Company Registration No. 10813953 (England and Wales)

MONODRAUGHT TOPCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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MONODRAUGHT TOPCO LIMITED

COMPANY INFORMATION

Directors	N J Hopper	
	A J McCubbin	
	E Wilson	
	J Earl	(Appointed 27 May 2020)
Company number	10813953	
Registered office	Halifax House Cressex Business Park High Wycombe Buckinghamshire United Kingdom HP12 3SE	
Auditor	Haines Watts Sterling House 5 Buckingham Place Bellfield Road West High Wycombe Buckinghamshire United Kingdom HP13 5HQ	

MONODRAUGHT TOPCO LIMITED

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MONODRAUGHT TOPCO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Principal activities

The principal activity of the group is that of development, design, sales, production, installation and maintenance of ventilation, cooling and lighting products with a very strong focus on sustainability.

Review of the business

2019 was a successful financial year for the group with continued investment in both people and equipment. Good progress was made implementing the growth strategy.

The group's continued intent is to maintain its market leadership position in the education market whilst diversifying into other sectors such as commercial office and healthcare. The group is continuing to make significant investments into R&D and has expanded its product portfolio during the financial year enabling expansion into the targeted sectors.

The group has many well established, high quality customers and believe that, in spite of macro-economic and political uncertainty, positive underlying market drivers support the future growth prospects of the business.

Performance

This year's performance aligned with the strategy of bringing new low carbon hybrid ventilation and mechanical cooling products to market enabling the pipeline and the order book to again reach record levels. Demand for the company's products continued to grow resulting in a turnover increase of 15% and an operating profit increase of 34%. Exceeding customer's expectations is central to our culture so customers are firmly placed at the heart of all activities.

People

At Monodraught we are proud of our employees and their efforts to produce high quality products and services that reflect our brand image to all our customers. In order to ensure the group has the necessary skills to perform in the future, significant investments continue to be made in employee development and recruitment with 70% of non-direct employees educated to degree level or above.

Principal risks and uncertainties

Financial risk management and policies

The group utilises borrowing, and the directors regularly review the exposure to interest risk in this respect. Liquidity risk is managed through forecasting future cash flow requirements and generating sufficient cash flows from operational activities to meet the day-to-day cash requirements as well as funding the repayment of the group's long term borrowings.

Customer credit exposure

The company may offer credit terms to its customers which allow payment of the debt after delivery of the goods and services. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by strong credit control, client acceptance procedures and close management of on-going customer relationships.

Outlook

Market conditions are expected to remain challenging but the company is optimistic about maintaining its growth trajectory. Our business performance is strong and we believe this will continue in the coming year, with a further increase in margins and continued sales turnover growth. The future is not without challenges and political tensions may lead to raw material cost price increases. These uncertainties are included in our planning and decision making and we remain confident that we will continue to deliver excellent products and services to our customers.

On behalf of the board

A J McCubbin
Director
26/8/20

MONODRAUGHT TOPCO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

N J Hopper	
A J McCubbin	
M I Nunny	(Resigned 27 May 2020)
E Wilson	
J Earl	(Appointed 27 May 2020)

Results and dividends
The results for the year are set out on page 8.

An interim dividend of £4,000 was paid to the ordinary shareholders (2018: Nil).
The directors do not recommend payment of a final dividend.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor in the company is aware of that information.

On behalf of the board

A J McCubbin
Director
Date: 26/9/20

MONODRAUGHT TOPCO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MONODRAUGHT TOPCO LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MONODRAUGHT TOPCO LIMITED

Opinion

We have audited the financial statements of Monodraught Topco Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the group profit and loss account, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group 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 United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, not all future events or conditions can be predicted. The COVID-19 viral pandemic is one of the most significant economic events for the UK with unprecedented levels of uncertainty of outcomes. It is therefore difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and wider economy. The directors' view on the impact of COVID-19 is disclosed on the accounting policies note 1.3.

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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 and the directors' report.

We have nothing to report in respect of the following matters where 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

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.

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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MONODRAUGHT TOPCO 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.

Gary A Heywood (Senior Statutory Auditor)
for and on behalf of Haines Watts
Chartered Accountants
Statutory Auditor

16/2/15

Sterling House
5 Buckingham Place
Bellfield Road West
High Wycombe
Buckinghamshire
United Kingdom
HP13 5HQ

MONODRAUGHT TOPCO LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover		11,333,117	9,830,758
Cost of sales		(6,838,864)	(5,989,368)
Gross profit		4,494,253	3,841,390
Administrative expenses		(4,063,830)	(3,541,953)
Other operating income		51,785	61,378
Operating profit	3	482,208	360,815
Interest payable and similar expenses	7	(304,739)	(297,621)
Profit before taxation		177,469	63,194
Tax on profit	8	25,063	22,058
Profit for the financial year		202,532	85,252

Profit for the financial period is all attributable to the owners of the parent company.

There are no recognised gains and losses other than those passing through the profit and loss account.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

MONODRAUGHT TOPCO LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Goodwill	10		437,602		495,949
Other intangible assets	10		737,997		682,364
Intangible assets			1,175,599		1,178,313
Tangible assets	11		333,120		225,602
			1,508,719		1,403,915
Current assets					
Stocks	15	950,456		710,739	
Debtors	16	3,230,500		3,499,459	
Cash at bank and in hand		226,500		478,413	
		4,407,456		4,688,611	
Creditors: amounts falling due within one year	17	(1,960,895)		(2,287,927)	
Net current assets			2,446,561		2,400,684
Total assets less current liabilities			3,955,280		3,804,599
Creditors: amounts falling due after more than one year	18		(3,319,865)		(3,377,820)
Provisions for liabilities	20		(100,246)		(90,142)
Net assets			535,169		336,637
Capital and reserves					
Called up share capital	23		339,998		339,998
Profit and loss reserves	24		195,171		(3,361)
Total equity			535,169		336,637

The financial statements were approved by the board of directors and authorised for issue on 26/8/20 and are signed on its behalf by:

A J McCubbin
Director

MONODRAUGHT TOPCO LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Investments	**12**		1		1
Current assets					
Debtors	**16**	339,997		339,997	
Net current assets			339,997		339,997
Total assets less current liabilities			339,998		339,998
Capital and reserves					
Called up share capital	**23**		339,998		339,998

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £nil (2018: £nil).

The financial statements were approved by the board of directors and authorised for issue on 26/3/20 and are signed on its behalf by:

A J McCubbin
Director

Company Registration No. 10813953

MONODRAUGHT TOPCO LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

		Share capital	Profit and loss reserves	Total
		£	£	£
Balance at 1 January 2018		339,998	(88,613)	251,385
Year ended 31 December 2018:				
Profit and total comprehensive income for the year		-	85,252	85,252
Balance at 31 December 2018		339,998	(3,361)	336,637
Year ended 31 December 2019:				
Profit and total comprehensive income for the year		-	202,532	202,532
Dividends	9	-	(4,000)	(4,000)
Balance at 31 December 2019		339,998	195,171	535,169

MONODRAUGHT TOPCO LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2018		339,998	-	339,998
Year ended 31 December 2018:				
Profit and total comprehensive income for the year		-	-	-
Balance at 31 December 2018		339,998	-	339,998
Year ended 31 December 2019:				
Profit and total comprehensive income for the year		-	4,000	4,000
Dividends	9	-	(4,000)	(4,000)
Balance at 31 December 2019		339,998	-	339,998

MONODRAUGHT TOPCO LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash generated from operations	26		502,740		71,637
Interest paid			(162,534)		(162,187)
Income taxes (paid)/refunded			-		38,706
Net cash inflow/(outflow) from operating activities			340,206		(51,844)
Investing activities					
Purchase of intangible assets		(185,918)		(128,918)	
Proceeds on disposal of intangibles		1,868		-	
Purchase of tangible fixed assets		(211,782)		(91,896)	
Proceeds on disposal of tangible fixed assets		1,000		-	
Net cash used in investing activities			(394,832)		(220,814)
Financing activities					
Bank loans repayments		(193,287)		(205,511)	
Dividends paid to equity shareholders		(4,000)		-	
Net cash used in financing activities			(197,287)		(205,511)
Net decrease in cash and cash equivalents			(251,913)		(478,169)
Cash and cash equivalents at beginning of year			478,413		956,582
Cash and cash equivalents at end of year			226,500		478,413

1 Accounting policies

Company information

Monodraught Topco Limited ("the company") is a private company limited by shares incorporated in England and Wales. The registered office is Halifax House, Cressex Business Park, High Wycombe, Bucks, United Kingdom, HP12 3SE.

The group consists of Monodraught Topco Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

The consolidated financial statements incorporate those of Monodraught Topco Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

The financial statements have been prepared on a going concern basis. The directors have reviewed and considered relevant information, including the annual budget and future cash flows in making their assessment. In particular, in response to the COVID-19 pandemic, the directors have tested their cash flow analysis to take into account the impact on their business of possible scenarios brought on by the impact of COVID-19, alongside the measures that they can take to mitigate the impact. Based on these assessments, given the measures that could be undertaken to mitigate the current adverse conditions, and the current resources available; the directors have concluded that they can continue to adopt the going concern basis in preparing the annual report and accounts.

1 **Accounting policies** **(Continued)**

1.4 Turnover

Turnover is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue is recognised on despatch of goods when the amount of revenue can be measured reliably, and when it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue arising from manufacture and installation of products is recognised based on the stage of project completion and in proportion to costs incurred. Upon successful installation and testing of the manufactured system on site, final income is recognised.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is ten years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when 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.

1.7 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. The useful economic lives of intangible assets are as follows:

Product certifications & development costs	10% to 20% per annum on a straight line basis

1.8 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

1 Accounting policies **(Continued)**

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	20% per annum on a straight line basis.
Fixtures, fittings & equipment	15% - 33% per annum on a straight line basis.
Motor vehicles	25% per annum on a straight line basis.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.9 Fixed asset investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit and loss.

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

1.10 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.11 Stocks

Stocks are valued at the lower of cost and net realisable value. Costs include all costs incurred in bringing each product to its present location and condition. Cost comprises of direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

1 **Accounting policies** **(Continued)**

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

1.12 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.13 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

1 **Accounting policies** **(Continued)**

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss is measured at fair value.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.14 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 **Accounting policies** **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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 asset 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 profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.16 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.17 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.18 Retirement benefits

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

1.19 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to the profit and loss account on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.20 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

The directors' judgement is applied when calculating the warranty and dilapidations provisions.

3 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging:		
Exchange losses	13,199	2,781
Research and development costs	236,629	239,675
Depreciation of owned tangible fixed assets	102,733	92,866
Loss on disposal of tangible fixed assets	531	-
Amortisation of intangible assets	186,764	159,870
Operating lease charges	214,713	206,152

4 Auditor's remuneration

	2019	2018
Fees payable to the company's auditor:	£	£
For audit services		
Audit of the financial statements of the group and company	7,160	6,950
Audit of the financial statements of the company's subsidiaries	10,300	10,000
	17,460	16,950

5 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2019 Number	2018 Number
Senior management (including directors)	11	11
Administration	44	40
Production	31	24
	86	75

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	3,268,069	2,646,481
Social security costs	279,670	250,317
Pension costs	158,288	147,322
	3,706,027	3,044,120

6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	229,480	214,025
Company pension contributions to defined contribution schemes	36,765	29,405
	266,245	243,430

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	122,266	111,156
Company pension contributions to defined contribution schemes	22,893	19,380
	145,159	130,536

7 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	23,781	30,042
Interest on redeemable loan notes	280,958	267,579
	304,739	297,621

8 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	(12,384)	-
Adjustments in respect of prior periods	(36,300)	(22,058)
Total current tax	(48,684)	(22,058)
Deferred tax		
Origination and reversal of timing differences	23,621	-
Total tax credit	(25,063)	(22,058)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Profit before taxation	177,469	63,194
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	33,719	12,007
Tax effect of expenses that are not deductible in determining taxable profit	83,124	114,576
Adjustments in respect of prior years	(36,300)	(22,058)
Deferred tax adjustments in respect of prior years	23,621	-
R&D expenditure	(103,959)	(126,583)
R&D claim	(12,384)	-
Patent box	(12,884)	-
Taxation credit	(25,063)	(22,058)

9 Dividends

	2019	2018
	£	£
Interim paid	4,000	-

10 Intangible fixed assets

Group	Goodwill	Product certifications and software development	Total
	£	£	£
Cost			
At 1 January 2019	583,469	828,119	1,411,588
Additions	-	185,918	185,918
Disposals	-	(1,900)	(1,900)
At 31 December 2019	583,469	1,012,137	1,595,606
Amortisation and impairment			
At 1 January 2019	87,520	145,755	233,275
Amortisation charged for the year	58,347	128,417	186,764
Disposals	-	(32)	(32)
At 31 December 2019	145,867	274,140	420,007
Carrying amount			
At 31 December 2019	437,602	737,997	1,175,599
At 31 December 2018	495,949	682,364	1,178,313

The company had no intangible fixed assets at 31 December 2019 or 31 December 2018.

11 Tangible fixed assets

Group	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2019	222,436	111,671	29,545	363,652
Additions	32,322	150,327	29,134	211,783
Disposals	-	-	(15,290)	(15,290)
At 31 December 2019	254,758	261,998	43,389	560,145
Depreciation and impairment				
At 1 January 2019	87,791	42,942	7,318	138,051
Depreciation charged in the year	51,821	36,849	14,063	102,733
Eliminated in respect of disposals	-	-	(13,759)	(13,759)
At 31 December 2019	139,612	79,791	7,622	227,025
Carrying amount				
At 31 December 2019	115,146	182,207	35,767	333,120
At 31 December 2018	134,647	68,728	22,227	225,602

The company had no tangible fixed assets at 31 December 2019 or 31 December 2018.

12 Fixed asset investments

		Group		Company	
		2019	2018	2019	2018
	Notes	£	£	£	£
Investments in subsidiaries	13	-	-	1	1

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Monodraught Holdings Limited	England and Wales	Holding company	Ordinary	100.00	-
Monodraught Limited*	England and Wales	Trading company	Ordinary	100.00	-

*Held indirectly.

14 Financial instruments

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	2,958,079	3,227,286	339,997	339,997
Carrying amount of financial liabilities				
Measured at amortised cost	4,948,998	5,336,216	-	-

15 Stocks

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Finished goods and goods for resale	950,456	710,739	-	-

16 Debtors

	Group		Company	
	2019	2018	2019	2018
Amounts falling due within one year:	£	£	£	£
Trade debtors	2,455,271	2,716,977	-	-
Corporation tax recoverable	48,684	-	-	-
Amounts owed by group undertakings	-	-	339,997	339,997
Other debtors	502,808	510,309	-	-
Prepayments and accrued income	223,737	254,410	-	-
	3,230,500	3,481,696	339,997	339,997
Amounts falling due after more than one year:				
Deferred tax asset (note 21)	-	17,763	-	-
Total debtors	3,230,500	3,499,459	339,997	339,997

17 Creditors: amounts falling due within one year

	Notes	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank loans	19	193,286	186,412	-	-
Trade creditors		988,802	1,428,849	-	-
Other taxation and social security		331,762	329,531	-	-
Other creditors		447,045	343,135	-	-
		1,960,895	2,287,927	-	-

18 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Redeemable loans		2,986,321	2,844,116	-	-
Bank loans	19	333,544	533,704	-	-
		3,319,865	3,377,820	-	-

19 Loans and overdrafts

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank loans	526,830	720,116	-	-
Payable within one year	193,286	186,412	-	-
Payable after one year	333,544	533,704	-	-

The bank loans are secured by fixed and floating charges over all of the assets within the group of Monodraught Topco Limited.

Included within long term creditors are loan notes of £2,986,321 (2018: £2,844,116) which are repayable between 30 June 2022 and 31 December 2023 and incur interest at 10% per annum.

20 Provisions for liabilities

	Notes	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Other provisions		94,388	90,142	-	-
Deferred tax liabilities	21	5,858	-	-	-
		100,246	90,142	-	-

Other provisions are represented by a warranty provision of £64,388 (2018: £60,142) and a dilapidation provision of £30,000 (2018: £30,000). The closing warranty provision of £64,388 (2018: £60,142) is after provision utilisation in the year of £7,260 (2018: £10,042) and a current year charge of £11,506 (2018: £22,586). The warranty provision is expected to be utilised within four years. The dilapidation provision is expected to be utilised within five years.

21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Deferred tax in respect of accelerated capital allowances	5,858	-	-	17,763

Movements in the year:	Group 2019 £	Company 2019 £
Liability/(asset) at 1 January 2019	(17,763)	-
Charge to profit or loss	23,621	-
Liability at 31 December 2019	5,858	-

22 Retirement benefit schemes

Defined contribution schemes	2019 £	2018 £
Charge to profit or loss in respect of defined contribution schemes	158,288	147,322

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

23 Share capital

	Group and company	
	2019	2018
Ordinary share capital	£	£
Issued and fully paid		
55,002 Ordinary shares of £1 each	55,002	55,002
39,998 A Ordinary shares of £1 each	39,998	39,998
5,000 B Ordinary shares of £1 each	5,000	5,000
	100,000	100,000
Preference share capital		
Issued and fully paid		
239,998 Preference shares of £1 each	239,998	239,998

24 Profit and loss reserves

Profit and loss account - includes all current and prior period retained profits and losses.

25 Operating lease commitments

Lessee

At the reporting end date the group and company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Within one year	263,965	248,090	-	-
Between two and five years	846,734	125,053	-	-
	1,110,699	373,143	-	-

26 Cash generated from group operations

	2019	2018
	£	£
Profit for the year after tax	202,532	85,252
Adjustments for:		
Taxation credited	(25,063)	(22,058)
Finance costs	304,739	297,621
Loss on disposal of tangible fixed assets	531	-
Amortisation and impairment of intangible assets	186,764	159,870
Depreciation and impairment of tangible fixed assets	102,733	92,866
Pension scheme non-cash movement	(2,158)	165
Increase in provisions	4,246	12,544
Movements in working capital:		
(Increase)/decrease in stocks	(239,717)	31,215
Decrease/(increase) in debtors	302,038	(1,368,770)
(Decrease)/increase in creditors	(333,905)	782,932
Cash generated from operations	502,740	71,637