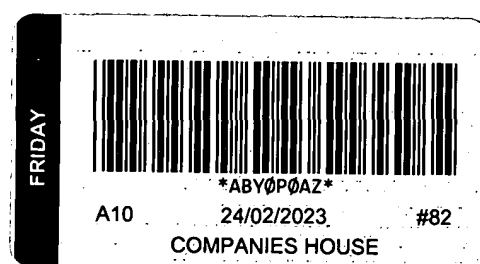


Gradus Group Holdings Limited

**Annual report and consolidated financial
statements**

Registered number 05982856

Year ended 31 December 2021



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Company Information

Directors

S A Watt
E J M Phelippeau
P D M Puech
P M Lienhard
P D D Convers
D Smith

Company Secretary

D Smith

Registered Office

3rd Floor
1 Ashley Road
Altrincham
WA14 2DT
United Kingdom

Auditor

Mazars LLP
Two Chamberlain Square
Birmingham
B3 3AX

Accountants

RSM UK Tax and Accounting Limited
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

Bankers

Bank of Scotland
PO Box 1000
Edinburgh
BX2 1LB

Company Number

05982856

Strategic Report

Business review

The company's principal activities are to manufacture and promote a portfolio of products and services for the contract interiors market serving the education, healthcare and commercial sectors, together with an interest in leisure, retail estate and some housing. The company supplies the contracts markets in both the UK and international markets.

Overview

The 31 December 2021 year end concluded with sales of £26.5 million (2020: £21.4 million). The turnover for 2021 reflects the market conditions as we continue to recover from the impact of the COVID 19 lockdown. Profit for the financial year was £3.2 million (2020: £1.6 million) which is considered by the directors to be a good result.

Principal risks and uncertainties

The current economic environment may increase the risk that parties with whom the company trades are unable to meet their commitments. The directors have credit risk policies in place and monitor the credit risk on an ongoing basis to reduce this exposure.

Results and dividends

The profit after tax for the year amounted to £3.2m (2020: £1.6m).

The directors do not recommend the payment of a dividend (2020: £nil).

Key performance indicators

The management of the business have a very strong KPI ethos and attention to working capital ratios, manpower hours and overheads have become second nature to a business with a solid track record of flexing business investment to reflect market conditions. This will continue.

Future developments

The company's principal activities are expected to remain the same for the forthcoming financial period and there are no future developments.

By order of the Board

D Smith
Secretary



Date:

16/2/23

Directors' Report

The directors present their Directors' Report and Financial Statements for Gradus Group Holdings Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2021.

These are the first published financial statements of the group, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom.

Principal activities

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

The principal activities of the Company's subsidiaries during the year are to manufacture and promote a portfolio of products and services for the contract interiors market serving the education, healthcare and commercial sectors, together with an interest in leisure, retail estate and some housing. The Company supplies the contracts markets in both the UK and international markets.

Business Review

The profit after tax for the year amounted to £3.2m (2020: £1.6m).

Proposed dividend

The directors do not recommend the payment of a dividend (2020: £Nil).

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion the directors have considered the financial position of the Group, its cash and liquidity position together with its forecasts and projections drawn up to January 2024, which take into account reasonably possible changes in trading performance. The parent company has confirmed it will provide support to the company for 12 months after the signed of these financial statements. The going concern basis of accounting has therefore continued to be adopted in preparing the financial statements.

Effect of the withdrawal of the United Kingdom from the European Union and the impact of COVID-19

We have considered the potential impact of Brexit and COVID-19 on the Company and whilst there may be significant effects for the wider economy which could in turn effect the Company's performance, we have not identified any specific risk that is material enough to require further disclosure here.

Our financial performance in 2021 has been good, with turnover 24% higher than 2020, supported by a strong orderbook.

Directors

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

S A Watt
E J M Phelippeau
P D M Puech
P M Lienhard
P D D Convers
C C Hewson (resigned 30 July 2021)
I P Fletcher (resigned 31 December 2021)
D Smith (appointed 1 November 2021)

Post balance sheet event

On the 24th February 2022 Russian forces invaded Ukraine. The Directors have considered the potential impact of Russian Forces entering Ukraine on the Group, including the impact of mitigation measures and uncertainties, and concluded it is not considered to be significant. This is considered to be a non-adjusting post balance sheet event.

Directors' Report (continued)

Employees

The Group informs and consults regularly with employees on matters affecting their interests with a view to achieving a common awareness of the financial and economic factors affecting its performance. The views expressed by employees have been taken into account when making decisions where appropriate.

The Group is an equal opportunities employer and its policies for the recruitment, training, career development and promotion of employees are based on the relevant merits and abilities of the individuals concerned. It recognises its responsibilities towards the disabled and gives full and fair consideration to applications for employment from them and, so far as particular disabilities permit, will give continued employment to any existing employee who becomes disabled. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Qualifying third party indemnity provisions

Appropriate directors' and officers' liability insurance cover is in place in respect of all the Group's directors.

Political and charitable contributions

The Group did not make any political or charitable donations during the year (2020: £nil).

Disclosure of information to auditor


The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

The auditor, Mazars LLP, has indicated their willingness to continue in office and a resolution that they will be reappointed will be proposed at the annual general meeting.

D Smith
Secretary

Date: _____

 16/2/23

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the group for that period.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in UK-adopted International Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of 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 Company's and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board:

D Smith
Secretary



Date: _____

16/2/23

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GRADUS GROUP
HOLDINGS LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2021**

Opinion

We have audited the financial statements of Gradus Group Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise 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 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 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the 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

In auditing the financial statements, we have concluded that the director's 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.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 the financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the group and the parent company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant accounting estimate, revenue recognition (which we pinpointed to the cut off, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

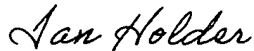
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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 the audit 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.



Ian Holder (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Two Chamberlain Square
Birmingham
B3 3AX
Date:

23 2 23

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 £	2020 £
Turnover		26,527,189	21,408,157
Cost of sales	2	(13,041,269)	(10,604,774)
Gross profit		13,485,920	10,803,383
Distribution expenses		(5,337,398)	(4,525,113)
Administrative expenses		(4,108,268)	(3,256,114)
Other operating income	4	469,932	-
Operating profit	3	4,510,186	3,022,156
Finance income		-	21,207
Finance costs	7	(681,302)	(723,596)
Profit before Tax		3,828,884	2,319,767
Taxation	8	(677,045)	(315,749)
Profit for the financial year and total comprehensive income		3,151,839	2,004,018
Profit from continuing operations		3,151,839	2,004,018
Loss from discontinued operations	27	-	(421,794)
Profit after taxation		3,151,839	1,582,224

The results shown above are derived entirely from continuing operations.

The notes on pages 15 to 40 form part of these financial statements.

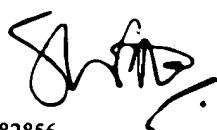
Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 £	2020 £
Non-current assets			
Intangible assets	9	20,221,257	20,224,357
Property, plant and equipment	11	18,070,357	19,272,765
		<u>38,291,614</u>	<u>39,497,122</u>
Current assets			
Stocks	13	1,841,525	2,745,446
Trade and other receivables	14	13,992,415	9,779,185
Cash and cash equivalents		757,465	1,956,361
		<u>16,591,405</u>	<u>14,480,992</u>
Current liabilities			
Trade and other payables	15	(7,384,483)	(4,070,220)
Tax payable	15	(1,203,304)	(948,598)
Lease liabilities	17	(1,131,515)	(1,180,181)
		<u>(9,719,302)</u>	<u>(6,198,999)</u>
Net current assets		<u>6,872,103</u>	<u>8,281,993</u>
Total assets less current liabilities		<u>45,163,717</u>	<u>47,779,115</u>
Non-current liabilities			
Trade and other payables	16	-	(5,500,000)
Lease liabilities	17	(15,450,765)	(15,623,126)
Provisions for liabilities	19	(49,065)	(143,941)
		<u>15,499,830</u>	<u>21,267,067</u>
Net Assets		<u>29,663,887</u>	<u>26,512,048</u>
Share capital	20	843,090	843,090
Share premium account		23,453,505	23,453,505
Retained earnings		5,367,292	2,215,453
Total equity		<u>29,663,887</u>	<u>26,512,048</u>

These financial statements were approved by the board of directors on 16 February 2023 and were signed on its behalf by:

S A Watt
Director
Registered number: 05982856



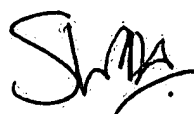
The notes on pages 15 to 40 form part of these financial statements.

Company Statement of Financial Position
at 31 December 2021

	<i>Note</i>	2021 £	2020 £
Non-current assets			
Property, plant and equipment	11	821,174	1,653,790
Investments in subsidiaries	12	43,905,437	43,905,437
		<u>44,726,611</u>	<u>45,559,227</u>
Current assets			
Trade and other receivables	14	760,000	-
Cash and cash equivalents		26,490	25,309
		<u>786,490</u>	<u>25,309</u>
Total assets		<u>45,513,101</u>	<u>45,584,536</u>
Current liabilities			
Trade and other payables	15	(54,986,928)	(49,885,533)
		<u>(54,986,928)</u>	<u>(49,885,533)</u>
Non-current liabilities			
Interest-bearing loans and borrowings	16	-	(5,500,000)
		<u>-</u>	<u>(5,500,000)</u>
Total liabilities		<u>(54,986,928)</u>	<u>(55,385,533)</u>
Net liabilities		<u>(9,473,827)</u>	<u>(9,800,997)</u>
Equity			
Share capital	20	843,090	843,090
Share premium account		23,453,505	23,453,505
Retained earnings		(33,770,422)	(34,097,592)
		<u>(9,473,827)</u>	<u>(9,800,997)</u>
Total equity		<u>(9,473,827)</u>	<u>(9,800,997)</u>

No Statement of Comprehensive Income is presented Gradus Group Holdings Limited as permitted by section 408 of the Companies Act 2006. The parent company's profit for the year period ending 31 December 2021 was £327,170 (2020: loss £250,012).

These financial statements were approved by the board of directors on 16 February 2023 and were signed on its behalf by:



S A Watt
Director

Registered number: 05982856

The notes on pages 15 to 40 form part of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 1 January 2020	843,090	23,453,505	633,229	24,929,824
Profit for the year	-	-	1,582,224	1,582,224
Total comprehensive income for the year	-	-	-	-
Balance at 31 December 2020	843,090	23,453,505	2,215,453	26,512,048
Balance at 1 January 2021	843,090	23,453,505	2,215,453	26,512,048
Profit for the year	-	-	3,151,839	3,151,839
Total comprehensive income for the year	-	-	-	-
Balance at 31 December 2021	843,090	23,453,505	5,367,292	29,663,887

The notes on pages 15 to 40 form part of these financial statements.

Company Statement of Changes in Equity

	Share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 1 January 2020	843,090	23,453,505	(33,847,580)	(9,550,985)
Loss for the year	-	-	(250,012)	(250,012)
Total comprehensive income for the year	-	-	(250,012)	(250,012)
Balance at 31 December 2020	843,090	23,453,505	(34,097,592)	(9,800,997)
Balance at 1 January 2021	843,090	23,453,505	(34,097,592)	(9,800,997)
Profit for the year	-	-	327,170	327,170
Total comprehensive income for the year	-	-	327,170	327,170
Balance at 31 December 2021	843,090	23,453,505	(33,770,422)	(9,473,827)

The notes on pages 15 to 40 form part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2021

	<i>Note</i>	2021	2020
		£	£
Cash flows from operating activities			
Profit before taxation		3,151,839	1,582,224
Adjustments for:			
Income tax expense		677,045	315,749
Net finance costs		681,302	723,596
Investment income		-	(21,207)
Amortisation of intangible assets		6,500	8,709
Depreciation of owned assets		366,659	473,906
Depreciation of right of use assets		1,495,129	1,423,483
Profit on disposal of fixed assets		(469,932)	-
Operating cash flows before working capital changes		5,908,542	4,506,460
Decrease in stock		903,921	1,124,749
(Increase) in debtors		(4,213,230)	(2,089,593)
Increase/(decrease) in creditors		4,311,627	(770,648)
Cash generated by operations		6,910,860	2,770,968
Interest paid		(681,302)	(723,596)
Tax Paid		(514,579)	(320,118)
Net cash provided from operating activities		5,714,979	1,727,254
Cash flows from investing activities			
Receipts from sale of fixed assets		1,525,342	677,412
Receipts from sale of intangible assets		-	415
Purchase of fixed asset		(628,712)	(1,030,225)
Purchase of intangible asset		(3,400)	-
Interest received		-	21,207
Net cash from investing activities		893,230	(331,191)
Cash flows from financing activities			
Repayment of intercompany borrowings		(6,500,000)	(1,000,000)
Repayment of lease liabilities		(1,307,105)	(1,291,807)
Net cash used in financing activities		(7,807,105)	(2,291,807)
Net increase in cash and cash equivalents		(1,198,896)	(895,744)
Cash and cash equivalents at 1 January		1,956,361	2,852,105
Cash and cash equivalents at 31 December		757,465	1,956,361

The notes on pages 15 to 40 form part of these financial statements.

Notes (forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

General information

Gradus Group Holdings Limited (the "Company") is a private company, limited by shares and incorporated and domiciled in England & Wales. The company registered number is 05982856, its registered office is 3rd Floor, Ashley Road, Altrincham, Cheshire WA14 2DT. See the directors' report for details of the company's and the group's principal activity.

The Group consists of Gradus Group Holdings Limited and its subsidiaries, as detailed in note 12.

1.1 Basis of preparation

These consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with UK-adopted international accounting standards, in conformity with the requirements of the Companies Act 2006.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are presented in Sterling, which is the functional currency of the Group.

The consolidated financial statements have been prepared under the historical cost convention. The principal accounting policies are set out below and applied consistently throughout the years presented.

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 9 Financial Instruments, IAS 39 Financial Instruments Recognition and Measurement
- IFRS 7 Financial Instruments Disclosures
- IFRS 16 Leases (Amendments) Interest Rate Benchmark Reform – Phase 2
- IFRS 4 Insurance Contracts (Amendment): Extension of the Temporary Exemption from Applying IFRS 9

The adoption of these amendments and interpretations has not had a significant impact on the consolidated financial statements.

Standards in issue but not yet effective

New and amended standards and interpretations which have been issued, but which not yet effective, up to the date of issuance of these financial statements are described below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective:

- Reference to the Conceptual Framework (Amendments to IFRS 3) – effective from 1 January 2022;
- Definition of Accounting Estimates (Amendments to IAS 8) – effective from 1 January 2023;
- Annual improvements to IFRS standards 2018-2020, including amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 – effective from 1 January 2022;
- Classification of liabilities as Current or Non-Current (Amendments to IAS 1) – effective from 1 January 2023;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies – effective from 1 January 2023; and

Notes (continued)

1.1 Basis of preparation (continued)

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a single transaction – effective from 1 January 2023.

The above amendments and new standards are not expected to have a material effect on the financial statements.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Gradus Group Holdings Limited and its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefit).

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

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

Subsidiaries are consolidated in the Group's financial statements from the date that control commences until the date that control ceases.

1.3 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion the directors have considered the financial position of the Group, its cash and liquidity position together with its forecasts and projections drawn up to January 2024, which take into account reasonably possible changes in trading performance. The parent company has confirmed it will provide support to the company for 12 months after the signed of these financial statements. The going concern basis of accounting has therefore continued to be adopted in preparing the financial statements.

1.4 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

1.5 Financing income and expenses

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.6 Taxation

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

Deferred tax is the 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 temporary differences and deferred tax assets are recognised to the extent that it is probable that the taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial

Notes (continued)

1 Accounting policies (continued)

1.6 Taxation (continued)

recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or at least realised based on the tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

1.7 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Assets held under leasing arrangements are recorded in the balance sheet at the lower of the fair value and the present value of the minimum lease payments at the inception of the leases.

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable
- certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Notes (continued)

1 Accounting policies (continued)

1.7 Property, plant and equipment (continued)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- buildings 2 – 2.9% per annum
- plant and equipment 10 – 50% per annum
- fixtures and fittings 10 – 50% per annum
- right-of-use assets held under leasing arrangements 6.7% – 33.3% per annum

Depreciation methods, useful lives and residual values are reviewed at each Statement of Financial Position date.

1.8 Intangible assets other than goodwill

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- (a) The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- (b) Its intention to complete and its ability and intention to use or sell the asset
- (c) How the asset will generate future economic benefits
- (d) The availability of resources to complete the asset
- (e) The ability to measure reliably the expenditure during development

Intangible assets are amortised on a straight line basis over a three year period.

1.9 Intangible assets – goodwill

Goodwill represents the excess of the cost of acquisition of incorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less impairment losses.

The gain on a bargain purchase is recognised in profit or loss in the period of the acquisition.

1.10 Impairment of non-financial asset

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Notes (continued)

1 Accounting policies (continued)

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.12 Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Group. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

1.13 Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus directly attributable transaction costs. All financial assets are classified as financial assets at amortised cost if the assets comprise assets held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest.

After initial recognition, financial assets at amortised cost are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss on financial assets at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group makes an estimate of the recoverable value of trade receivables and other receivables. When assessing impairment of trade and other receivables, management considers factors including the ageing profile of receivables and historical experience. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and other receivables.

Notes (continued)

1 Accounting policies (continued)

1.13 Financial instruments (continued)

Financial liabilities

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

1.14 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

1.15 Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised in profit or loss of the period in which it becomes receivable.

1.16 Expenses

Lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.17 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes (continued)

1 Accounting policies (continued)

1.18 Discontinued operation

A discontinued operation is a component of the group's business (i.e. the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the company). It also represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

1.19 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies described above, management has made the following judgements that have significant effects on the amounts recognised in the financial statements (apart from those involving estimates, which are dealt with in the following paragraphs).

Provisions and accruals

Management bases its judgements on the circumstances relating to each specific event and upon currently available information. However, given the inherent difficulties in estimating liabilities in these areas, it cannot be guaranteed that additional costs will not be incurred beyond the amounts accrued.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed annually and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 3.

Impairment of accounts receivable

An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates. The impairment of accounts receivable included in the accounts is £198,388 (2020: £356,096).

Notes (continued)

2 Revenue

The whole of the turnover is attributable to the Company's principal activity.

	2021 £	2020 £
Continuing operations		
Revenue from the sale of goods	26,527,189	21,408,157
Discontinued operations		
Revenue from the sale of goods	-	6,678,827
	<u>26,527,189</u>	<u>28,086,984</u>

A geographical analysis of turnover for the year ended 31 December 2021 is below:

	2021 £	2020 £
United Kingdom	23,361,746	23,176,808
Continental Europe	1,953,448	3,255,294
Africa and Middle East	671,038	559,032
Asia and Australia	351,407	976,112
USA	189,550	119,738
	<u>26,527,189</u>	<u>28,086,984</u>

Revenue from a single customer equates to over 10% of revenue and in the year totalled £8,424,658 (2020: £336,360).

3 Operating profit/(loss)

	2021 £	2020 £
<i>Operating profit/(loss) is stated after charging:</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned (note 11)	366,659	288,851
Held under lease arrangements (note 11)	1,495,129	1,414,896
Profit on disposal of tangible fixed assets	(469,932)	-
Exchange losses/(gains)	40,092	(28,757)
Auditor's remuneration	29,500	36,000

During the year Gradus Limited received government grants under the Coronavirus Job Retention Scheme of £51,976 (2020: £1,629,655).

Notes (continued)

4 Other operating income

	2021 £	2020 £
Profit on disposal of fixed assets	469,932	-

5 Staff numbers and costs

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

	2021 Number	2020 Number
Office and management	106	111
Production	82	128
	188	239

The aggregate payroll costs for the year were:

	2021 £	2020 £
Wages and salaries	6,353,694	7,504,355
Social security costs	567,486	757,950
Other pension costs (see note 22)	339,534	417,867
	7,260,714	8,680,172

Notes (continued)

6 Remuneration of directors

	2021 £	2020 £
Directors' emoluments	461,360	335,532
Company contributions to money purchase pension schemes	19,296	28,092

The aggregate emoluments for the highest paid director were £301,140 (2020: £234,780), and company pension contributions of £13,561 (2020: £22,521) were made to a money purchase scheme on his behalf.

7 Finance income and expense

	2021 £	2020 £
Finance Income:		
Interest received on bank deposits	-	21,207
Finance costs:		
Interest on lease liabilities (note 17)	574,668	526,968
Interest payable to group companies	106,634	196,628
	681,302	723,596

8 Taxation

	2021 £	2021 £	2020 £	2020 £
<i>UK corporation tax</i>				
Current tax on result for the year	767,887		367,001	
Adjustment in respect of prior years	4,034		(56,940)	
		771,921		310,061
<i>Deferred tax (see note 19)</i>				
Origination and reversal of timing differences in the year	(78,734)		(16,871)	
Adjustments in respect of prior periods	(46,814)		5,631	
Effect of tax rate change on opening balance	30,672		16,928	
		(94,876)		5,688
Tax on profit/loss on ordinary activities		677,045		315,749

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2020: higher) than the standard rate of corporation tax in the UK 19% (2020: 19%). The differences are explained below.

Notes (continued)

8 Taxation (continued)

	2021 £	2020 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,836,183	711,284
Current tax at 19% (2020: 19%)	538,875	135,144
<i>Effects of:</i>		
Expenses not deductible for tax purposes	320,361	298,904
Impact on rate change on current year tax charge	11,776	16,929
Excess of overseas taxes suffered	-	(2,660)
Adjustments to tax charge in respect of previous periods	4,034	(56,940)
Adjustments to tax charge in respect of previous periods – deferred tax	(46,814)	5,631
Fixed asset timing differences	(145,891)	(81,259)
Adjustment to brought forward values	(5,296)	-
Total current tax charge (see above)	677,045	315,749

Factors affecting the tax charge for future years

In the budget on 3 March 2021, the UK Government announced an increase to the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 2021. Deferred tax has been calculated at a 25% which was the tax rate substantively enacted at 31 December 2021.

Notes (continued)

9 Goodwill and other intangible assets

Group

	Goodwill	Development Costs	Total
	£	£	£
Cost			
Balance at 1 January 2020	20,208,130	168,317	20,376,447
Disposals	-	(94,160)	(94,160)
	<u>20,208,130</u>	<u>74,157</u>	<u>20,282,287</u>
Balance at 31 December 2020	20,208,130	74,157	20,282,287
Balance at 1 January 2021	20,208,130	74,157	20,282,287
Additions	-	3,400	3,400
	<u>20,208,130</u>	<u>77,557</u>	<u>20,285,687</u>
Balance at 31 December 2021	20,208,130	77,557	20,285,687
Amortisation			
Balance at 1 January 2020	-	(142,966)	(142,966)
Charge for year	-	(8,709)	(8,709)
Eliminated on disposal	-	93,745	93,745
	<u>-</u>	<u>(57,930)</u>	<u>(57,930)</u>
Balance at 31 December 2020	-	(57,930)	(57,930)
Balance at 1 January 2021	-	(57,930)	(57,930)
Charge for year	-	(6,500)	(6,500)
	<u>-</u>	<u>(64,430)</u>	<u>(64,430)</u>
Balance at 31 December 2021	-	(64,430)	(64,430)
Net book value			
At 31 December 2021	20,208,130	13,127	20,221,257
At 31 December 2020	20,208,130	16,227	20,224,357

Capitalised development expenditure represents the cost of development expenditure incurred on a project-by-project basis. It is amortised on a straight line basis over a period of 3 year which is the period which best represents the best estimate of the period over which the development products are expected to give rise to identifiable revenue streams.

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

Notes (continued)

10 Goodwill and impairment

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method required the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of cash flows.

The cash generating unit within the group is the accessories division and the value in use calculations show there is no impairment required on goodwill.

The carrying amount of goodwill is allocated to the cash generating units as follows:

	Goodwill carrying amount	
	2021	2020
	£	£
Accessories	20,208,130	20,208,130
Total	20,208,130	20,208,130

The recoverable amounts of the above cash generating units have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five year period to 31 December 2026. Other major assumptions are as follows:

	Accessories
2021	%
Discount rate	2.5
Growth rate	1.0
2020	%
Discount rate	2.5
Growth rate	1.0

The growth rate assumption applies only to the period beyond the formal budgeted period with the value in use calculation based on an extrapolation of the budgeted cash flows for year five.

The recoverable amount of CGUs of the group's overall goodwill balance includes:

- Accessories: recoverable amount of £196,406,000 (2020: £149,851,000) exceeds its carrying amount by £176,197,870 (2020: £129,642,870).

Notes (continued)

11 Property Plant & Equipment Group

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Right-of-use assets £	Total £
Cost					
Balance at 1 January 2020	3,702,581	13,282,862	281,106	6,639,536	23,906,085
Additions	632,355	397,295	575	11,994,539	13,024,764
Disposals	(211,698)	(2,558,285)	(281,681)	-	(3,051,664)
As at 31 December 2020	4,123,238	11,121,872	-	18,634,075	33,879,185
Additions	169,684	459,028	-	1,086,078	1,714,790
Disposals	(1,153,977)	-	-	(546,550)	(1,700,527)
Balance at 31 December 2021	3,138,945	11,580,900	-	19,173,603	33,893,448
Depreciation					
As at 1 January 2020	(1,594,346)	(12,343,361)	(262,589)	(882,987)	(15,083,283)
Charge for year	(185,055)	(284,078)	(4,773)	(1,423,483)	(1,897,389)
Eliminated on disposal	21,306	2,085,584	267,362	-	2,374,252
As at 31 December 2020	(1,758,095)	(10,541,855)	-	(2,306,470)	(14,606,420)
Charge for year	(166,625)	(200,034)	-	(1,495,129)	(1,861,788)
Eliminated on disposal	112,667	-	-	532,450	645,117
Balance at 31 December 2021	(1,812,053)	(10,741,889)	-	(3,269,149)	(15,823,091)
Net book value					
At 31 December 2021	1,326,892	839,011	-	15,904,454	18,070,357
As at 31 December 2020	2,365,143	580,017	-	16,327,605	19,272,765
As at 1 January 2020	2,108,235	939,501	18,517	5,756,549	8,822,802

Notes (continued)

11 Property Plant & Equipment (continued)

Company	Land and buildings £
Cost	
Balance at 1 January 2020 and 31 December 2020	1,867,390
Depreciation	
Balance at 1 January 2020	(160,000)
Charge for year	(53,400)
Balance at 31 December 2020	(213,600)
Net book value	
At 31 December 2020	1,653,790
At 1 January 2020	1,707,190
	Land and buildings £
Cost	
Balance at 1 January 2021	1,867,390
Additions in the year	244,761
Disposals	(1,153,977)
At 31 December 2021	958,174
Depreciation	
Balance at 1 January 2021	(213,600)
Depreciation on disposals	112,667
Charge for the year	(36,067)
Balance at 31 December 2021	(137,000)
Net book value	
At 31 December 2021	821,174
At 31 December 2020	1,653,790

Notes (continued)

12 Investments in subsidiaries

Company	Shares in group Undertakings £
Cost	
Balance at 1 January 2021	43,905,437
Additions	-
	<hr/>
Balance at 31 December 2021	43,905,437
	<hr/>
Provisions for impairment	
Balance at 1 January 2021 and 31 December 2021	-
	<hr/>
Net book value	
At 31 December 2021	43,905,437
	<hr/>
At 31 December 2020	43,905,437
	<hr/>

The details of the Company's subsidiaries, which are all 100% directly held, at 31 December 2021 are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
			Company
Subsidiary undertakings			
Gradus Limited	England and Wales	Manufacturer of stair edgings, floor trims and associated products	Direct holding 100% ordinary shares

At 31 December 2021 Gradus Limited had share capital and reserves of £62,835,020 and a profit of £2,824,668 for the year ended 31 December 2021.

13 Inventories

	2021	2020
	£	£
Raw materials and consumables	1,063,476	1,626,559
Work in progress and finished goods	778,049	1,118,887
	<hr/>	<hr/>
	1,841,525	2,745,446
	<hr/>	<hr/>

The total expenditure incurred in purchasing inventories during the period was £8,766,612 (2020: £9,835,177).

Notes (continued)

14 Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade receivables	1,947,233	1,816,041	-	-
Amounts due from fellow group undertakings	10,974,646	6,806,278	-	-
Other receivables	776,545	171,314	760,000	-
Prepayments and accrued income	293,991	985,552	-	-
	13,992,415	9,779,185	760,000	-

Amounts repayable from group are repayable upon demand.

The average credit period on sales of goods is 41 days (2020: 47 days). No interest is charged on outstanding trade receivable balances. The carrying amount of trade and other receivables approximates the fair value.

There is an allowed for expected credit losses of £198,388 (2020: £65,210).

Included in trade receivables are amounts which are past due but not impaired of £347,221 (2020: £356,096). These amounts have not been impaired as management considers that there is no indication that the amounts are uncollectible.

Trade receivables provision	Total
	£
At 1 January 2020	4,393
Charge for the period	63,048
Utilised	(3,283)
Unused amounts reversed	1,052
At 31 December 2020	65,210
	Total
	£
At 1 January 2021	65,210
Charge for the period	132,616
Utilised	(353)
Unused amounts reversed	915
At 31 December 2021	198,388

Notes (continued)

15 Trade and other payables due in less than one year

	Group 2021 £	2020 £	Company 2021 £	2020 £
Current				
Trade payables	1,446,319	2,293,608		
Amounts due to group undertakings	4,694,123	1,205,375	54,986,923	49,835,927
Corporation tax	410,060	152,718		
Taxation and other social security	793,244	795,880	-	
Other payables	117,168	23,797		
Accruals	1,126,873	547,440	5	49,606
	8,587,787	5,018,818	54,986,928	49,885,533

Trade and other payables are unsecured and are usually paid within 30 days of recognition. The carrying amount of trade and other payables approximates the fair value.

Amounts due to group undertakings are repayable on demand and is interest free.

16 Trade and other payables due in more than one year

	Group 2021 £	2020 £	Company 2021 £	2020 £
Amounts owed to group undertakings		5,500,000		5,500,000

See note 18 for details of security and interest on amounts owned to group undertakings.

17 Leases

Lease liabilities relate to right-of-use assets detailed in (note 11). The carrying amount of the lease liabilities approximates the fair value. The Group's obligations are secured by the lessors' title to the leased assets which has a carrying value of £15,904,454 (2020: £16,327,605).

Lease liabilities

	Group 2021 £	2020 £
Current liabilities	1,131,515	1,180,181
Non-current liabilities	15,450,765	15,623,126
	16,582,280	16,803,307

Maturity analysis of lease liabilities:

Amounts falling within 1 year	1,131,515	1,180,181
Amounts falling due between 1 and 2 years	1,245,199	1,105,696
Amounts falling due between 2 and 3 years	1,252,199	1,080,087
Amounts falling due between 3 and 4 years	1,161,552	1,114,142
Amounts falling due between 4 and 5 years	1,163,461	1,078,716
Amounts falling due in more than 5 years	10,628,354	11,244,485
	16,582,280	16,803,307

Notes (continued)

17 Leases (continued)

Amounts recognised in the consolidated income statement are as follows:

	2021	2020
	£	£
Interest expense	574,668	526,968
Depreciation of right-of-use assets	1,495,129	1,423,483
	<u>2,069,797</u>	<u>1,950,451</u>

The movement in lease liabilities are as follows:

	2020
	£
At 1 January 2020	6,100,575
Additions	11,994,539
Interest expense	526,968
Lease payments	(1,818,775)
	<u>16,803,307</u>
At 31 December 2020	

	2021
	£
At 1 January 2021	16,803,307
Additions	1,086,078
Interest expense	574,668
Lease payments	(1,881,773)
	<u>16,582,280</u>
At 31 December 2021	

Notes (continued)

18 Interest-bearing loans and borrowings

Group and Company

	2021 £	2020 £
Non-current liabilities		
Amounts owed to group undertakings	5,500,000	
Current liabilities		
Amounts owed to group undertakings	1,000,000	
	<u>6,500,000</u>	
	Loans	Loans
	2021	2020
	£	£
Debt can be analysed as falling due:		
In one year or less, or on demand	1,000,000	
Between one and two years	1,000,000	
Between two and five years	3,000,000	
Over five years	1,500,000	
	<u>6,500,000</u>	

The loan was taken out on 30 October 2015 and was repaid during the year. The company had not pledged any of its assets as security for this loan. The loan was provided on an interest only basis at a rate equal to index of the LIBOR plus 250 basis points.

19 Deferred taxation

	Deferred tax
	2021
	£
At beginning of year	143,941
Charge for the year	(94,876)
At end of year	<u>49,065</u>

Amounts provided in respect of deferred taxation are analysed as follows:

	2021 £	2020 £
Accelerated capital allowances	150,624	183,797
Short term timing differences	(101,559)	(39,856)
	<u>49,065</u>	<u>143,941</u>

The company has unrecognised deferred tax assets of £1,493,674 (2020: £1,135,193) in respect of tax losses.

Notes (continued)

20 Called up share capital

	2021 £	2020 £
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares 843,090,080 (2020: 843,090,080) of £0.001 each	843,090	843,090
	<u>843,090</u>	<u>843,090</u>

The shares have attached to the full voting, dividend, and capital distribution (including on winding up) rights; they do not confer any rights of redemption. All ordinary shares rank equally with regard to the company's residual assets.

21 Reserves

Retained earnings

Retained earnings represents the cumulative profits and losses of the Company, less the payment of any dividends.

Share premium

The excess of consideration received for shares issued above their nominal value net of transaction costs.

22 Pension scheme

Defined contribution pension scheme

The Group is party to group defined contribution pension scheme arrangements for certain personnel. The benefits are at all times restricted to those which can be paid from the assets of the schemes. The assets of the schemes are held separately from the company in independently administered funds.

The pension charge for the year was £339,534 (2020: £417,867). Pension contributions outstanding at 31 December 2021 were £61,406 (2020: £Nil).

23 Financial instruments, risk management objectives, and policies

The Group's assets and liabilities include the following financial instruments:

Financial assets measured at amortised cost include, loans and receivables, trade and other receivables, amounts due from other group companies and cash and cash equivalents

	2021 £	2020 £
Financial assets		
Cash and cash equivalents	757,465	1,956,361
Loans and receivables (excluding prepayments)	13,698,424	8,793,633
	<u>14,455,889</u>	<u>10,749,994</u>

There is no difference between the total carrying amount and the fair value of trade receivables and cash and cash equivalents.

Financial liabilities measured at amortised cost include, trade and other payables, amounts due to other group companies and amounts payable on leasing arrangements over right-of-use assets

Notes (continued)

23 Financial instruments, risk management objectives, and policies (continued)

	2021 £	2020 £
Financial liabilities		
Trade and other payables	7,384,483	4,070,220
Leasing of right of use assets	16,582,280	16,803,307
	<u>23,966,763</u>	<u>20,873,527</u>

Financial liabilities are measured at amortised cost. There is no difference between the total carrying value and the fair value of trade and other payables.

The Group's use of financial instruments exposes it to a variety of financial risks such as credit risk, market risk, and liquidity risk. The company continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The significant risks that the company is exposed to are discussed below:

Capital risk management

The Group aims to manage its overall capital so as to ensure that it continues to operate as a going concern and to maintain sufficient financial flexibility to undertake planned investments, whilst providing an adequate return to shareholders.

The Group's capital structure represents the equity attributable to the shareholders of the company together with borrowings and cash and cash equivalents.

In order to maintain an appropriate capital structure, in addition to the utilisation of the group facility, the Group may adjust the amount of dividends paid to shareholders, may issue new share capital or return capital to shareholders.

Risk management objectives

The Board is charged with the overall responsibility of establishing and monitoring the Group's risk management policies and processes. The Group's risk management policies and processes are determined in order to identify, analyse and monitor the risks that are faced by the Group. All treasury transactions are reported to and approved by the Board. The Group does not enter into or trade financial instruments for speculative purposes.

The principal risks to which the Group is exposed are market risk including currency risk and interest rate risk, credit risk, and liquidity risk.

Currency risk

The Group is exposed to foreign exchange risk. Transaction exposures, including those associated with forecast transactions, are assessed and hedging is considered where the risks facing the Group are outside acceptable limits.

Whilst the aim is to achieve an economic hedge, the Group does not adopt an accounting policy of hedge accounting for these financial statements. At the reporting date the Group had minimal exposure to currency fluctuations.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. The Group trades only with recognised, creditworthy third parties, whilst receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not considered to be significant. With respect to credit risk arising from other financial assets of the Group,

Notes (continued)

23 Financial instruments, risk management objectives, and policies (continued)

comprising cash and cash equivalents, the Group's exposure to this risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. The Group manages its risk by monitoring on a regular basis that sufficient funds are available to meet maturing obligations.

Market risk

Market risk, comprising price risk, interest rate risk, and currency risk arises due to movements in market prices of assets, interest rates, and foreign currency rates. The Group manages market risk by setting limits on exposures to investments, currency and counterparties and transacting business in other major currencies with counterparties of repute.

Fair values

Fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. Fair values of the above financial instruments are not materially different from their book values.

Qualitative analysis

Details of credit, liquidity and currency positions at the reporting date are given in notes 14 and 15. At the reporting date the Group had minimal exposure to currency or interest rate fluctuations.

24 Contingent liabilities

The company has given a guarantee of up to £80,000 (2020 - £80,000), in favour of HM Revenue & Customs.

25 Related parties

The following tables provide the total amount of transactions that have been entered into with companies with common ownership for the relevant financial year:

	Income from related parties	
	2021	2020
	£	£
Gerflor SAS	144,643	1,604,650
Gerflor Czech Republic		31,360
Gerflor Poland		6,000
Gerflor UK		364,000
Romus SARL	666,190	9,000
SPM SAS	190,757	235,000
Gerflor Scandinavia		133,000
Gerflor Finland		26,000
Gerflor Miroplam GMBH		3,000
Gerflor Flooring UK	8,424,658	336,360
Martyn Industrial Limited	738	
	9,426,986	2,748,370

Notes (continued)

25 Related parties (continued)

Expenditure to related parties

	2021	2020
	£	£
Gerflor Scandinavia	118,165	122,000
Romus SARL	=	641,000
SPM SAS	188,373	153,000
Gerflor Flooring UK	4,011	=
Hestiafloor 2	172,456	164,000
	<u>483,005</u>	<u>1,080,000</u>

The following amounts were outstanding at the balance sheet date:

Amounts owed by related parties

	2021	2020
	£	£
SPM SAS	=	11,619
Gerflor SAS	4,217,213	4,374,635
Romus SARL	74,925	117,315
Gerflor UK Limited	=	35,592
Gerflor CZ S.R.O	=	=
Gerflor Flooring UK Ltd	6,576,125	2,235,413
Gerflor Scandinavia	=	31,777
	<u>10,868,263</u>	<u>6,806,351</u>

Amounts owed to related parties

	2021	2020
	£	£
SPM SAS	(22,647)	(10,750)
Gerflor SAS	(4,570,678)	(159,588)
Gerflor Scandinavia	(10,000)	(35,110)
Hestiafloor 2	(90,798)	=
	<u>(4,694,123)</u>	<u>(205,448)</u>

Notes (continued)

26 Analysis of changes in net debt

Group

	1 January 2021 £	Cash flows £	Right of use asset additions £	31 December 2021 £
Cash and cash equivalents				
Cash	1,956,361	(1,198,896)	-	757,465
Borrowings	1,956,361	(1,198,896)	-	757,465
Leases	(16,803,307)	1,307,105	(1,086,078)	(16,582,280)
Intercompany loans	(6,500,000)	6,500,000	-	-
	<u>(21,346,946)</u>	<u>6,608,209</u>	<u>(1,086,078)</u>	<u>(15,824,815)</u>

27 Discontinued operations

The Board of Directors transferred the carpet division of Gradus Limited to a new fellow subsidiary Gerfloor Flooring UK Limited on 30 November 2020. The results of the discontinued operations are analysed below. The comparative figures have been re-presented to show separately the results of the discontinued operation as included in that period.

	2021 £	2020 £
Cash flows from discontinued operations		
Revenue	-	6,678,827
Expenses	-	(7,100,621)
Loss before tax	-	(421,794)
Taxation	-	-
Loss on disposal of discontinued operation	-	-
Loss from discontinued operations	-	(421,794)
Cash flows from discontinued operations		
Net cash flows from operating activities	-	(371,470)
Net cash flows from financing activities	-	-
	-	(371,470)
Disposal of discontinued operations		
Net assets disposed of	-	-
Loss on disposal of discontinued operations	-	-
Cash consideration received	-	-

Notes (continued)

28 Capital commitments

The group had capital commitments of £8,690 (2020: £Nil) as at 31 December 2021 relating to the leasing of two properties and the purchase of shelf racking.

29 Post balance sheet events

On the 24th February 2022 Russian forces invaded Ukraine. The Directors have considered the potential impact of Russian Forces entering Ukraine on the group, including the impact of mitigation measures and uncertainties, and concluded it is not considered to be significant. This is considered to be a non-adjusting post balance sheet event.

30 Ultimate parent company and controlling party

The immediate parent of Gradus Group Holdings Limited is Midfloor SAS, a company registered in France. The ultimate parent company and controlling party is Hestiafloor 2 a company registered in France.