

Registered number: 11178692

Chaing Equities Limited

Directors' Report, Strategic Report and Audited Consolidated Financial Statements

for the Year Ended 31 December 2022

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Chaing Equities Limited

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Chaing Equities Limited

Company Information

Director	B Chaing S Chaing M Chaing
Registered office	43 Friends Road Croydon United Kingdom CR0 1ED
Statutory auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

Chaing Equities Limited

Strategic Report for the Year Ended 31 December 2022

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

Fair review of the business

The company holds investments in trading subsidiaries. There are two primary subgroups. Cathay Investments Limited (CI) and its subsidiaries are primarily involved in the distribution of chemicals including composites and non-woven materials. Cathay Investments 2 Limited (CI2) and its subsidiaries provide transport, third party logistics and distribution services. In addition Cathay Investments 3 Limited and its subsidiaries provide temporary staffing solutions for other group companies.

On its own account the company owns a freehold property in Croydon which is let as a head office to the trading subsidiaries. During the year the company acquired a larger building in Croydon which, following the end of the year, it intends to develop into more a substantial head quarters site for the group.

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

In April 2022 CI2 acquired CAJ Mercian Holdings Limited, and its trading subsidiary Mercian Logistics Limited, which provides courier and pallet services from its basis in Herefordshire. Details of the acquisition are included in note 17. The acquisition of Mercian allows the group to offer improved transport services to its customers and, during the year, we have started to integrate the operations of Mercian together with our existing businesses to provide transport as well as logistics services to our customers. However during the year Mercian contributed a loss to the group which has reduced profitability overall. The warehousing business has refocused in the year, changing its mix of clients from high activity clients with lower profitability to lower activity higher margin work, which has improved the profitability of the existing members of the CI2 group.

Following the year end there were rights issues in March and June 2023 which raised additional funds that, together with surplus cash flow, allowed the group to make overpayments on its borrowing facilities of £6,500,000.

The group's key financial performance indicator during the year was as follows:

	Unit	2022	2021
EBITDA [1] - continuing operations	£	12,709,804	12,552,479

The key performance indicator has been calculated on the group's continuing businesses.

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

The factors which have affected the change in EBITDA are discussed above.

Principal risks and uncertainties

The principal risks to which the Group is exposed flow from the activities of its subsidiary undertakings. The performance of the group is determined by the general market and for CI by its relationships with its key suppliers and for CI2 by the performance of its underlying customers. The range of markets covered by CI and CI2 help to mitigate these risks providing overall diversification and trading stability to the group.

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

Chaing Equities Limited

Strategic Report for the Year Ended 31 December 2022

Director's statement of compliance with duty to promote the success of the company

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

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

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

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

Our people

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

Shareholders

All of the shareholders are either directors or senior employees within the wider group structure. Communication and regular engagement with Shareholders is given a high priority by the Directors.

Business relationships

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

Community and environment

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

Streamlined energy & carbon reporting

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

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



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B Chaing
Director

Chaing Equities Limited

Directors' Report for the Year Ended 31 December 2022

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

Directors of the group

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

B Chaing
S Chaing
M Chaing

Principal activities

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

The principal activities of the group are:

- the import and distribution of chemicals and related products;
- the distribution of products to the thermoset industry;
- the sale and manufacture of equipment for the educational and scientific markets;
- the manufacture and supply of optical instruments for the optician and the gemologist markets;
- the development, distribution and global marketing of non-woven products for industrial applications in the cable, composites, automotive, construction and packaging industries;
- import and distribution of toys, costumes, stationery and seasonal products;
- warehousing, storage services, road haulage, transport and logistics services;
- freight forwarding, associated logistics and distribution including e-fulfilment;
- design, manufacture and distribution of greeting cards;
- information technology consultancy services;
- provision of courier and pallet transport services; and
- employment agent.

Dividends

The directors recommend that £nil dividend be paid (2021 - £nil).

Post balance sheet events

In January 2023 the company acquired from its wholly owned subsidiary, CEL Residential Limited, the long leasehold property at Flat 53, Tennyson Apartments, for consideration of £300,000.

In March 2023 the company completed a rights issue that raised £1,200,000 from its existing shareholders. Those funds were lent to Cathay Investments Limited and, together with surplus group cash, facilitated a prepayment of bank debt totalling £2,000,000 in addition to the group's normal quarterly repayment of £500,000.

In June 2023 the company completed a rights issue that raised £2,000,000 from its existing shareholders. Those funds were lent to Cathay Investments Limited and, together with surplus group cash, facilitated a prepayment of bank debt totalling £4,500,000 in addition to the group's normal quarterly repayment of £500,000.

Financial instruments

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

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

With the exception of currency risk the group does not have any material exposures in any of these areas and, consequently, does not use derivative instruments to manage these exposures. Foreign currency risk is discussed below.

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

Chaing Equities Limited

Directors' Report for the Year Ended 31 December 2022

Financial instruments (continued)

Price risk

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

Foreign currency risk

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

Credit risk

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

Liquidity risk

The group is funded by shareholders' funds, director's loans and bank debt. The group is exposed to risk through having loan repayment obligations as described in note 29. There are no significant repayments falling due immediately and the group monitors its cash flow and loan maturities carefully to manage these risks.

Cash flow interest rate risk

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

Employment of disabled persons

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

Employee involvement

Maintaining the quality and commitment of employees is an important factor for the continued success of the group. Employees' performance is aligned to the group's objectives through regular communication and targeted bonus schemes for key employees.

Engagement with suppliers, customers and others

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

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

Environmental matters

The group's policy with regard to the environment is to understand and manage the actual and potential impact of activities. All legal requirements that are relevant to the group's business are complied with. The group has not incurred any fines or penalties or been investigated for any breach of environmental regulations during the period under review.

Chaing Equities Limited

Directors' Report for the Year Ended 31 December 2022

Going concern

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

The company and group has three primary sources of funding:

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

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

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

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

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

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

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

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

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

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

The facilities secure funding for the group until Q1 2025.

Chaing Equities Limited

Directors' Report for the Year Ended 31 December 2022

Going concern (continued)

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

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

Director's responsibilities statement

The directors are responsible for preparing the Strategic Report, Director's Report, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

To the best of our knowledge:

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

Chaing Equities Limited

Directors' Report for the Year Ended 31 December 2022

Disclosure of information to the auditor

The directors confirm that:

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

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

Ben Chaing

B Chaing
Director

Independent auditor's report to the members of Chaing Equities Limited

Opinion

We have audited the financial statements of Chaing Equities Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

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

Independent auditor's report to the members of Chaing Equities Limited

Conclusions relating to going concern (continued)

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

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

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

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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent auditor's report to the members of Chaing Equities Limited

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We understood how the group and parent are complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (International and UK GAAP and the Companies Act 2006).
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices.
- We assessed the susceptibility of the group and parent's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that increased revenues;
 - unexpected journal entries (eg unexpected dates, deleted entries or unusual users); and
 - potential management bias in journals, determining accounting estimates and any significant transactions outside of the normal conduct of business operations.

Independent auditor's report to the members of Chaing Equities Limited

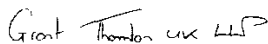
Auditor's responsibilities for the audit for the financial statements (continued)

- Our audit procedures involved:
 - evaluation of the design effectiveness and assessing the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on material journals, including those with unusual account combinations those that reclassified costs from the income statement to the balance sheet, unexpected dates, deleted entries and those posted around the year end;
 - challenging assumptions and judgements made by management in its significant accounting estimates; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations through the following:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
 - knowledge of the industry in which the client operates.

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

Use of our report

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



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

Chaing Equities Limited**Consolidated Income Statement for the Year Ended 31 December 2022**

	Note	2022 £	2021 £
Revenue	5	108,333,555	108,837,758
Cost of sales		(64,838,110)	(68,497,182)
Gross profit		43,495,445	40,340,576
Other income		39,027	128,608
Distribution costs		(10,274,113)	(11,686,427)
Administrative expenses		(28,105,625)	(24,730,367)
Operating profit	6	5,154,734	4,052,390
Finance income		15,139	3,831
Finance costs		(2,616,382)	(2,367,566)
Net finance costs	7	(2,601,243)	(2,363,735)
Profit before tax		2,553,491	1,688,655
Tax expense	12	(1,101,583)	(330,683)
Profit for the year		<u>1,451,908</u>	<u>1,357,972</u>
Profit attributable to:			
Owners of the company		1,361,096	1,257,333
Non-controlling interests		90,812	100,639
		<u>1,451,908</u>	<u>1,357,972</u>

The above results were derived from continuing operations.

Chaing Equities Limited**Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022**

	2022 £	2021 £
Profit for the year	1,451,908	1,357,972
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gains/(losses)	1,776,412	(1,453,494)
Total comprehensive income for the year	<u>3,228,320</u>	<u>(95,522)</u>
Total comprehensive income attributable to:		
Owners of the company	3,029,805	(94,416)
Non-controlling interests	198,515	(1,106)
	<u>3,228,320</u>	<u>(95,522)</u>

The notes on pages 22 to 56 form an integral part of these financial statements.

Chaing Equities Limited**(Registration number: 11178692)****Consolidated Statement of Financial Position as at 31 December 2022**

	Note	2022 £	2021 £
Non-current assets			
Investment property	13	315,493	315,493
Property, plant and equipment	14	41,929,621	42,436,858
Intangible assets	15	17,742,443	16,341,754
Investments	16	10,000	-
Deferred tax assets	12	135,307	177,715
		<u>60,132,864</u>	<u>59,271,820</u>
Current assets			
Inventories	19	12,936,240	11,784,335
Trade and other receivables	20	19,005,000	19,384,758
Cash and cash equivalents	21	6,751,387	10,100,158
		<u>38,692,627</u>	<u>41,269,251</u>
Total assets		<u>98,825,491</u>	<u>100,541,071</u>
Equity			
Share capital	22	30	30
Foreign currency translation reserve	23	6,105	(1,669,291)
Merger reserve	23	520,251	521,052
Retained earnings	23	15,008,705	13,886,060
Equity attributable to owners of the company		<u>15,535,091</u>	<u>12,737,851</u>
Non-controlling interests		534,761	584,046
Total equity		<u>16,069,852</u>	<u>13,321,897</u>
Non-current liabilities			
Loans and borrowings	24	24,141,252	24,904,885
Provisions	26	1,888,105	1,583,545
Lease liability	18	26,247,827	28,503,143
Deferred tax liabilities	12	1,379,910	1,145,915
		<u>53,657,094</u>	<u>56,137,488</u>
Current liabilities			
Trade and other payables	27	17,964,370	20,195,215
Loans and borrowings	24	2,954,841	2,944,041
Provisions	26	3,199,163	2,589,167
Lease liability	18	4,314,128	4,921,277
Tax liability		666,043	431,986
		<u>29,098,545</u>	<u>31,081,686</u>
Total liabilities		<u>82,755,639</u>	<u>87,219,174</u>
Total equity and liabilities		<u>98,825,491</u>	<u>100,541,071</u>

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

B Chaing

 B Chaing
 Director

The notes on pages 22 to 56 form an integral part of these financial statements.

Chaing Equities Limited**(Registration number: 11178692)****Company Statement of Financial Position as at 31 December 2022**

	Note	2022 £	2021 £
Non-current assets			
Investment property	13	3,162,657	1,406,967
Property, plant and equipment	14	4,841	4,878
Investments	16	34,808	358
		<u>3,202,306</u>	<u>1,412,203</u>
Current assets			
Trade and other receivables	20	1,418,600	1,057,074
Cash and cash equivalents	21	210,042	1,133,781
		<u>1,628,642</u>	<u>2,190,855</u>
Total assets		<u>4,830,948</u>	<u>3,603,058</u>
Equity			
Share capital	22	30	30
Retained earnings		4,387,876	3,571,662
Total equity		<u>4,387,906</u>	<u>3,571,692</u>
Non-current liabilities			
Loans and borrowings	24	380,000	-
		<u>380,000</u>	<u>-</u>
Current liabilities			
Trade and other payables	27	63,042	31,366
		<u>63,042</u>	<u>31,366</u>
Total liabilities		<u>443,042</u>	<u>31,366</u>
Total equity and liabilities		<u>4,830,948</u>	<u>3,603,058</u>

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

*Ben Chaing*B Chaing
Director

Chaing Equities Limited

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

	Share capital £	Foreign currency translation £	Merger reserve £	Retained earnings £	Total equity attributable to the owners of the parent company £	Non-controlling interests £	Total £
At 1 January 2021	30	(317,542)	521,052	12,628,727	12,832,267	685,155	13,517,422
Profit for the year	-	-	-	1,257,333	1,257,333	100,639	1,357,972
Other comprehensive income	-	(1,351,749)	-	-	(1,351,749)	(101,745)	(1,453,494)
Total comprehensive income	-	(1,351,749)	-	1,257,333	(94,416)	(1,106)	(95,222)
Dividends paid	-	-	-	-	-	(100,003)	(100,003)
At 31 December 2021	30	(1,669,291)	521,052	13,886,060	12,737,851	584,046	13,321,897

	Share capital £	Foreign currency translation £	Merger reserve £	Retained earnings £	Total equity attributable to the owners of the parent company £	Non-controlling interests £	Total £
At 1 January 2022	30	(1,669,291)	521,052	13,886,060	12,737,851	584,046	13,321,897
Profit for the year	-	-	-	1,361,096	1,361,096	90,812	1,451,908
Other comprehensive income	-	1,668,709	-	-	1,668,709	107,703	1,776,412
Total comprehensive income	-	1,668,709	-	1,361,096	3,029,805	198,515	3,228,320
Acquisition of minority shareholding	-	6,687	(801)	(238,451)	(232,565)	(174,284)	(406,849)
Dividends paid	-	-	-	-	-	(73,516)	(73,516)
At 31 December 2022	30	6,105	520,251	15,008,705	15,535,091	534,761	16,069,852

Chaing Equities Limited**Company Statement of Changes in Equity for the Year Ended 31 December 2022**

	Share capital	Retained earnings	Total
At 1 January 2021	30	2,751,387	2,751,417
Profit for the year	-	820,275	820,275
Total comprehensive income	-	820,275	820,275
At 31 December 2021	30	3,571,662	3,571,692

	Share capital	Retained earnings	Total
At 1 January 2022	30	3,571,662	3,571,692
Profit for the year	-	816,214	816,214
Total comprehensive income	-	816,214	816,214
At 31 December 2022	30	4,387,876	4,387,906

The notes on pages 22 to 56 form an integral part of these financial statements.

Chaing Equities Limited**Consolidated Statement of Cash Flows for the Year Ended 31 December 2022**

	Note	2022 £	2021 £
Cash flows from operating activities			
Profit for the year		1,451,908	1,357,972
Adjustments to cash flows from non-cash items:			
Depreciation, amortisation and impairment		7,420,762	7,727,950
Loss on disposal of property, plant and equipment		(14,917)	674
Finance income	7	(15,139)	(3,831)
Finance costs	7	2,616,382	2,367,566
Tax expense	12	1,101,583	330,683
		<u>12,560,579</u>	<u>11,781,022</u>
Working capital adjustments:			
Increase in inventories	19	(1,151,905)	(2,286,439)
Decrease/(increase) in trade and other receivables	20	2,076,308	(52,299)
Decrease in trade and other payables	27	(3,739,097)	(691,212)
Increase in provisions	26	914,556	471,886
Decrease in deferred tax	12	(143,810)	(185,775)
Cash generated from operations		<u>10,516,631</u>	<u>9,037,183</u>
Income taxes paid		<u>(910,605)</u>	<u>(1,112,984)</u>
Net cash flow from operating activities		<u>9,606,026</u>	<u>7,924,199</u>
Cash flows from investing activities			
Interest received	7	15,139	3,831
Acquisitions of investment property	13	-	(315,493)
Acquisitions of property, plant and equipment	14	(2,699,245)	(1,538,030)
Proceeds from sale of property, plant and equipment		31,604	-
Acquisitions of intangibles	15	-	(8,057)
Net cash arising on acquisition	17	(1,608,360)	-
Purchase of minority interest shares	16	(406,861)	-
Net cash flows used in investing activities		<u>(4,667,723)</u>	<u>(1,857,749)</u>

The notes on pages 22 to 56 form an integral part of these financial statements.

Chaing Equities Limited**Consolidated Statement of Cash Flows for the Year Ended 31 December 2022**

	Note	2022 £	2021 £
Cash flow from financing activities			
Interest paid	7	(2,616,382)	(2,367,566)
Repayment of loans and borrowings		(1,924,229)	(1,915,826)
Repayment of lease liabilities		(5,337,220)	(5,081,079)
Decrease in invoice discounting facility	27	21,796	(149,662)
Proceeds from issue of redeemable preference shares	24	1,130,000	-
Dividends paid to non-controlling interests		(73,516)	(100,003)
Net cash flows used in financing activities		<u>(8,799,551)</u>	<u>(9,614,136)</u>
Net decrease in cash and cash equivalents		(3,861,248)	(3,547,686)
Cash and cash equivalents at 1 January	21	10,100,158	13,721,733
Effect of exchange rate fluctuations on cash held		<u>512,477</u>	<u>(73,889)</u>
Cash and cash equivalents at 31 December	21	<u><u>6,751,387</u></u>	<u><u>10,100,158</u></u>

The notes on pages 22 to 56 form an integral part of these financial statements.

Chaing Equities Limited**Company Statement of Cash Flows for the Year Ended 31 December 2022**

	Note	2022 £	2021 £
Cash flows from operating activities			
Profit for the year		816,214	820,275
Adjustments to cash flows from non-operating activity items:			
Depreciation, amortisation and impairment		23,476	17,445
Dividends receivable		(926,484)	(900,000)
		(86,794)	(62,280)
Working capital adjustments:			
Increase in trade and other receivables	20	(46,033)	(94,679)
Increase in trade and other payables	27	31,676	31,287
Net cash flow used in operating activities		(101,151)	(125,672)
Cash flows from investing activities			
Dividends received		926,484	900,000
Purchase of minority interest shares	16	(34,450)	(279)
Acquisitions of investment property	13	(2,093,352)	(1,423,974)
Acquisitions of property, plant and equipment	14	(1,270)	(5,316)
Net cash flows used in investing activities		(1,202,588)	(529,569)
Cash flow from financing activities			
Proceeds from issue of redeemable preference shares	24	380,000	-
Net cash flows from financing activities		380,000	-
Net decrease in cash and cash equivalents		(923,739)	(655,241)
Cash and cash equivalents at 1 January	21	1,133,781	1,789,022
Cash and cash equivalents at 31 December	21	210,042	1,133,781

The notes on pages 22 to 56 form an integral part of these financial statements.

Chaing Equities Limited

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

1 General information

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

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

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

43 Friends Road
Croydon
United Kingdom
CR0 1ED

2 Adoption of new and revised standards

New standards, interpretations and amendments effective

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

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

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

New standards, interpretations and amendments not yet effective

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

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

None of the other standards, interpretations and amendments which are effective for periods beginning after 1 January 2023 and which have not been adopted early are expected to have a material effect on the financial statements. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

3 Accounting policies

Statement of compliance

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

Summary of significant accounting policies and key accounting estimates

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

Chaing Equities Limited

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

3 Accounting policies (continued)

Basis of preparation

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

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

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

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

Going concern

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

The company and group has three primary sources of funding:

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

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

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

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

In our chemicals and materials business, there was a definite downturn in demand during the initial lockdowns across all territories and turnover fell significantly. 2021 saw some improvement as the effects of Covid eased and this has continued into 2022 with Lantor in particular seeing rapid growth in sales. The operations of these companies were also affected in 2021 by a worldwide shortage of raw materials and spiralling transport costs although again, this has eased somewhat in the first half of 2022. As a manufacturing entity, Lantor has been particularly impacted by increases in energy costs and has seen a trebling of annual spend on energy costs since 2020. This is not assumed to improve, indeed costs seem likely to increase further. Cost increases have been mitigated by growth in sales and strong cost control.

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

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

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

Chaing Equities Limited

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

3 Accounting policies (continued)

Going concern (continued)

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

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

The facilities secure funding for the group until Q1 2025.

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

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

Basis of consolidation

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

The reporting date for Cathay Investments Limited, a subsidiary company, is 30 December 2022. This is not deemed to be materially different to the group's reporting date.

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a profit after tax for the year of £816,214 (2021 - £820,275).

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

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

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

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

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

Chaing Equities Limited

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

3 Accounting policies (continued)

Revenue recognition

Revenue arises mainly from the sale of chemical related products (including non-woven materials and composite materials), the provision of third party logistics services (including warehousing and freight forwarding), provision of courier and pallet transport services, the sale of toys, stationery and greetings cards and the sale of medical related products (including instruments and medical equipment).

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

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

The group often enters into transactions involving a range of the group's products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the group satisfies performance obligations by transferring the promised goods or services to its customers.

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

For the sale of chemical products, medical products, toys, stationery and greetings cards, revenue is recognised when the risks and rewards of ownership of the goods have transferred to the buyer which is usually at the point the customer has signed for delivery of the goods. For third party logistics services and courier and pallet transport services, performance obligations are satisfied and revenue is recognised on the basis of activity performed by the company in the supply of the service.

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

Government grants

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

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

Chaing Equities Limited

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

3 Accounting policies (continued)

Foreign currency transactions and balances

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

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

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

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

Tax

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

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

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

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

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

Investment property

Investment property is accounted for using the cost model and is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

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

Asset class

Investment property

Depreciation method and rate

2% per annum straight line

Chaing Equities Limited

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

3 Accounting policies (continued)

Property, plant and equipment

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

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

Depreciation

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

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

Asset class	Depreciation method and rate
Land and buildings	
- Freehold buildings	2% per annum straight line
- Leasehold improvements	5-10% per annum straight line and shorter of lease life and between 13 and 15 years per annum straight line
- Short term leasehold property	Over the life of the lease
Other property, plant and equipment	
- Plant and machinery	Between 3 and 15 years per annum straight line and 15-33% per annum reducing balance
- Fixtures and fittings	10-33% per annum straight line and 15-33% per annum reducing balance
- Equipment	25-33% per annum reducing balance
Motor vehicles	12.5 - 33% per annum reducing balance

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

Business combinations

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

Chaing Equities Limited

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

3 Accounting policies (continued)

Goodwill

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

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

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

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

Intangible assets

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

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

Amortisation

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

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

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

Asset class	Amortisation method and rate
Licenses	5 years per annum straight line
Customer lists	5 years per annum straight line
Contractual customer relationships	25% - 50% per annum straight line
Development expenditure	3 - 6 years per annum straight line
Website costs	10 years per annum straight line

Investments

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

Chaing Equities Limited

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

3 Accounting policies (continued)

Leasing

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

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

Measurement and recognition of leases as a lessee:

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

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

Inventories

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

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

An allowance is recorded for obsolescence.

Trade and other payables

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

Chaing Equities Limited

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

3 Accounting policies (continued)

Borrowings

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

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

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

Provisions

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

Impairment of non-financial assets

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

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

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

Share capital

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

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

Dividends

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

Defined contribution pension obligation

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

Chaing Equities Limited

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

3 Accounting policies (continued)

Financial assets and liabilities

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

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

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

Impairment of financial assets

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

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

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

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

Chaing Equities Limited

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

3 Accounting policies (continued)

Trade and other receivables and contract assets

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

Classification and measurement of financial liabilities

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

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

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

4 Critical accounting judgements and key sources of estimation uncertainty

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

Provisions

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

Provisions for dilapidations

Provision is made for dilapidations due to be carried out on leased properties. Provisions are recognised when management are satisfied that an outflow of economic benefits is probable and a reliable estimate can be made of the obligation. The determination of the dilapidation provision requires significant judgement.

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

Provisions for rates

Provision is made for rates due at one of the sites in which the group operates. The site has not been assessed for rates and therefore no invoice for rates has been provided to date. Provisions are recognised when management are satisfied that an outflow of economic benefits is probable, and a reliable estimate can be made of the obligation. The determination of the rates provision requires significant judgement. Management have engaged an expert to assist in reviewing and estimating the provision for rates

Leases - incremental borrowing rate

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

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

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

Chaing Equities Limited

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

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

Impairment of property, plant and equipment and intangible assets

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

Goodwill and intangible assets

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

Provision for bad debts

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

Inventory valuation

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

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****5 Revenue**

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

	2022	2021
	£	£
Revenue from contracts with customers	108,333,555	108,837,758
	<u>108,333,555</u>	<u>108,837,758</u>

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

	2022	2021
	£	£
<i>Primary geographical markets</i>		
UK	50,925,142	58,923,983
Europe	41,205,014	36,474,778
Rest of world	16,203,399	13,438,997
	<u>108,333,555</u>	<u>108,837,758</u>
<i>Major products and service lines</i>		
Chemical related products	69,061,816	65,667,797
Medical related products	855,181	983,349
Third party logistics	27,993,067	36,779,166
Courier and pallet transport	5,695,786	-
Toys, stationery and greetings cards	4,727,705	5,407,446
	<u>108,333,555</u>	<u>108,837,758</u>
<i>Timing of revenue recognition</i>		
Products and services transferred at a point in time	74,427,553	72,058,592
Services transferred over time	33,906,002	36,779,166
	<u>108,333,555</u>	<u>108,837,758</u>

Chaing Equities Limited

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

6 Operating profit

Arrived at after charging/(crediting):

	2022	2021
	£	£
Depreciation expense	6,429,743	6,751,943
Amortisation expense	991,019	976,015
Foreign exchange losses	127,711	277,620
Loss on disposal of property, plant and equipment	(14,917)	674
Exceptional item - redundancy costs	170,859	315,542
Exceptional item - aborted transaction and other legal costs	5,150	61,157
Exceptional item - closure of overseas subsidiary	3,779	(4,388)
Exceptional item - settlement	(42,000)	106,825
Exceptional item - stock write down	-	148,460
Exceptional item - loan refinancing	-	117,235
Exceptional item - other costs	64,401	70,031
Exceptional item - Rhys Davies & Sons Limited - funds returned by Administrators	(137,000)	(200,000)
Exceptional item - Rhys Davies & Sons Limited - administration costs	227	56,365
Exceptional item - legal costs relating to historic court case	75	62,895
Exceptional item - exit costs for toys division customer	-	26,660
Exceptional item - dilapidations costs	4,000	-
Exceptional item - bad debts	10,850	11,349
Exceptional item - reorganisation	20,000	-
Exceptional item - moving costs	21,750	-
Exceptional item - write off exhibition costs	12,217	-

7 Finance income and costs

	2022	2021
	£	£
Finance income		
Interest income on bank deposits	15,139	3,831
Finance costs		
Interest on bank overdrafts and borrowings	(1,288,604)	(1,032,641)
Interest expense on other financing liabilities	(1,163,819)	(1,254,610)
Other finance costs	(163,959)	(80,315)
Total finance costs	(2,616,382)	(2,367,566)
Net finance costs	(2,601,243)	(2,363,735)

Chaing Equities Limited

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

8 Staff costs

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

	2022	2021
	£	£
Wages and salaries	15,302,995	16,545,707
Social security costs	2,095,094	1,982,487
Pension and other post-employment benefit costs	1,068,560	1,144,980
Redundancy and payment in lieu	342,177	315,542
	<u>18,808,826</u>	<u>19,988,716</u>

During the year, the group received government grant support by way of the Coronavirus Job Retention Scheme (CJRS). The total grant income received for continuing operations was £771 (2021 - £128,608) which is included within other income in the statement of comprehensive income. The staff costs are shown gross of the CJRS grants received.

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

	2022	2021
	No.	No.
Production	368	381
Administration and support	140	143
	<u>508</u>	<u>524</u>

9 Agency workers

Included in cost of sales are agency workers' remuneration paid through the payroll of the group as follows:

	2022	2021
	£	£
Wages and salaries	655,741	-
Social security costs and pension	42,448	-
	<u>698,189</u>	<u>-</u>

The average monthly number of agency workers during the period was 36 (2021 - Nil).

10 Director's remuneration

The director's remuneration for the year was as follows:

	2022	2021
	£	£
Remuneration	<u>53,804</u>	<u>86</u>

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

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****11 Auditor's remuneration**

	2022	2021
	£	£
Audit of the financial statements	25,500	9,000
Audit of the financial statements of subsidiaries of the company pursuant to legislation	353,015	297,500
	<u>378,515</u>	<u>306,500</u>
Other fees to auditors		
Taxation compliance services	<u>55,000</u>	<u>52,500</u>

12 Tax

Tax charged/(credited) in the income statement:

	2022	2021
	£	£
Current taxation		
UK corporation tax	309,040	387,150
UK corporation tax adjustment to prior periods	(93,762)	(238,220)
Foreign tax	1,030,115	367,528
Total current income tax	<u>1,245,393</u>	<u>516,458</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(147,046)	(14,565)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	3,236	(171,210)
Total deferred taxation	<u>(143,810)</u>	<u>(185,775)</u>
Tax expense in the income statement	<u>1,101,583</u>	<u>330,683</u>

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

The differences are reconciled below:

	2022	2021
	£	£
Profit before tax	<u>2,553,491</u>	<u>1,688,655</u>
Corporation tax at standard rate	485,163	320,844
Decrease in current tax from adjustment for prior periods	(93,762)	(241,246)
Increase from effect of capital allowances depreciation	72,909	40,429
Increase/(decrease) from effect of different foreign tax rates on some earnings	237,792	(50,221)
Decrease from effect of revenues exempt from taxation	-	(7,980)
Increase from effect of expenses not deductible in determining taxable profit	158,508	75,528
Decrease from effect of foreign exchange	-	(7,864)
Deferred tax credit relating to changes in tax rates or laws	(74,712)	(51,132)
Increase/(decrease) in deferred tax from adjustment for prior periods	3,236	(78,270)
Deferred tax not recognised	323,384	187,420
Other difference leading to a (decrease)/increase in taxation	(10,935)	143,175
Total tax charge	<u>1,101,583</u>	<u>330,683</u>

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

Deferred tax assets and liabilities

	Asset	Liability	Net deferred tax
	£	£	£
2022			
Accelerated tax depreciation	-	(225,766)	(225,766)
Other items	135,307	(1,160,642)	(1,025,335)
Tax losses carry-forwards	-	6,498	6,498
	<u>135,307</u>	<u>(1,379,910)</u>	<u>(1,244,603)</u>
2021			
Accelerated tax depreciation	176,788	(344,787)	(167,999)
Other items	-	(790,561)	(790,561)
Tax losses carry-forwards	797	-	797
Short term timing differences	130	(10,567)	(10,437)
	<u>177,715</u>	<u>(1,145,915)</u>	<u>(968,200)</u>

Deferred tax movement during the year:

	At 1 January 2022	Arising on acquisition	Recognised in income	At 31 December 2022
	£	£	£	£
Accelerated tax depreciation	(167,999)	(103,713)	45,946	(225,766)
Other items	(790,561)	(316,500)	81,726	(1,025,335)
Tax losses carry-forwards	797	-	5,701	6,498
Short term timing differences	(10,437)	-	10,437	-
Net tax (liabilities)/assets	<u>(968,200)</u>	<u>(420,213)</u>	<u>143,810</u>	<u>(1,244,603)</u>

Deferred tax movement during the prior year:

	At 1 January 2021	Recognised in income	At 31 December 2021
	£	£	£
Accelerated tax depreciation	85,456	(253,455)	(167,999)
Other items	(1,243,654)	453,093	(790,561)
Tax losses carry-forwards	4,223	(3,426)	797
Short term timing differences	-	(10,437)	(10,437)
Net tax (liabilities)/assets	<u>(1,153,975)</u>	<u>185,775</u>	<u>(968,200)</u>

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****13 Investment property
Group**

	Investment property
Cost or valuation	
At 1 January 2022	315,493
At 31 December 2022	<u>315,493</u>
Carrying amount	
At 31 December 2022	<u>315,493</u>
At 31 December 2021	<u>315,493</u>

The fair value of the Group's investment properties at 31 December 2022 was £315,493 (2021 - £315,493).

Company

	Investment property
Cost or valuation	
At 1 January 2022	1,423,974
Additions	2,093,352
Disposals	<u>(315,493)</u>
At 31 December 2022	<u>3,201,833</u>
Depreciation and impairment	
At 1 January 2022	17,007
Charge for the year	<u>22,169</u>
At 31 December 2022	<u>39,176</u>
Carrying amount	
At 31 December 2022	<u>3,162,657</u>
At 31 December 2021	<u>1,406,967</u>

The fair value of the Company's investment properties at 31 December 2022 was £3,201,833 (2021 - £1,423,974), as determined by the directors.

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****14 Property, plant and equipment
Group**

	Land and buildings £	Other property, plant and equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 January 2021	52,789,801	52,863,911	313,083	105,966,795
Additions	1,427,559	794,586	-	2,222,145
Disposals	(300,586)	(1,037,924)	(13,648)	(1,352,158)
Foreign exchange movements	(590,001)	(2,350,682)	-	(2,940,683)
At 31 December 2021	53,326,773	50,269,891	299,435	103,896,099
At 1 January 2022	53,326,773	50,269,891	299,435	103,896,099
Additions	2,212,079	1,818,312	25,205	4,055,596
Acquired through business combinations	782,619	595,050	-	1,377,669
Disposals	-	(1,173,254)	(79,849)	(1,253,103)
Foreign exchange movements	488,711	1,932,204	-	2,420,915
At 31 December 2022	56,810,182	53,442,203	244,791	110,497,176
Depreciation and impairment				
At 1 January 2021	14,208,256	44,089,509	150,367	58,448,132
Charge for the year	4,121,945	2,605,734	24,264	6,751,943
Eliminated on disposals	(274,930)	(1,090,864)	(7,010)	(1,372,804)
Foreign exchange movements	(303,772)	(2,064,258)	-	(2,368,030)
At 31 December 2021	17,751,499	43,540,121	167,621	61,459,241
At 1 January 2022	17,751,499	43,540,121	167,621	61,459,241
Transfer to intangible assets	-	(1,853)	-	(1,853)
Charge for the year	4,381,300	2,003,443	45,000	6,429,743
Eliminated on disposals	-	(1,172,095)	(64,321)	(1,236,416)
Foreign exchange movements	233,439	1,683,401	-	1,916,840
At 31 December 2022	22,366,238	46,053,017	148,300	68,567,555
Carrying amount				
At 31 December 2022	34,443,944	7,389,186	96,491	41,929,621
At 31 December 2021	35,575,274	6,729,770	131,814	42,436,858
At 1 January 2021	38,581,545	8,774,402	162,716	47,518,663

Included within the net book value of land and buildings above is £7,354,821 (2021 - £5,146,383) in respect of freehold land and buildings and £27,089,123 (2021 - £30,428,891) in respect of short leasehold land and buildings.

Pledged as security

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

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

	2022 £	2021 £
Land and buildings	24,009,730	26,953,488
Other property, plant and equipment	3,002,267	2,578,867
Motor vehicles	58,103	98,850
	<u>27,070,100</u>	<u>29,631,205</u>

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****14 Property, plant and equipment (continued)****Company**

	Other property, plant and equipment	Total
Cost or valuation		
At 1 January 2022	5,316	5,316
Additions	1,270	1,270
At 31 December 2022	6,586	6,586
Depreciation and impairment		
At 1 January 2022	438	438
Charge for the year	1,307	1,307
At 31 December 2022	1,745	1,745
Carrying amount		
At 31 December 2022	4,841	4,841
At 31 December 2021	4,878	4,878

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****15 Intangible assets****Group**

	Goodwill	Customer lists and contractual relationships	Other intangible assets	Total
	£	£	£	£
Cost or valuation				
At 1 January 2021	19,120,521	9,055,270	1,990,132	30,165,923
Additions	-	-	8,057	8,057
Foreign exchange movements	(776,101)	-	(111,066)	(887,167)
At 31 December 2021	18,344,420	9,055,270	1,887,123	29,286,813
At 1 January 2022	18,344,420	9,055,270	1,887,123	29,286,813
Additions	367,689	-	-	367,689
Acquired through business combinations	-	1,266,000	-	1,266,000
Foreign exchange movements	746,876	-	90,423	837,299
At 31 December 2022	19,458,985	10,321,270	1,977,546	31,757,801
Amortisation				
At 1 January 2021	3,426,171	7,259,937	1,363,151	12,049,259
Amortisation charge	-	673,250	302,765	976,015
Foreign exchange movements	-	-	(80,215)	(80,215)
At 31 December 2021	3,426,171	7,933,187	1,585,701	12,945,059
At 1 January 2022	3,426,171	7,933,187	1,585,701	12,945,059
Transfer from property, plant and equipment	-	-	1,853	1,853
Amortisation charge	-	910,625	80,394	991,019
Foreign exchange movements	-	-	77,427	77,427
At 31 December 2022	3,426,171	8,843,812	1,745,375	14,015,358
Carrying amount				
At 31 December 2022	16,032,814	1,477,458	232,171	17,742,443
At 31 December 2021	14,918,249	1,122,083	301,422	16,341,754
At 1 January 2021	15,694,350	1,795,333	626,981	18,116,664

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

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

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

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****16 Investments****Group**

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

Company

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

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest held	Proportion of voting rights held
Cathay Investments Limited*	Group management company	England and Wales	95%	93%
Marpex Chemicals Limited	Export and import of chemicals	England and Wales	95%	93%
Sussex Vision International Limited	Dormant	England and Wales	95%	93%
Educational & Scientific Products Limited	Sale and manufacture of equipment	England and Wales	95%	93%
Wellmar Limited	Holding company	England and Wales	95%	93%
Cathay Composites Limited	Export and import of chemicals	England and Wales	95%	93%
Euroresins International GmbH	Distribution of products	Germany	95%	93%
Euroresins UK Limited	Distribution of products	England and Wales	95%	93%
Euroresins Spain S.A.	Distribution of products	Spain	95%	93%
Euroresins France S.A.S	Distribution of products	France	95%	93%
Euroresins Scandinavia OY	Distribution of products	Finland	95%	93%
Euroresins Benelux BV	Distribution of products	Netherlands	95%	93%
Euroresins Italia S.r.L	Distribution of products	Italy	95%	93%
Euroresins Scandinavia AS	Distribution of products	Norway	95%	93%
Cathay Investments BV	Holding company	Netherlands	95%	93%

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****16 Investments (continued)**

Lantor BV	Development and manufacture of non-woven products	Netherlands	95%	93%
Lantor GmbH	Distribution of non-woven products	Germany	95%	93%
Cathay Investments 2 Limited*	Holding company	England and Wales	95%	93%
Perkins Group Services Limited	Import and distribution of toys, stationery and seasonal products, warehousing and logistics	England and Wales	95%	93%
Humatt Limited	Dormant	England and Wales	95%	93%
Buttons Bear and Friends Limited	Dormant	England and Wales	95%	93%
Williams of Swansea Limited	Import and distribution of toys, stationery and seasonal products	England and Wales	95%	93%
Amethyst Group Limited	Provision of warehousing and logistics services	England and Wales	95%	93%
Cathay Investments 2 Properties Limited	Non-trading	England and Wales	95%	93%
The Original Poster Company Limited	Producer and distributor of greeting cards	England and Wales	95%	93%
PNC Global Logistics Limited	Holding company	England and Wales	95%	93%
Amethyst Global Freight Limited	Freight forwarding	England and Wales	95%	93%
Warehouse One Distribution Limited	Warehousing, logistics and transportation services	England and Wales	95%	93%
Mercian Logistics Limited	Provision of courier and pallet transport services	England and Wales	95%	-
CAJ Mercian Holdings Limited	Holding company	England and Wales	95%	-
CS Digital Limited	Information technology	England and Wales	95%	93%
Cathay Investments 3 Limited*	Holding company	England and Wales	95%	93%
Cathay Investments 4 Limited*	Dormant	England and Wales	95%	93%
Cathay Investments 5 Limited*	Dormant	England and Wales	95%	93%
Cathay Investments 6 Limited*	Dormant	England and Wales	95%	93%
3PL Resources Limited	Employment agency	England and Wales	95%	93%
CEL Residential Limited*	Letting of residential property	England and Wales	100%	-

* indicates direct investment of the company

Chaing Equities Limited

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

16 Investments (continued)

In line with the exemption allowed under section 479A of the Companies Act 2006 certain of the subsidiary companies of Chaing Equities Limited have been made exempt from requirements to have an audit under section 475 of the Companies Act 2006. In order to meet this exemption Chaing Equities Limited, and Cathay Investments Limited and Cathay Investments 2 Limited, being intermediary parent companies, have pledged to guarantee all outstanding liabilities to which the relevant subsidiaries are subject to at the end of the financial year to which the guarantee relates until they are satisfied in full and that this guarantee is enforceable against the parent undertaking by any person to which the subsidiaries are liable in respect of those liabilities.

Where the subsidiary entitled to the exemption represents a direct investment of Chaing Equities Limited, the guarantee as described above has been pledged by Chaing Equities Limited. For all other subsidiaries entitled to the exemption the guarantee has been pledged by their relevant immediate parent company, being either Cathay Investments Limited or Cathay Investments 2 Limited.

For the year ended 31 December 2022 the following subsidiary was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

CEL Residential Limited (Registration number: 13886457)

Summary of the company's investments

	2022	2021
	£	£
Investments in subsidiaries	<u>34,808</u>	<u>358</u>
Subsidiaries		
Cost or valuation		
At 1 January 2021		79
Additions		279
At 31 December 2021		<u>358</u>
At 1 January 2022		358
Additions		34,450
At 31 December 2022		<u>34,808</u>
Carrying amount		
At 31 December 2022		<u>34,808</u>
At 31 December 2021		<u>358</u>
At 1 January 2021		<u>79</u>

Additions of £34,450 relate to a further purchase of shares in Cathay Investments Limited, Cathay Investments 3 Limited, Cathay Investments 4 Limited, Cathay Investments 5 Limited and Cathay Investments 6 Limited resulting in an increase of shareholding in each of these subsidiaries to 95%.

Chaing Equities Limited

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

17 Acquisition of subsidiaries

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

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

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

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

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

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****18 Leases**

	Group	
	2022	2021
	£	£
Current	4,314,128	4,921,277
Non-current	<u>26,247,827</u>	<u>28,503,143</u>
	<u>30,561,955</u>	<u>33,424,420</u>

Lease liabilities of £30,688,502 (2021 - £33,424,420) are secured over the leased assets.

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

Group

Right-of-use asset	No. of right-of-use assets leased	Range of remaining lease term	Average remaining lease term	No. of leases with extension options	No. of leases with variable payments linked to an index	No. of leases with termination options
Land and buildings	11	1 - 12 years	6 years	11	-	11
Furniture, fittings and equipment	78	1 - 6 years	3 years	78	-	78
Motor vehicles	9	1 year	1 year	9	-	9

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

Group	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
	£	£	£	£	£	£	£
31 December 2022							
Lease payments	5,325,742	4,716,919	4,313,706	4,026,753	3,558,850	13,569,113	35,511,083
Finance charges	<u>(1,011,614)</u>	<u>(864,947)</u>	<u>(711,608)</u>	<u>(594,048)</u>	<u>(461,617)</u>	<u>(1,305,294)</u>	<u>(4,949,128)</u>
Net present values	<u>4,314,128</u>	<u>3,851,972</u>	<u>3,602,098</u>	<u>3,432,705</u>	<u>3,097,233</u>	<u>12,263,819</u>	<u>30,561,955</u>

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

Group	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
	£	£	£	£	£	£	£
31 December 2021							
Lease payments	5,967,393	4,773,553	4,178,884	3,878,095	3,706,797	16,224,898	38,729,620
Finance charges	<u>(1,046,116)</u>	<u>(873,799)</u>	<u>(742,383)</u>	<u>(628,991)</u>	<u>(530,625)</u>	<u>(1,483,286)</u>	<u>(5,305,200)</u>
Net present values	<u>4,921,277</u>	<u>3,899,754</u>	<u>3,436,501</u>	<u>3,249,104</u>	<u>3,176,172</u>	<u>14,741,612</u>	<u>33,424,420</u>

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

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

Right-of-use assets**Group**

	Land and buildings	Other property, plant and equipment	Motor vehicles	Total
	£	£	£	£
Gross carrying amount				
Balance at 1 January 2022	37,257,328	5,662,490	215,183	43,135,001
Additions	137,711	1,171,390	47,250	1,356,351
Acquired through business combinations	742,602	425,796	-	1,168,398
Disposals	-	(1,071,074)	(79,849)	(1,150,923)
Foreign exchange movements	37,315	60,718	-	98,033
Balance at 31 December 2022	<u>38,174,956</u>	<u>6,249,320</u>	<u>182,584</u>	<u>44,606,860</u>
Depreciation and impairment				
Balance at 1 January 2022	10,303,840	3,083,623	116,333	13,503,796
Disposals	-	(1,071,074)	(79,849)	(1,150,923)
Depreciation	3,847,953	1,196,013	87,997	5,131,963
Foreign exchange movements	13,433	38,491	-	51,924
Balance at 31 December 2022	<u>14,165,226</u>	<u>3,247,053</u>	<u>124,481</u>	<u>17,536,760</u>
Carrying amount 31 December 2022	<u>24,009,730</u>	<u>3,002,267</u>	<u>58,103</u>	<u>27,070,100</u>
Carrying amount 31 December 2021	<u>26,953,488</u>	<u>2,578,867</u>	<u>98,850</u>	<u>29,631,205</u>

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****19 Inventories**

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Finished goods and goods for resale	<u>12,936,240</u>	<u>11,784,335</u>	<u>-</u>	<u>-</u>

The cost of group inventories recognised as an expense in the year amounted to £44,647,537 (2021 - £48,200,852). This is included within cost of sales.

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

20 Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade receivables	16,527,253	16,368,676	-	-
Receivables from subsidiary undertakings	-	-	1,389,585	1,045,532
Prepayments	1,289,791	2,180,395	26,038	4,654
Other receivables	<u>1,187,956</u>	<u>835,687</u>	<u>2,977</u>	<u>6,888</u>
	<u>19,005,000</u>	<u>19,384,758</u>	<u>1,418,600</u>	<u>1,057,074</u>

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

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

21 Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Cash at bank	<u>6,751,387</u>	<u>10,100,158</u>	<u>210,042</u>	<u>1,133,781</u>

22 Share capital**Allotted, called up and fully paid**

	2022		2021	
	No.	£	No.	£
Ordinary shares of £0.01 each	<u>3,000</u>	<u>30</u>	<u>3,000</u>	<u>30</u>

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****23 Reserves****Group****Share capital**

Represents the nominal value of shares that have been issued.

Foreign currency translation reserve

Represents the reserve account on foreign currency translations.

Retained earnings

Includes all current and prior period retained profits and losses.

Merger reserve

Represents the difference between the nominal value of the shares issued plus the fair value of any other consideration given, and the nominal value of the shares received in exchange on the acquisition of Cathay Investments Limited and Cathay Investments 2 Limited. Any existing balances on the share premium account or capital redemption reserve of a new subsidiary shall be brought in by being shown as a movement on merger reserves. These movements shall be shown in the statement of changes in equity.

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

	2022	2021
	£	£
Foreign currency translation gains/(losses)	<u>1,776,412</u>	<u>(1,453,494)</u>

Company**Share capital**

Represents the nominal value of shares that have been issued.

Retained earnings

Includes all current and prior period retained profits and losses.

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****24 Loans and borrowings**

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Non-current loans and borrowings				
Bank borrowings	18,774,367	20,668,000	-	-
Redeemable preference shares	5,366,885	4,236,885	380,000	-
	<u>24,141,252</u>	<u>24,904,885</u>	<u>380,000</u>	<u>-</u>
Current loans and borrowings				
Bank borrowings	2,010,800	2,000,000	-	-
Other borrowings	944,041	944,041	-	-
	<u>2,954,841</u>	<u>2,944,041</u>	<u>-</u>	<u>-</u>

Bank borrowings

On 18 December 2020 the group, refinanced their bank borrowings with HSBC Bank PLC. All the loans are provided by HSBC Bank PLC and are denominated in sterling with a nominal interest rate of 3.0 - 4.0% above the SONIA Rate, and with the final instalment due by 28 February 2025. The carrying amount of these loans at the year end is £20,751,000 (2021: £22,668,000).

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

All bank borrowings are secured over all assets of material group companies, excluding Chaing Equities Limited.

Redeemable preference shares

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

The redeemable preference shares carry a 0% coupon rate.

Movement in liability:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Proceeds from issue of redeemable preference shares	1,130,000	-	380,000	-

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

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

Chaing Equities Limited

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

25 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charged for the year represents contributions payable by the group to the scheme and amounted to £1,068,560 (2021 - £1,144,980).

Contributions totalling £238,758 (2021 - £173,777) were payable to the scheme at the end of the year and are included in creditors.

26 Other provisions

Group

	Rates provision £	Other provisions £	Total £
At 1 January 2022	2,589,167	1,583,545	4,172,712
Additional provisions	609,996	304,560	914,556
At 31 December 2022	<u>3,199,163</u>	<u>1,888,105</u>	<u>5,087,268</u>
Non-current liabilities	<u>-</u>	<u>1,888,105</u>	<u>1,888,105</u>

Other provisions include closedown costs for certain overseas companies, potential insurance claim excess, staff benefit, dilapidation, environmental and long service award provisions.

Provisions with amounts of £3,199,163 (2021 - £2,589,167) expected to fall due within one year and £1,888,105 (2021 - £1,583,545) expected to fall due after more than one year.

27 Trade and other payables

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Trade payables	6,481,209	8,204,016	32,446	13,457
Accrued expenses	1,468,595	1,984,972	30,237	17,550
Amounts due to related parties	-	-	359	359
Social security and other taxes	1,458,564	1,809,811	-	-
Other payables	8,556,002	8,196,416	-	-
	<u>17,964,370</u>	<u>20,195,215</u>	<u>63,042</u>	<u>31,366</u>

Included within the other payables balance is an amount of £7,431,112 (2021 - £7,409,316) in respect of the group's invoice discounting facility. This amount is secured by fixed and floating charges over the group's assets.

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

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

Chaing Equities Limited

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

28 Financial instruments

Categories of financial instruments

The group and the company held the following financial assets:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade and other receivables	17,715,209	17,204,363	1,392,562	1,052,420
Cash and short-term deposits	6,751,387	10,100,158	210,042	1,133,781
	<u>24,466,596</u>	<u>27,304,521</u>	<u>1,602,604</u>	<u>2,186,201</u>

The group and the company held the following financial liabilities:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade and other payables	17,964,370	20,195,215	63,042	31,366
Bank borrowings	20,785,167	22,668,000	-	-
Other borrowings	944,041	944,041	-	-
Lease liabilities	30,561,955	33,424,420	-	-
Redeemable preference shares	5,366,885	4,236,885	380,000	-
	<u>75,622,418</u>	<u>81,468,561</u>	<u>443,042</u>	<u>31,366</u>

29 Financial risk management and impairment of financial assets

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

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

Market risk

Foreign exchange risk

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

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

Chaing Equities Limited

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

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

Sensitivity analysis

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

Year ended 31 December 2022	GBP/USD	GBP/EUR	EUR/USD	EUR/NOK	EUR/SEK	NOK/SEK	NOK/USD
Total in the consolidated financial statements	133,314	(10,242,777)	689,835	(401)	(74,683)	-	(55)
Reasonable shift	10%	10%	10%	10%	10%	10%	10%
Total effect on profit + 10%	13,331	(1,024,278)	68,984	(40)	(7,468)	-	(6)
Total effect on profit - 10%	(13,331)	1,024,278	(68,984)	40	7,468	-	6
Year ended 31 December 2021	GBP/USD	GBP/EUR	EUR/USD	EUR/NOK	EUR/SEK	NOK/SEK	NOK/USD
Total in the consolidated financial statements	1,233,507	(5,778,388)	1,410,169	(308,744)	266,310	(4,292)	(49)
Reasonable shift	10%	10%	10%	10%	10%	10%	10%
Total effect on profit + 10%	123,351	(577,839)	141,017	(30,874)	26,631	(429)	(5)
Total effect on profit - 10%	(123,351)	577,839	(141,017)	30,874	(26,631)	429	5

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****29 Financial risk management and impairment of financial assets (continued)****Interest rate risk**

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

Sensitivity analysis

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

Based on bank borrowings at 31 December 2022 if interest rates were 2.5% higher (or lower) and all other variables were held constant, the group's net profit would decrease (or increase) by £519,629.

Credit risk and impairment

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

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

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

	2022 £	2021 £
Impairment reversal/(loss) on trade receivables	<u>186,166</u>	<u>(113,292)</u>

Liquidity risk

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

Maturity analysis

	Within 1 year £	After 1 year £	Total £
2022			
Lease liabilities	4,314,128	26,247,827	30,561,955
Bank borrowings	2,010,800	18,774,367	20,785,167
Redeemable preference shares	-	5,366,885	5,366,885
Other borrowings	<u>944,041</u>	<u>-</u>	<u>944,041</u>
	<u>7,268,969</u>	<u>50,389,079</u>	<u>57,658,048</u>
2021			
Lease liabilities	4,921,277	28,503,143	33,424,420
Bank borrowings	2,000,000	20,668,000	22,668,000
Redeemable preference shares	-	4,236,885	4,236,885
Other borrowings	<u>944,041</u>	<u>-</u>	<u>944,041</u>
	<u>7,865,318</u>	<u>53,408,028</u>	<u>61,273,346</u>

Chaing Equities Limited**Notes to the Financial Statements for the Year Ended 31 December 2022****29 Financial risk management and impairment of financial assets (continued)****Capital risk management****Capital components**

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

Externally imposed capital requirements

The group has no externally imposed capital requirements.

Capital management

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

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

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Share capital	30	30	30	30
Foreign currency translation reserve	6,105	(1,669,291)	-	-
Retained earnings	15,008,705	13,886,060	4,387,876	3,571,662
Non-controlling interests - Equity	534,761	584,046	-	-
Bank borrowings	20,785,167	22,668,000	-	-
Redeemable preference shares	5,366,885	4,236,885	380,000	-
Other borrowings	944,041	944,041	-	-
	<u>42,645,694</u>	<u>40,649,771</u>	<u>4,767,906</u>	<u>3,571,692</u>

Chaing Equities Limited

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

30 Related party transactions

Key management personnel

B Chaing, director of the company, Cathay Investments Limited, Cathay Investments 2 Limited and other subsidiary companies

K Johnson, director of Cathay Investments Limited, Cathay Investments 2 Limited and other subsidiary companies

Key management compensation

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

Summary of transactions with key management

B Chaing, director of the company, provided a loan to the group during the year. At the year end the amount due to B Chaing was £944,041 (2021 - £944,041). The loan from B Chaing is interest free and repayable on demand.

Loans from related parties

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

31 Post balance sheet events

In January 2023 the company acquired from its wholly owned subsidiary, CEL Residential Limited, the long leasehold property at Flat 53, Tennyson Apartments, for consideration of £300,000.

In March 2023 the company completed a rights issue that raised £1,200,000 from its existing shareholders. Those funds were lent to Cathay Investments Limited and, together with surplus group cash, facilitated a prepayment of bank debt totalling £2,000,000 in addition to the group's normal quarterly repayment of £500,000.

In June 2023 the company completed a rights issue that raised £2,000,000 from its existing shareholders. Those funds were lent to Cathay Investments Limited and, together with surplus group cash, facilitated a prepayment of bank debt totalling £4,500,000 in addition to the group's normal quarterly repayment of £500,000.

32 Controlling party

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