Company Registration No. 10813953 (England and Wales)

MONODRAUGHT TOPCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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MONODRAUGHT TOPCO LIMITED

COMPANY INFORMATION

Directors	N J Hopper A J McCubbin E Wilson J Earl
Company number	10813953
Registered office	Halifax House Cressex Business Park High Wycombe Buckinghamshire United Kingdom HP12 3SE
Auditor	Haines Watts Oakingham House Frederick Place High Wycombe Buckinghamshire HP11 1JU

MONODRAUGHT TOPCO LIMITED

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MONODRAUGHT TOPCO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Principal activities
The principal activity of the group is that of development, design, sales, production, installation and maintenance of sustainable ventilation, cooling, heating and lighting solutions which minimuse our customers carbon footprint.

Review of the business
The financial year 2021 continued to be challenging requiring the group to again demonstrate dynamism and resilience. As a result of COVID-19, supply chains remained disrupted and, to ensure consistent supply to customers, material inventories were significantly increased.

Despite the market difficulties, the group continued its strategy to build market share through significant investment in people, marketing and new product research and development. In a testament to the exceptional commitment of employees, these goals were achieved and a successful financial year was delivered.

The group's continued intent is to maintain its market leadership position in the education market whilst building its presence in other sectors, particularly commercial office and healthcare. COVID-19 has sharpened the focus that air quality has on health which is driving increased regulation towards the core products supplied by the group. In addition, significant resource has been invested into the residential market, a new contiguous market for the group, with the development of HomeZero. HomeZero is a highly innovative product that provides carbon neutral heating, hot water and ventilation for domestic properties. The target market is being driven by the government's green home incentive scheme and legislation which will ban the installation of gas and oil boilers in new homes by 2025.

The group has many established, high quality customers and believe that positive underlying market drivers including the climate change challenge and regulatory responses are supporting the future growth prospects of the business.

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 group may offer credit terms to its customers which allow payment of the debt after delivery of the goods and services. The group 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 robust credit control processes, utilisation of credit insurance and close management of on-going customer relationships.

Outlook
Market conditions are expected to remain challenging but the group is optimistic about maintaining its growth trajectory. Our business performance is strong and we believe this will continue in the coming year. Raw material cost increases and supply shortages, as a result of global supply chain pressures are impacting the business and are expected to continue throughout 2022. Immediate and long-term mitigating actions are being taken where necessary. 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.

Development and performance

Performance

The continuation of COVID-19 lockdowns in the first half of 2021 and the withdrawal of the UK from the EU presented the group with exigent market, supply chain and resource challenges which were successfully navigated demonstrating the inherent resilience of the business. Performance was consistently strong throughout the year and enabled the pipeline and order book to again reach record levels. Introduction of Salesforce CRM into the design, sales and marketing teams was a significant undertaking and will enable improved customer management and greater efficiency for future performance. The launch of Range Zero, which is targeting 90% of sales revenue to be carbon neutral by 2024, was another major initiative supporting the core aims of the business. This requires the R&D and procurement teams to sharply focus on minimizing the embodied carbon of all products by incorporating more sustainable materials, attaining higher efficiencies and developing energy saving controls. Innovation of the product portfolio has been expanded from how products operate to include how they are made and how they are disposed of at end of life. Consistent with this focus, all air conditioning products using greenhouse gases have been discontinued from the sales portfolio. The market is expected to remain disrupted during 2022 but will gradually normalise through 2023.

People

During the ongoing COVID-19 disruptions through 2021, the group operated a mix of home based, hybrid and on site working with production and installation remaining fully operational throughout the entire year. All safety guidelines issued by the government were taken as minimum compliance and exceeded where practicable. Continuity of supply was maintained but significant challenges managing the supply chain, material and freight cost inflation were experienced. Our teams responded with agility and dynamism, resourcing and redesigning components where necessary. In order to ensure the group has the necessary skills and resources to perform in the future, significant investments continue to be made in employee development and recruitment. These range from fully supported apprenticeships to master level qualifications. In 2022 a gradual return to pre-pandemic working practices is expected, however the efficiency gains achieved throughout the pandemic will be employed to enable more flexible working practices for the benefit of both the group and employees.

On behalf of the board

....

A J McCubbin

Director

25.3.22

MONODRAUGHT TOPCO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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
E Wilson
J Earl

Results and dividends
The results for the year are set out on page 9.

An interim dividend of £Nil was paid to the ordinary shareholders (2020: £Nil). The directors do not recommend the payment of a final dividend.

Auditor
In accordance with the company's articles, a resolution proposing that Haines Watts be reappointed as auditor of the group will be put at a General Meeting.

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: 25/8/22

MONODRAUGHT TOPCO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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 2021 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 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

However, not all future events or conditions can be predicted. The COVID-19 viral pandemic and the conflict in Ukraine are two 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 director's view on the impact of these issues is disclosed on the accounting policies note 1.3.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

During the audit we identify and assess the risk of material misstatements of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud and error; and to respond appropriately to those risks.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the sector in which it operates. We determined that the following laws and regulations were most significant: The Companies Act 2006, UK GAAP, UK corporation tax laws, the Data Protection Act, ISO 9001 and ISO 14001.
- We obtained an understanding of how the company are complying with those legal and regulatory frameworks and made enquiries to the management of known or suspected instances of fraud and non-compliance with laws and regulations.
- We corroborated our enquiries through our review of board minutes, other relevant meeting minutes and review of correspondence with regulatory bodies and also obtained management representations regarding compliance with applicable laws and regulations.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the audit team included:

- Identifying and assessing the controls management has in place to prevent and detect fraud, including the existence of supervisory controls;
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process including the existence of monthly management accounts review process;
- Challenging assumptions and judgements made by management in its significant accounting estimates and judgements, (in particular in relation to amortisation, depreciation, dilapidation provisions and warranty provisions);
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations; and
- Assessing the extent of compliance with the relevant laws and regulations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations are from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusions. There is always the unavoidable risk that material misstatements in the financial statements may not be detected despite the audit being properly performed in accordance with UK Auditing standards.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Gary Heywood

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

31/8/22

Oakingham House
Frederick Place
High Wycombe
Buckinghamshire
HP11 1JU

MONODRAUGHT TOPCO LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
		£	£
Turnover		11,897,526	12,220,552
Cost of sales		(7,610,662)	(7,821,086)
Gross profit		4,286,864	4,399,466
Administrative expenses		(4,123,827)	(4,261,712)
Other operating income		63,413	214,441
Operating profit	3	226,450	352,195
Interest payable and similar expenses	7	(326,025)	(314,502)
(Loss)/profit before taxation		(99,575)	37,693
Tax on (loss)/profit	8	142,062	180,091
Profit for the financial year		42,487	217,784

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 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Goodwill	9		320,908		379,255
Other intangible assets	9		1,222,147		890,049
Intangible assets			1,543,055		1,269,304
Tangible assets	10		405,975		429,087
			1,949,030		1,698,391
Current assets					
Stocks	13	1,734,401		943,964	
Debtors	14	2,811,948		3,005,805	
Cash at bank and in hand		8,469		959,853	
		4,554,818		4,909,622	
Creditors: amounts falling due within one year	15	(2,060,892)		(2,178,324)	
Net current assets			2,493,926		2,731,298
Total assets less current liabilities			4,442,956		4,429,689
Creditors: amounts falling due after more than one year	16		(3,485,968)		(3,536,601)
Provisions for liabilities	18		(161,548)		(140,135)
Net assets			795,440		752,953
Capital and reserves					
Called up share capital	21		339,998		339,998
Profit and loss reserves	22		455,442		412,955
Total equity			795,440		752,953

The financial statements were approved by the board of directors and authorised for issue on 25/8/22 and are signed on its behalf by:

A J McCubbin
Director

MONODRAUGHT TOPCO LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Investments	11		1		1
Current assets					
Debtors	14	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	21		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 (2020: £nil).

The financial statements were approved by the board of directors and authorised for issue on 25/3/22 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 2021

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2020	339,998	195,171	535,169
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	217,784	217,784
Balance at 31 December 2020	339,998	412,955	752,953
Year ended 31 December 2021:			
Profit and total comprehensive income for the year	-	42,487	42,487
Balance at 31 December 2021	339,998	455,442	795,440

MONODRAUGHT TOPCO LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £
Balance at 1 January 2020	339,998
Year ended 31 December 2020:	
Profit and total comprehensive income for the year	-
Balance at 31 December 2020	339,998
Year ended 31 December 2021:	
Profit and total comprehensive income for the year	-
Balance at 31 December 2021	339,998

MONODRAUGHT TOPCO LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	24		(355,512)		995,607
Interest paid			(169,165)		(163,403)
Income taxes refunded			139,073		262,989
Net cash (outflow)/inflow from operating activities			(385,604)		1,095,193
Investing activities					
Purchase of intangible assets		(549,516)		(307,554)	
Purchase of tangible fixed assets		(114,863)		(206,847)	
Net cash used in investing activities			(664,379)		(514,401)
Financing activities					
Bank loans (repayments)/receipts		(280,721)		152,561	
Net cash (used in)/generated from financing activities			(280,721)		152,561
Net (decrease)/increase in cash and cash equivalents			(1,330,704)		733,353
Cash and cash equivalents at beginning of year			959,853		226,500
Cash and cash equivalents at end of year			(370,851)		959,853
Relating to:					
Cash at bank and in hand			8,469		959,853
Bank overdrafts included in creditors payable within one year			(379,320)		-

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 group financial statements consist of the financial statements of the parent company Monodraught Topco Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2021. 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 and the conflict in Ukraine, 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 Accounting policies **(Continued)**

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.

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 and cash equivalents 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.

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.

1 Accounting policies **(Continued)**

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.

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 Accounting policies **(Continued)**

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

	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	16,436	15,117
Research and development costs	186,136	171,628
Government furlough scheme	(63,413)	(211,773)
Depreciation of owned tangible fixed assets	137,975	110,880
Amortisation of intangible assets	275,765	213,849
Operating lease charges	189,440	206,581

4 Auditor's remuneration

	2021	2020
Fees payable to the company's auditor:	£	£
For audit services		
Audit of the financial statements of the group and company	7,500	7,400
Audit of the financial statements of the company's subsidiaries	10,600	10,600
Other audit services	2,600	1,500
	20,700	19,500

5 Employees

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

	2021 Number	2020 Number
Senior management (including directors)	7	11
Administration	47	48
Production	39	35
	93	94

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	3,657,744	3,948,410
Social security costs	302,669	319,174
Pension costs	177,535	168,217
	4,137,948	4,435,801

6 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	195,033	251,158
Company pension contributions to defined contribution schemes	49,104	35,965
	244,137	287,123

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2020 - 2)

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

	2021 £	2020 £
Remuneration for qualifying services	105,865	137,287
Company pension contributions to defined contribution schemes	34,768	21,659
	140,633	158,946

7 Interest payable and similar expenses

	2021	2020
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	16,137	15,952
Interest on redeemable loan notes	309,888	298,550
	326,025	314,502

8 Taxation

	2021	2020
	£	£
Current tax		
Adjustments in respect of prior periods	(139,074)	(214,305)
Deferred tax		
Origination and reversal of timing differences	(2,988)	34,214
Total tax credit	(142,062)	(180,091)

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

	2021	2020
	£	£
(Loss)/profit before taxation	(99,575)	37,693
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(18,919)	7,162
Tax effect of expenses that are not deductible in determining taxable profit	263	745
Tax effect of income not taxable in determining taxable profit	-	(3,680)
Adjustments in respect of prior years	(139,074)	(214,305)
Deferred tax charge	(2,988)	34,214
Losses carried forward	12,726	7,632
Patent box	-	(11,859)
Other adjustments	5,930	-
Taxation credit	(142,062)	(180,091)

9 Intangible fixed assets

Group	Goodwill	Product certifications and software development	Total
	£	£	£
Cost			
At 1 January 2021	583,469	1,319,691	1,903,160
Additions	-	549,516	549,516
At 31 December 2021	583,469	1,869,207	2,452,676
Amortisation and impairment			
At 1 January 2021	204,214	429,642	633,856
Amortisation charged for the year	58,347	217,418	275,765
At 31 December 2021	262,561	647,060	909,621
Carrying amount			
At 31 December 2021	320,908	1,222,147	1,543,055
At 31 December 2020	379,255	890,049	1,269,304

The company had no intangible fixed assets at 31 December 2021 or 31 December 2020.

10 Tangible fixed assets

Group	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2021	402,854	301,960	62,178	766,992
Additions	91,926	22,937	-	114,863
At 31 December 2021	494,780	324,897	62,178	881,855
Depreciation and impairment				
At 1 January 2021	179,938	131,787	26,180	337,905
Depreciation charged in the year	61,130	57,752	19,093	137,975
At 31 December 2021	241,068	189,539	45,273	475,880
Carrying amount				
At 31 December 2021	253,712	135,358	16,905	405,975
At 31 December 2019	222,916	170,173	35,998	429,087

The company had no tangible fixed assets at 31 December 2021 or 31 December 2020.

11 Fixed asset investments

		Group		Company	
		2021	2020	2021	2020
	Notes	£	£	£	£
Investments in subsidiaries	12	-	-	1	1

12 Subsidiaries

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

Name of undertaking	Registered office	Class of shares held	% Held Direct
Monodraught Holdings Limited	England and Wales	Ordinary	100.00
Monodraught Limited*	England and Wales	Ordinary	100.00

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Capital and Reserves	Profit/(Loss)
	£	£
Monodraught Holdings Limited	(1,535,880)	(372,431)
Monodraught Limited*	4,230,718	473,265

*Held indirectly.

13 Stocks

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Finished goods and goods for resale	1,734,401	943,964	-	-

14 Debtors

	Group		Company	
	2021	2020	2021	2020
Amounts falling due within one year:	£	£	£	£
Trade debtors	2,014,451	2,053,348	-	-
Amounts owed by group undertakings	-	-	339,997	339,997
Other debtors	503,351	563,685	-	-
Prepayments and accrued income	294,146	388,772	-	-
	2,811,948	3,005,805	339,997	339,997

15 Creditors: amounts falling due within one year

		Group		Company	
		2021	2020	2021	2020
	Note	£	£	£	£
Bank loans	17	586,304	280,212	-	-
Trade creditors		831,539	927,972	-	-
Other taxation and social security		88,656	557,259	-	-
Other creditors		554,393	412,881	-	-
		2,060,892	2,178,324	-	-

16 Creditors: amounts falling due after more than one year

		Group		Company	
		2021	2020	2021	2020
	Note	£	£	£	£
Redeemable loans		3,294,280	3,137,420	-	-
Bank loans	17	191,688	399,181	-	-
		3,485,968	3,536,601	-	-

Included within redeemable loans is the amount above due to BGF Investment Management Limited (BGF). The group received confirmation that it is not the intention of BGF to call this amount in within the next 12 months.

17 Loans and overdrafts

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Bank loans	398,672	679,393	-	-
Bank overdrafts	379,320	-	-	-
	777,992	679,393	-	-
Payable within one year	586,304	280,212	-	-
Payable within 2-5 years	191,688	359,019	-	-
Payable more than 5 years	-	40,162	-	-
	777,992	679,393	-	-

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

17 Loans and overdrafts (Continued)

Included within long term creditors are loan notes of £3,294,280 (2020: £3,137,420) which are repayable between 30 June 2022 and 31 December 2023 and incur interest at 10% per annum.

Included in the above bank loans is an amount of £238,325 (2020: £250,000) which relates to Coronavirus Business Interruption Loan.

The overdraft is secured against the assets of the group.

18 Provisions for liabilities

		Group		Company	
		2021	2020	2021	2020
	Notes	£	£	£	£
Other provisions		124,465	100,064	-	-
Deferred tax liabilities	19	37,083	40,071	-	-
		161,548	140,135	-	-

Other provisions are represented by a warranty provision of £94,465 (2020: £70,064) and a dilapidation provision of £30,000 (2020: £30,000). The closing warranty provision of £94,465 (2020: £70,064) is after provision utilisation in the year of £3,486 (2020: £2,235) and a current year charge of £27,887 (2020: £7,910). The warranty provision is expected to be utilised within four years. The dilapidation provision is expected to be utilised within four years.

19 Deferred taxation

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

	Liabilities 2021	Liabilities 2020
Group	£	£
Accelerated capital allowances	37,083	40,071

	Group 2021	Company 2021
Movements in the year:	£	£
Liability at 1 January 2021	40,071	-
Credit to profit or loss	(2,988)	-
Liability at 31 December 2021	37,083	-

20 Retirement benefit schemes

Defined contribution schemes	2021 £	2020 £
Charge to profit or loss in respect of defined contribution schemes	177,535	168,217

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.

21 Share capital

	Group and company	
	2021	2020
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

22 Profit and loss reserves

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

23 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	
	2021	2020	2021	2020
	£	£	£	£
Within one year	234,038	254,307	-	-
Between two and five years	403,718	636,456	-	-
	637,756	890,763	-	-

24 Cash generated from group operations

	2021	2020
	£	£
Profit for the year after tax	42,487	217,784
Adjustments for:		
Taxation credited	(142,062)	(180,091)
Finance costs	326,025	314,502
Amortisation and impairment of intangible assets	275,765	213,849
Depreciation and impairment of tangible fixed assets	137,975	110,880
Pension scheme non-cash movement	4,466	(1,891)
Increase in provisions	24,402	5,675
Movements in working capital:		
(Increase)/decrease in stocks	(790,437)	6,492
Decrease in debtors	252,528	177,902
(Decrease)/increase in creditors	(486,661)	130,505
Cash (absorbed by)/generated from operations	(355,512)	995,607