	12,128,882	7,131,052

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.

Excluding the results of the discontinued operations, EBITDA declined during 2021. This is largely due to a decrease in margins in the warehousing operations of the group which has suffered from significant cost pressure in the year, particularly in respect of agency staff. Cash generated from operations benefitted from improved debt collection from customers.

## **Cathay Investments 2 Limited**

### **Strategic Report for the Year Ended 31 December 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 2021 there has been ongoing risks from coronavirus as the UK has emerged from covid restrictions. Although this has impacted on the business and its clients a number of clients provided essential products and have been able to continue trading, and the group has remained open as a key business throughout the crisis. Some of the companies in the group have seen improved performance due to being able to provide key services to clients, whereas others have been significantly impacted. The group is committed to ensuring a safe environment for its staff and customers and has made appropriate changes to manage coronavirus risks. Staff welfare is the group's primary concern.

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.

#### **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.

## **Cathay Investments 2 Limited**

### **Strategic Report for the Year Ended 31 December 2021**

#### *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 25/10/2022 and signed on its behalf by:

*Kevin Johnson*

.....  
K Johnson  
Director

## **Cathay Investments 2 Limited**

### **Directors' Report for the Year Ended 31 December 2021**

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

#### **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; and
- information technology consultancy services.

#### **Dividends**

During the year, an interim dividend totalling £1,000,003 was paid (2020 - £2,000,000).

#### **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.

##### *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.

##### *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 21. There are no significant repayments falling due immediately and the group monitors its cash flow and loan maturities carefully to manage these risks.

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

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

#### **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.

## **Cathay Investments 2 Limited**

### **Directors' Report for the Year Ended 31 December 2021**

#### **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 2023. 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 six months of actual results (Q1 and Q2) and a forecast for Q3 and Q4. Following the successful roll-out of vaccines and subsequent relaxation of Covid restrictions during 2021, the impact on of Covid-19 on the forecast for 2022 is fairly limited. However, current high rates of inflation 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 has 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 has 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 trebling of annual spend on energy costs since 2020. This is not assumed to improve, indeed costs seem likely to increase further. 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 has helped us to 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.



## **Cathay Investments 2 Limited**

### **Directors' Report for the Year Ended 31 December 2021**

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

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 and 2022 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.

#### **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.

## **Cathay Investments 2 Limited**

### **Directors' Report for the Year Ended 31 December 2021**

#### **Statement of directors' responsibilities (continued)**

To the best of our knowledge:

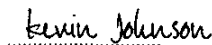
- the financial statements, prepared in accordance with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the annual report, 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 25/10/2022 and signed on its behalf by:



K Johnson  
Director

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

---

### **Qualified 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 2021, which comprise the 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, except for the matter described in the basis for qualified opinion section of our report:

- 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 2021 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 qualified opinion**

*Rhys Davies and Sons Limited, a company acquired in 2019 by Cathay Investments 2 Limited, a direct subsidiary of Chaing Equities Limited was placed into administration on 8 December 2020. The results of Rhys Davies and Sons Limited for the period 1 January 2020 to 8 December 2020 are presented in the Consolidated Income Statement comparative within Discontinued Operations – Loss for the year from discontinued operations.*

Access to key accounting records for Rhys Davies and Sons Limited was lost when the entity was placed into administration. We were therefore unable to obtain sufficient appropriate audit evidence about the loss for the comparative year from discontinued operations totalling £646,767 which is comprised of a loss for the comparative year from discontinued operations totalling £5,669,194 and a gain on disposal totalling £5,022,427. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 Brexit and Covid-19, 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.

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.

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

---

### **Conclusions relating to going concern (continued)**

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.

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.

### **Other information**

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

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

We have nothing to report in this regard, except for the matter described in the basis for qualified opinion section of our report.

### **Opinions on other matters prescribed by the Companies Act 2006**

Except for the matter described in the basis for qualified opinion section of our report, 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**

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

In respect solely to the issue described in the basis for qualified opinion section of our report:

- adequate accounting records and returns have not been kept relating to Rhys Davies and Sons Limited

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, 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.

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

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

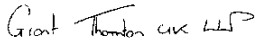
- We understood how the group and parent are complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (International and UK GAAP and the Companies Act 2006).
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices.
- We assessed the susceptibility of the group and parent's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries that increased revenues; and
  - potential management bias in manual journals, determining accounting estimates and any significant transactions outside of the normal conduct of business operations.
- Our audit procedures involved:
  - evaluation of the design effectiveness and assessing the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on material manual journals, including those with unusual account combinations and those that reclassified costs from the income statement to the balance sheet;
  - challenging assumptions and judgements made by management in its significant accounting estimates; and
  - assessing the extent of compliance with the relevant laws and regulations 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;
- 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.

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

---

### **Use of our report**

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



Marc Summers BSc (Hons) FCA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
LONDON  
Date: 25/10/2022

**Cathay Investments 2 Limited****Consolidated Income Statement for the Year Ended 31 December 2021**

	<b>Note</b>	<b>2021 £</b>	<b>2020 £</b>
<b>Continuing operations</b>			
Revenue	5	43,418,713	50,091,002
Cost of sales		(22,035,093)	(21,365,678)
Gross profit		21,383,620	28,725,324
Other income	8	104,604	377,728
Distribution costs		(4,401,793)	(5,411,284)
Administrative expenses		(14,081,707)	(23,357,798)
Operating profit	6	3,004,724	333,970
Finance income		3,492	4,730
Finance costs		(1,398,270)	(1,469,698)
Net finance costs	7	(1,394,778)	(1,464,968)
Profit/(Loss) before tax		1,609,946	(1,130,998)
Tax (charge)/credit	11	(84,611)	91,728
Profit/(Loss) for the year from continuing operations		1,525,335	(1,039,270)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations		-	(646,767)
Profit/(Loss) for the year		1,525,335	(1,686,037)
<b>Profit/(Loss) attributable to:</b>			
Owners of the company		1,525,335	(1,686,037)

The notes on pages 22 to 50 form an integral part of these financial statements.

## Cathay Investments 2 Limited

### Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2021

	2021 £	2020 £
Profit/(Loss) for the year	1,525,335	(1,686,037)
Total comprehensive income for the year	<u>1,525,335</u>	<u>(1,686,037)</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the company	<u>1,525,335</u>	<u>(1,686,037)</u>

The notes on pages 22 to 50 form an integral part of these financial statements.



**Cathay Investments 2 Limited****(Registration number: 07475530)****Consolidated Statement of Financial Position as at 31 December 2021**

	Note	2021 £	As restated 2020 £
<b>Non-current assets</b>			
Property, plant and equipment	12	32,618,382	37,449,731
Intangible assets	13	3,766,914	4,432,107
Deferred tax assets	11	99,422	127,204
		<u>36,484,718</u>	<u>42,009,042</u>
<b>Current assets</b>			
Inventories	16	919,016	1,035,716
Trade and other receivables	17	8,131,473	12,637,069
Cash and cash equivalents	18	5,150,815	5,060,048
		<u>14,201,304</u>	<u>18,732,833</u>
Total assets		<u>50,686,022</u>	<u>60,741,875</u>
<b>Equity</b>			
Share capital	19	14,802	14,802
Retained earnings		491,714	(33,618)
Equity attributable to owners of the company		<u>506,516</u>	<u>(18,816)</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	6,382,011	7,382,011
Provisions	23	974,000	833,000
Lease liability	15	27,637,450	31,804,839
Deferred tax liabilities	11	355,354	447,454
		<u>35,348,815</u>	<u>40,467,304</u>
<b>Current liabilities</b>			
Trade and other payables	24	6,416,113	11,686,454
Loans and borrowings	21	944,041	944,041
Provisions	23	2,589,167	2,142,000
Lease liability	15	4,449,384	4,371,095
Corporation tax liability		431,986	1,149,797
		<u>14,830,691</u>	<u>20,293,387</u>
Total liabilities		<u>50,179,506</u>	<u>60,760,691</u>
Total equity and liabilities		<u>50,686,022</u>	<u>60,741,875</u>

Approved by the Board on 25/10/2022 and signed on its behalf by:

..... Kevin Johnson  
K Johnson  
Director

The notes on pages 22 to 50 form an integral part of these financial statements.

**Cathay Investments 2 Limited****(Registration number: 07475530)****Company Statement of Financial Position as at 31 December 2021**

	Note	2021 £	2020 £
<b>Non-current assets</b>			
Investments	14	12,766,699	12,766,699
<b>Current assets</b>			
Trade and other receivables	17	721,279	1,736,568
Cash and cash equivalents	18	251,093	102,259
		<u>972,372</u>	<u>1,838,827</u>
Total assets		<u>13,739,071</u>	<u>14,605,526</u>
<b>Equity</b>			
Share capital	19	14,802	14,802
Retained earnings		<u>6,164,233</u>	<u>388,875</u>
Total equity		<u>6,179,035</u>	<u>403,677</u>
<b>Non-current liabilities</b>			
Loans and borrowings	21	6,382,011	7,382,011
<b>Current liabilities</b>			
Trade and other payables	24	233,984	5,875,797
Loans and borrowings	21	<u>944,041</u>	<u>944,041</u>
		<u>1,178,025</u>	<u>6,819,838</u>
Total liabilities		<u>7,560,036</u>	<u>14,201,849</u>
Total equity and liabilities		<u>13,739,071</u>	<u>14,605,526</u>

Approved by the Board on 25/10/2022 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 2021**

	Share capital £	Retained earnings £	Total equity attributable to the owners of the parent company £
At 1 January 2020	14,802	3,652,419	3,667,221
Loss for the year	-	(1,686,037)	(1,686,037)
Total comprehensive income	-	(1,686,037)	(1,686,037)
Dividends paid	-	(2,000,000)	(2,000,000)
At 31 December 2020	14,802	(33,618)	(18,816)

	Share capital £	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

The notes on pages 22 to 50 form an integral part of these financial statements.

**Cathay Investments 2 Limited****Company Statement of Changes in Equity for the Year Ended 31 December 2021**

	Share capital £	Retained earnings £	Total £
At 1 January 2020	14,802	3,953,519	3,968,321
Loss for the year	-	(1,564,644)	(1,564,644)
Total comprehensive income	-	(1,564,644)	(1,564,644)
Dividends paid	-	(2,000,000)	(2,000,000)
At 31 December 2020	14,802	388,875	403,677

	Share capital £	Retained earnings £	Total £
At 1 January 2021	14,802	388,875	403,677
Profit for the year	-	6,775,361	6,775,361
Total comprehensive income	-	6,775,361	6,775,361
Dividends paid	-	(1,000,003)	(1,000,003)
At 31 December 2021	14,802	6,164,233	6,179,035

**Cathay Investments 2 Limited****Consolidated Statement of Cash Flows for the Year Ended 31 December 2021**

	<b>Note</b>	<b>2021 £</b>	<b>2020 £</b>
<b>Cash flows from operating activities</b>			
Profit/(Loss) for the year from continuing and discontinued operations		1,525,335	(1,686,037)
Adjustments to cash flows from non-cash items:			
Depreciation, amortisation and impairment		5,804,804	8,412,548
(Profit)/Loss on disposal of property, plant and equipment		(68,777)	44,822
Gain on disposal of discontinued operation	14	-	(5,022,427)
Finance income	7	(3,492)	(4,730)
Finance costs		1,398,270	1,713,939
Tax charge/(credit)	11	84,611	(320,928)
		<u>8,740,751</u>	<u>3,137,187</u>
Working capital adjustments:			
Decrease in inventories	16	116,700	310,703
Decrease in trade and other receivables	17	4,505,596	217,050
(Decrease)/increase in trade and other payables	24	(1,758,014)	5,335,860
Increase in provisions	23	588,167	748,000
Decrease in deferred tax	11	(64,318)	(62,104)
Cash generated from operations		<u>12,128,882</u>	<u>9,686,696</u>
Income taxes (paid)/received		<u>(802,422)</u>	<u>5,383</u>
Net cash flow from operating activities		<u>11,326,460</u>	<u>9,692,079</u>
<b>Cash flows from investing activities</b>			
Interest received	7	3,492	4,730
Acquisitions of property, plant and equipment		(92,684)	(279,372)
Acquisitions of intangible fixed assets		(8,057)	-
Cash disposed in discontinued operation		-	(4,480)
Net cash from investing activities		<u>(97,249)</u>	<u>(279,122)</u>

The notes on pages 22 to 50 form an integral part of these financial statements.

**Cathay Investments 2 Limited****Consolidated Statement of Cash Flows for the Year Ended 31 December 2021**

	<b>Note</b>	<b>2021 £</b>	<b>2020 £</b>
<b>Cash flow from financing activities</b>			
Interest paid		(1,398,270)	(1,713,939)
Dividends paid		(1,000,003)	(2,000,000)
Proceeds from bank borrowing drawdowns	21	-	6,445,126
Repayment of loans and borrowings	21	(1,000,000)	(5,272,889)
Repayment of lease liabilities		(4,227,844)	(7,006,278)
Repayment of other borrowing	21	-	(255,959)
(Decrease)/increase in invoice discounting facility	24	(3,512,327)	2,121,187
Net cash from financing activities		<u>(11,138,444)</u>	<u>(7,682,752)</u>
Net (decrease)/increase in cash and cash equivalents		90,767	1,730,205
Cash and cash equivalents at 1 January	18	<u>5,060,048</u>	<u>3,329,843</u>
Cash and cash equivalents at 31 December	18	<u><u>5,150,815</u></u>	<u><u>5,060,048</u></u>

The notes on pages 22 to 50 form an integral part of these financial statements.

**Cathay Investments 2 Limited****Company Statement of Cash Flows for the Year Ended 31 December 2021**

	<b>Note</b>	<b>2021 £</b>	<b>2020 £</b>
<b>Cash flows from operating activities</b>			
Profit/(Loss) for the year		6,775,361	(1,564,644)
Adjustments to cash flows from non-cash items:			
Impairment of investments	13	-	250,000
Finance income		(7,091,097)	(3,600,204)
Finance costs		226,298	174,620
		<u>(89,438)</u>	<u>(4,740,228)</u>
Working capital adjustments:			
Decrease/(increase) in trade and other receivables	17	1,015,289	(1,496,042)
(Decrease)/increase in trade and other payables	24	<u>(5,641,813)</u>	<u>3,145,421</u>
Net cash flow from operating activities		<u>(4,715,962)</u>	<u>(3,090,849)</u>
<b>Cash flows from investing activities</b>			
Interest received		160	204
Dividends received		7,090,937	3,600,000
Acquisition of subsidiaries	14	-	(1)
Additional investment in subsidiaries	14	-	(250,000)
Net cash flows from investing activities		<u>7,091,097</u>	<u>3,350,203</u>
<b>Cash flow from financing activities</b>			
Interest paid		(226,298)	(174,620)
Dividends paid		(1,000,003)	(2,000,000)
Proceeds from bank borrowing drawdowns		-	6,445,126
Repayment of bank borrowing	21	(1,000,000)	(4,350,533)
Repayment of other borrowings		-	(255,959)
Net cash flows from financing activities		<u>(2,226,301)</u>	<u>(335,986)</u>
Net decrease in cash and cash equivalents		148,834	(76,632)
Cash and cash equivalents at 1 January	18	<u>102,259</u>	<u>178,891</u>
Cash and cash equivalents at 31 December	18	<u><u>251,093</u></u>	<u><u>102,259</u></u>

The notes on pages 22 to 50 form an integral part of these financial statements.

## **Cathay Investments 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **1 General information**

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

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

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

43 Friends Road  
Croydon  
United Kingdom  
CR0 1ED

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

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

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

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

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); effective 1 January 2021
- References to the Conceptual Framework; effective 1 January 2021

##### **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:

- 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
- Deferred Tax related to Assets and Liabilities from a Single Transaction (Amendments to IAS 12); effective 1 January 2023
- Definition of Accounting Estimates (Amendments to IAS 8); effective 1 January 2023
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2); effective 1 January 2023

None of the other standards, interpretations and amendments which are effective for periods beginning after 31 December 2021 and which have not been adopted early are expected to have a material effect on the financial statements.

#### **3 Accounting policies**

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

The group and company financial statements have been prepared 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 2021**

#### **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 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.

##### **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 2023. 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 six months of actual results (Q1 and Q2) and a forecast for Q3 and Q4. Following the successful roll-out of vaccines and subsequent relaxation of Covid restrictions during 2021, the impact on of Covid-19 on the forecast for 2022 is fairly limited. However, current high rates of inflation 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 has 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 has 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 trebling of annual spend on energy costs since 2020. This is not assumed to improve, indeed costs seem likely to increase further. 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 has helped us to improve margins during 2022.

## **Cathay Investments 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **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 and 2022 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 2021.

Three of the subsidiary undertakings has a reporting date of 30 December 2021. 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 profit after tax for the financial year of £6,775,361 (2020 - loss after tax £1,564,644).

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.

##### **Profit or loss from discontinued operations**

A discontinued operation is a component of the group that either has been disposed of, or is classified as held for sale. A discontinued operation represents a separate major line of the business. Profit or loss from discontinued operations comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal group constituting the discontinued operation.

## **Cathay Investments 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

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

##### **Revenue**

Revenue arises mainly from the provision of third party logistics services (including warehousing and freight forwarding) 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, 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 grant**

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 2021

#### 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	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 2021

#### 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	Amortisation method and rate
Contractual customer relationships	25% - 50% per annum straight line
Development expenditure	Between 3 and 6 years per annum straight line

## **Cathay Investments 2 Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **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 2021**

#### **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 2021**

#### **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.

##### **Financial assets and liabilities (continued)**

##### **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 2021**

#### **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.

##### **Leases - Incremental borrowing rate**

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

The IBR is the estimated rate that the company 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.

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

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

##### 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.

##### 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 from continuing operations is as follows:

	2021 £	2020 £
Revenue from contracts with customers	43,418,713	50,091,002
	<u>43,418,713</u>	<u>50,091,002</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:

	2021 £	2020 £
<i>Primary geographical markets</i>		
UK	43,418,713	49,881,911
Europe	-	172,609
Rest of world	-	36,482
	<u>43,418,713</u>	<u>50,091,002</u>
<i>Major products and service lines</i>		
Third party logistics	38,010,014	40,600,474
Toys, stationery and greetings cards	5,407,446	9,490,528
IT services	1,253	-
	<u>43,418,713</u>	<u>50,091,002</u>
<i>Timing of revenue recognition</i>		
Products transferred at a point in time	5,407,446	9,490,528
Services transferred over time	38,011,267	40,600,474
	<u>43,418,713</u>	<u>50,091,002</u>

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 6 Operating profit from continuing operations

Arrived at after charging/(crediting):

	2021	2020
	£	£
Depreciation expense	5,131,554	5,435,650
Amortisation expense	673,250	673,250
Foreign exchange losses/(gains)	9,795	237,978
Loss on disposal of property, plant and equipment	674	2,926
Exceptional item - redundancy costs	141,767	228,316
Exceptional item - other costs	2,018	18,698
Exceptional item - Rhys Davies & Sons Limited - write off of group funding on administration	-	4,327,042
Exceptional item - Rhys Davies & Sons Limited - administration costs	56,365	358,417
Exceptional item - aborted transaction and other legal costs	59,437	19,401
Exceptional item - Rhys Davies & Sons Limited - funds returned by Administrators	(200,000)	-
Exceptional item - legal costs relating to historic court case	62,895	-
Exceptional item - exit costs for toys division customer	26,660	-
Exceptional item - bad debts	11,349	-

#### 7 Net finance costs

	2021	2020
	£	£
<b>Finance income</b>		
Interest income on bank deposits	3,492	4,730
<b>Finance costs</b>		
Interest on bank overdrafts and borrowings	(255,343)	(230,744)
Interest expense on leasing arrangements	(1,142,927)	(1,238,954)
	(1,398,270)	(1,469,698)
Net finance costs from continuing operations	(1,394,778)	(1,464,968)

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 8 Staff costs

The aggregate payroll costs from continuing operations were as follows:

	2021	2020
	£	£
Wages and salaries	6,856,214	7,785,364
Social security costs	555,508	680,957
Pension and other post-employment benefit costs	135,496	181,794
Redundancy and payment in lieu	141,767	228,316
	<u>7,688,985</u>	<u>8,876,431</u>

During the year, the group received government grant support by way of the Coronavirus Job Retention Scheme (CJRS). The total grant income received for continuing operations was £104,604 (2020 - £377,728) 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:

	2021	2020
	No.	No.
Administration and support	40	67
Sales	6	12
Marketing	1	252
Distribution	243	6
Management	4	1
	<u>294</u>	<u>338</u>

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

#### 9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021
	£
Remuneration	<u>437,581</u>

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

#### 10 Auditor's remuneration

	2021	2020
	£	£
Audit of the financial statements	25,000	20,000
Audit of the financial statements of subsidiaries of the company pursuant to legislation	103,500	86,000
	<u>128,500</u>	<u>106,000</u>
<b>Other fees to auditors</b>		
Taxation compliance services	<u>25,000</u>	<u>19,000</u>

**Cathay Investments 2 Limited****Notes to the Financial Statements for the Year Ended 31 December 2021****11 Tax**

Tax charge/(credit) in the income statement:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Current taxation</b>		
UK corporation tax	387,150	47,992
Group relief payable	-	248,880
UK corporation tax adjustment to prior periods	(238,220)	(270,841)
Total current income tax	<u>148,930</u>	<u>26,031</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	45,386	(58,076)
Effect of tax rate change on opening balance	(31,334)	-
Adjustments in respect of previous periods	(78,371)	(59,683)
Total deferred taxation	<u>(64,319)</u>	<u>(117,759)</u>
Tax expense/(credit) in the income statement	<u>84,611</u>	<u>(91,728)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Profit/(Loss) before tax from continuing operations	<u>1,609,946</u>	<u>(1,130,998)</u>
Corporation tax at standard rate	305,890	(214,890)
Decrease in current tax from adjustment for prior periods	(241,246)	(156,940)
Increase from effect of capital allowances depreciation	37,114	64,011
Increase from effect of expenses not deductible in determining taxable profit	6,743	772,988
Decrease arising from group relief	-	(363,500)
Deferred tax expense/(credit) from unrecognised tax loss or credit	55,048	(145,540)
Deferred tax credit relating to changes in tax rates of laws	(45,344)	(37,281)
Decrease in deferred tax from adjustment for prior periods	(78,371)	(59,683)
Other difference leading to an increase in taxation	<u>44,778</u>	<u>49,107</u>
Total tax expense/(credit)	<u>84,611</u>	<u>(91,728)</u>

**Cathay Investments 2 Limited****Notes to the Financial Statements for the Year Ended 31 December 2021****11 Tax (continued)****Deferred tax****Group**

Deferred tax assets and liabilities

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

	<b>Asset</b>	<b>Liability</b>	<b>Net deferred tax</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>2020</b>			
Accelerated tax depreciation	122,819	(106,341)	16,478
Tax losses carry-forwards	3,804	-	3,804
Other items	581	(341,113)	(340,532)
	<u>127,204</u>	<u>(447,454)</u>	<u>(320,250)</u>

Deferred tax movement during the year:

	<b>At 1 January 2021</b>	<b>Recognised in income</b>	<b>At 31 December 2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>
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>

Deferred tax movement during the prior year:

	<b>At 1 January 2020</b>	<b>Recognised in income</b>	<b>At 31 December 2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Accelerated tax depreciation	24,577	(8,099)	16,478
Tax losses carry-forwards	6,173	(2,369)	3,804
Other items	(468,759)	128,227	(340,532)
Net tax assets/(liabilities)	<u>(438,009)</u>	<u>117,759</u>	<u>(320,250)</u>

**Cathay Investments 2 Limited****Notes to the Financial Statements for the Year Ended 31 December 2021****12 Property, plant and equipment Group**

	<b>Land and buildings £</b>	<b>Furniture, fittings and equipment £</b>	<b>Motor vehicles £</b>	<b>Total £</b>
<b>Cost of valuation</b>				
At 1 January 2020	47,764,050	21,721,965	13,321,689	82,807,704
Additions	967,982	509,436	57,636	1,535,054
Additions (discontinued operations)	16,395	2,428	-	18,823
Disposals	(194,864)	(89,779)	(68,042)	(352,685)
Disposals (discontinued operations)	(6,002,698)	(7,419,956)	(12,998,200)	(26,420,854)
At 31 December 2020	42,550,865	14,724,094	313,083	57,588,042
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
<b>Depreciation and impairment losses</b>				
At 1 January 2020	5,983,664	15,770,182	9,868,036	31,621,882
Charge for the year	4,007,152	1,349,966	78,532	5,435,650
Charge for the year (discontinued operations)	743,774	408,206	1,151,668	2,303,648
Eliminated on disposals	(194,864)	(88,779)	(57,226)	(340,869)
Eliminated on disposals (discontinued operations)	(1,434,141)	(6,557,209)	(10,890,650)	(18,882,000)
At 31 December 2020	9,105,585	10,882,366	150,360	20,138,311
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
<b>Carrying amount</b>				
At 31 December 2021	29,591,733	2,894,828	131,821	32,618,382
At 31 December 2020	33,445,280	3,841,728	162,723	37,449,731
At 1 January 2020	41,780,386	5,951,783	3,453,653	51,185,822

Included within the net book value of land and buildings above is £101,634 (2020 - £101,634) in respect of freehold land and buildings and £29,490,099 (2020 - £33,343,646) in respect of short leasehold land and buildings.

**Pledged as security**

Freehold land and buildings with a carrying amount of £101,634 (2020 - £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:

	<b>2021 £</b>	<b>2020 £</b>
Land and buildings	26,013,706	29,539,690
Furniture, fittings and equipment	2,247,883	3,099,847
Motor vehicles	98,850	145,728
	<u>28,360,439</u>	<u>32,785,265</u>

**Cathay Investments 2 Limited****Notes to the Financial Statements for the Year Ended 31 December 2021****13 Intangible assets  
Group**

	<b>Goodwill</b>	<b>Other intangible assets</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost of valuation</b>			
At 1 January 2020	6,825,011	7,074,456	13,899,467
Disposals	(1,373,576)	-	(1,373,576)
At 31 December 2020	5,451,435	7,074,456	12,525,891
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
<b>Amortisation</b>			
At 1 January 2020	4,188,237	4,605,873	8,794,110
Amortisation charge	-	673,250	673,250
Disposals	(1,373,576)	-	(1,373,576)
At 31 December 2020	2,814,661	5,279,123	8,093,784
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
<b>Carrying amount</b>			
At 31 December 2021	2,636,774	1,130,140	3,766,914
At 31 December 2020	2,636,774	1,795,333	4,432,107
At 1 January 2020	2,636,774	2,468,583	5,105,357

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 2021 budget prepared at the beginning of the year which includes a 5 year forecast. Key assumptions affecting the valuation include:

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

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



## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 14 Investments

Details of the company subsidiaries as at 31 December 2021 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2021	2020
Perkins Group Services Limited*	Import and distribution of toys, stationery and seasonal products, warehousing and logistics	England and Wales	100%	100%
<i>Humatt Limited*</i>	<i>Dormant</i>	<i>England and Wales</i>	<i>100%</i>	<i>100%</i>
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%
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 2021

#### 14 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 2021 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 Digitals Limited (Registration number: 12391026)

#### Summary of the company's investments

	2021	2020
	£	£
Investments in subsidiaries	<u>12,766,699</u>	<u>12,766,699</u>
<b>Subsidiaries</b>		
<b>Cost or valuation</b>		
At 1 January 2020		12,766,698
Additions		250,001
Impairment		(250,000)
At 31 December 2020		<u>12,766,699</u>
At 1 January 2021		<u>12,766,699</u>
At 31 December 2021		<u>12,766,699</u>
<b>Carrying amount</b>		
At 31 December 2021		<u>12,766,699</u>
At 31 December 2020		<u>12,766,699</u>
At 1 January 2020		<u>12,766,698</u>

**Cathay Investments 2 Limited****Notes to the Financial Statements for the Year Ended 31 December 2021****15 Leases**

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

	<b>Group</b> <b>2021</b> <b>£</b>	<b>2020</b> <b>£</b>
Current	4,449,384	4,371,095
Non-current	27,637,450	31,804,839
	<u>32,086,834</u>	<u>36,175,934</u>

Lease liabilities of £32,086,834 (2020 - £36,175,934) are secured over the leased assets.

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

**Group**

<b>Right-of-use asset</b>	<b>No. of right-of-use assets leased</b>	<b>Range of remaining lease term</b>	<b>Average remaining lease term</b>	<b>No. of leases with extension options</b>	<b>No. of leases with variable payments linked to an index</b>	<b>No. of leases with termination options</b>
Land and buildings	7	1 - 12 years	6 years	7	-	7
Furniture, fittings and equipment	31	1 - 5 years	3 years	31	-	31
Motor vehicles	10	1 - 2 years	1 year	10	-	10

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

**Group**

	<b>Within 1 year</b> <b>£</b>	<b>1-2 years</b> <b>£</b>	<b>2-3 years</b> <b>£</b>	<b>3-4 years</b> <b>£</b>	<b>4-5 years</b> <b>£</b>	<b>After 5 years</b> <b>£</b>	<b>Total</b> <b>£</b>
<b>31 December 2021</b>							
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)
<b>Net present values</b>	<u><b>4,449,384</b></u>	<u><b>3,550,378</b></u>	<u><b>3,202,938</b></u>	<u><b>3,056,130</b></u>	<u><b>3,089,695</b></u>	<u><b>14,738,309</b></u>	<u><b>32,086,834</b></u>

Future minimum lease payments at 31 December 2020 were as follows:

	<b>Within 1 year</b> <b>£</b>	<b>1-2 years</b> <b>£</b>	<b>2-3 years</b> <b>£</b>	<b>3-4 years</b> <b>£</b>	<b>4-5 years</b> <b>£</b>	<b>After 5 years</b> <b>£</b>	<b>Total</b> <b>£</b>
<b>31 December 2020</b>							
Lease payments	5,478,441	5,057,181	4,201,022	3,734,208	3,512,264	20,411,159	42,394,275
Finance charges	(1,107,346)	(961,124)	(825,370)	(714,557)	(619,508)	(1,990,436)	(6,218,341)
<b>Net present values</b>	<u><b>4,371,095</b></u>	<u><b>4,096,057</b></u>	<u><b>3,375,652</b></u>	<u><b>3,019,651</b></u>	<u><b>2,892,756</b></u>	<u><b>18,420,723</b></u>	<u><b>36,175,934</b></u>

The group and company recognised £nil (2020 - £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 2021****15 Leases (continued)****Right-of-use assets****Group**

	<b>Land and buildings</b>	<b>Furniture, fittings and equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Gross carrying amount</b>				
Balance at 1 January 2021	35,803,600	4,859,971	265,097	40,928,668
Additions	37,256	114,088	-	151,344
Disposals	(98,875)	(460,650)	(49,914)	(609,439)
<b>Balance at 31 December 2021</b>	<b>35,741,981</b>	<b>4,513,409</b>	<b>215,183</b>	<b>40,470,573</b>
<b>Depreciation and impairment</b>				
Balance at 1 January 2021	6,263,910	1,760,124	119,369	8,143,403
Depreciation	3,563,240	960,532	39,798	4,563,570
Disposals	(98,875)	(455,130)	(42,834)	(596,839)
<b>Balance at 31 December 2021</b>	<b>9,728,275</b>	<b>2,265,526</b>	<b>116,333</b>	<b>12,110,134</b>
<b>Carrying amount 31 December 2021</b>	<b>26,013,706</b>	<b>2,247,883</b>	<b>98,850</b>	<b>28,360,439</b>
Carrying amount 31 December 2020	29,539,690	3,099,847	145,728	32,785,265

**Cathay Investments 2 Limited****Notes to the Financial Statements for the Year Ended 31 December 2021****16 Inventories**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Finished goods and goods for resale	<u>919,016</u>	<u>1,035,716</u>	<u>-</u>	<u>-</u>

The cost of group inventories recognised as an expense in the year from continuing operations amounted to £2,372,225 (2020 - £5,743,431). This is included within cost of sales.

**17 Trade and other receivables**

	<b>Note</b>	<b>Group</b>		<b>Company</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade receivables		5,963,027	8,105,506	-	-
Receivables from related parties	28	483,414	1,055,942	719,720	1,645,154
Other prepayments		1,409,573	2,903,138	-	-
Other receivables		<u>275,459</u>	<u>572,483</u>	<u>1,559</u>	<u>91,414</u>
		<u>8,131,473</u>	<u>12,637,069</u>	<u>721,279</u>	<u>1,736,568</u>

**Details of non-current trade and other receivables****Group**

£nil (2020 - £4,000) of trade receivables is classified as non-current. This balance relates to trade receivables under agreed long term payment plans.

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

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

**18 Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank	<u>5,150,815</u>	<u>5,060,048</u>	<u>251,093</u>	<u>102,259</u>

The balance of £5,150,815 and £251,093 above includes £470,000 of restricted cash relating to a discontinued operation. The £470,000 was fully released post the year end.

**19 Share capital**

	<b>2021</b>		<b>2020</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Ordinary shares of £1 each	12,000	12,000	12,000	12,000
Ordinary shares of £3 each	<u>934</u>	<u>2,802</u>	<u>934</u>	<u>2,802</u>
	<u>12,934</u>	<u>14,802</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.

**Cathay Investments 2 Limited****Notes to the Financial Statements for the Year Ended 31 December 2021****20 Reserves****Group****Share capital**

Represents the nominal value of shares that have been issued.

**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.

**Retained earnings**

Includes all current and prior period retained profits and losses.

**21 Loans and borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Non-current loans and borrowings</b>				
Bank borrowings	5,445,126	6,445,126	5,445,126	6,445,126
Redeemable preference shares	936,885	936,885	936,885	936,885
	<u>6,382,011</u>	<u>7,382,011</u>	<u>6,382,011</u>	<u>7,382,011</u>
	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Current loans and borrowings</b>				
Other borrowings	944,041	944,041	944,041	944,041
	<u>944,041</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 in Cathay Investments 2 Limited are provided by HSBC Bank PLC and 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.

**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.

The redeemable preference shares carry a 0% coupon rate.

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.

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 22 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 £135,496 (2020 - £181,794).

Contributions totalling £33,996 (2020 - £18,234) were payable to the scheme at the end of the year and are included in creditors.

#### 23 Other provisions

##### Group

	Rates provision £	Dilapidations provision £	Total £
At 1 January 2021	2,032,000	943,000	2,975,000
Additional provisions	557,167	141,000	698,167
Provisions used	-	(110,000)	(110,000)
At 31 December 2021	<u>2,589,167</u>	<u>974,000</u>	<u>3,563,167</u>
Non-current liabilities	<u>-</u>	<u>974,000</u>	<u>974,000</u>

Provisions with amounts of £2,589,167 (2020 - £2,142,000) expected to fall due within one year and £974,000 (2020 - £833,000) expected to fall due after more than one year.

##### Prior year adjustment

Provisions totalling £2,142,000 have been reclassified from non-current to current liabilities as at 31 December 2020 on the face of the consolidated statement of financial position. In the prior year all provisions were shown within non-current liabilities. There is no impact on the previously reported retained earnings or net assets.

#### 24 Trade and other payables

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Trade payables	1,989,205	2,628,398	5,645	18,049
Accrued expenses	1,076,506	2,180,493	21,000	8,693
Amounts due to related parties	91,553	45,220	205,242	5,849,055
Social security and other taxes	1,071,857	1,108,730	2,087	-
Other payables	<u>2,186,992</u>	<u>5,723,613</u>	<u>10</u>	<u>-</u>
	<u>6,416,113</u>	<u>11,686,454</u>	<u>233,984</u>	<u>5,875,797</u>

Included within the other payables balance is an amount of £2,176,987 (2020 - £5,689,314) in respect of the group's invoice discounting facility. This amount is secured by fixed and floating charges over the group's assets.

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

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

#### 25 Contingent liabilities

##### Company

The company has given cross guarantees to the groups bankers in respect of borrowings by certain group companies. The amount guaranteed is £21,962,233 (2020 - £25,619,405).

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 26 Financial instruments

##### Categories of financial instruments

The group and the company held the following financial assets:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade and other receivables	6,721,900	9,733,931	721,279	1,736,568
Cash and cash equivalents	5,150,815	5,060,048	251,093	102,259
	<u>11,872,715</u>	<u>14,793,979</u>	<u>972,372</u>	<u>1,838,827</u>

The group and the company held the following financial liabilities:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade and other payables	6,416,113	11,686,454	233,984	5,875,797
Bank borrowings	5,445,126	6,445,126	5,445,126	6,445,126
Lease liabilities	32,086,834	36,175,934	-	-
Other borrowings	944,041	944,041	944,041	944,041
Redeemable preference shares	936,885	936,885	936,885	936,885
	<u>45,828,999</u>	<u>56,188,440</u>	<u>7,560,036</u>	<u>14,201,849</u>

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

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

Risk management is carried out by the operating divisions under policies approved by the Board of Directors.

##### Market risk

##### 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 0.25% increase or decrease.

Based on bank borrowings at 31 December 2021 if interest rates were 0.25% higher (or lower) and all other variables were held constant, the group's net profit would decrease (or increase) by £13,613.

##### 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.



## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

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

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

	2021 £	2020 £
Impairment loss on trade receivables	(11,660)	291,122

#### Past due and impaired financial assets

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

#### Liquidity risk

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

#### Maturity analysis

	Within 1 year £	After 1 year £	Total £
<b>2021</b>			
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>
<b>2020</b>			
Non-interest bearing borrowings	944,041	-	944,041
Bank borrowings	-	6,445,126	6,445,126
Redeemable preference shares	-	936,885	936,885
Lease liabilities	4,371,095	31,804,839	36,175,934
	<u>5,315,136</u>	<u>39,186,850</u>	<u>44,501,986</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.

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 27 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	
	2021	2020	2021	2020
	£	£	£	£
Share capital	14,802	14,802	14,802	14,802
Retained earnings	491,714	(33,618)	6,164,233	388,875
Redeemable preference shares	936,885	936,885	936,885	936,885
Bank borrowings	<u>5,445,126</u>	<u>6,445,126</u>	<u>5,445,126</u>	<u>6,445,126</u>
	<u>6,888,527</u>	<u>7,363,195</u>	<u>12,561,046</u>	<u>7,785,688</u>

#### 28 Related party transactions

##### Key management personnel

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

##### 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 (2020 - £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 £52,470 (2020 - £73,600). Chaing Equities Limited charged rent to Cathay Investments 2 Limited group companies totalling £7,469 (2020: £nil). Cathay Investments 2 Limited charged accounts and audit fees to Chaing Equities Limited totalling £18,025 (2020: £nil). The amount due to Chaing Equities Limited at the year end is £84,162 (2020 - £42,828).

##### 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 £136,080 (2020 - £178,313) to the group. During the year the group paid management expenses of £900,000 (2020 - £720,000) to Cathay Investments Limited and its subsidiary companies.

During the year, the group made sales of £1,232,101 (2020 - £417,299) 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 £200,000 (2020 - £2,267,320) to Cathay Investments Limited during the year. Cathay Investments Limited made loan repayments of £1,281,596 (2020 - £1,200,403) 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 £19,785,245 (2020 - £19,930,091).

At the year end the net amount due from Cathay Investments Limited and its subsidiary companies is £476,710 (2020 - due from £1,053,550).

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 £5,687 (2020 - £nil) to the group.

During the year, the group advanced an amount of £5,000 (2020 - £nil) 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 £687 (2020 - £nil).

**Cathay Investments 2 Limited****Notes to the Financial Statements for the Year Ended 31 December 2021****28 Related party transactions (continued)****Income and receivables from related parties**

	Parent company £	Entities with joint control or significant influence £
<b>2021</b>		
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>

	Parent company £	Entities with joint control or significant influence £
<b>2020</b>		
Receipt of services	-	417,299
Settlement of liabilities	-	(1,200,403)
Provision of loan	-	2,267,320
	<u>-</u>	<u>1,484,216</u>
Amounts receivable from related party	<u>-</u>	<u>1,055,942</u>

**Expenditure with and payables to related parties**

	Parent company £	Entities with joint control or significant influence £
<b>2021</b>		
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>

	Parent company £	Entities with joint control or significant influence £
<b>2020</b>		
Rendering of services	-	720,000
Purchase of property or other assets	73,600	178,313
	<u>73,600</u>	<u>898,313</u>
Amounts payable to related party	<u>42,828</u>	<u>2,392</u>

## Cathay Investments 2 Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 28 Related party transactions (continued)

##### Loans from related parties

	Key management £
<b>2021</b>	
At start of period	944,041
At end of period	944,041
<b>2020</b>	Key management £
At start of period	1,200,000
Repaid	(255,959)
At end of period	944,041

#### 29 Controlling party

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

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

The most senior 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.

#### 30 Post balance sheet events

On 11 April 2022, Cathay Investments 2 Limited acquired 100% of the share capital of CAJ Mercian Holdings Limited, together with its subsidiary Mercian Logistics Limited, for £1,625,000 plus up to a further £200,000.