

Company Registration No. 01883857 (England and Wales)

ATRIUM LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

ATRIUM LIMITED

COMPANY INFORMATION

Directors Mr U Dormoy
Mrs H Dormoy
Mr S Kelly (Appointed 14 June 2019)

Company number 01883857

Registered office Craven House
16 Northumberland Avenue
London
United Kingdom
WC2N 5AP

Auditor Arnold Hill & Co LLP
Craven House
16 Northumberland Avenue
London
United Kingdom
WC2N 5AP

Solicitors Edwin Coe LLP
2 Stone Buildings
Lincoln's Inn
London
WC2A 3TH

ATRIUM LIMITED

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ATRIUM LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

2018 has been a relatively stable year for the business despite the continued uncertainty and opacity surrounding the topic of Brexit. The wider opinion continues to be that irrespective of how soft or otherwise Brexit may turn out to be, the future will be what it will be and whilst it was not our preferred outcome, we as a business will make the best of the situation. We continue to follow our conviction that even in economically tumultuous times though an impediment to corporate survival (let alone growth) in general, some individual businesses not only survive but, in some cases, prosper. This Company is determined to overcome the hurdles that have appeared since the Referendum in 2016 to weather the current phase and come out of it leaner and better apt at performing well through the application of strategic behaviour, allowing it to benefit from opportunities that arise as a natural by-product of preparation.

The Products and services

The sector in which we operate is lighting, both technical and decorative. What may differentiate us most from the majority of our peers in this industry is the specific niche in which we have been operating for several decades, i.e. the very top end of the market in terms of our collections of products and the in-house based ancillary services which most of our competitors either outsource with various degrees of end results or simply don't provide once a project has been won. Atrium is a selector of brands and not a collector of brands. Our portfolio is large enough to deliver the widest range of solutions, yet small enough to devote the time and energy required to promote them well. Collectively and independently, our brands must offer the best solutions in terms of design, innovation and how they uniquely address the rapidly evolving demands made of artificial lighting.

Our proposition is firmly centred on quality – Quality of Light – Quality of Solution – Quality of Service. The same holds true for the brands we select we chose to work with brands of high quality and with brands that compliment each other. We have no desire to place ourselves or our suppliers in the middle ground, being squeezed from both ends, nor are we interested in a race to the bottom. We position ourselves unequivocally at the top end.

The Future

Despite the general recognition that the UK economy in the short to medium term remains at best uncertain, we are of the opinion that the niche market we operate in will continue to exist, and in the same way, the competitors we regularly face today will also have to manage the same economic challenges. Atrium has been built around agility and adaptability since its inception, and this ethos continues today, 43 years later, and this attitude and approach will help us find our way through this current period of economic uncertainty which was induced by the result of the EU Referendum.

Principal risks and uncertainties

Having been in operation in different guises over the past 43 years (first as a partnership, and since 1985 as a limited company) experience has helped us consider and accept that no business (small ones in particular) can be immune to the vagaries of the economy in general and that periods of growth and stability only alternate with man induced periods of turbulence, the main constant being that the early warning signals announcing declining economic trends are often ignored until remedial actions become much more difficult to take, increasing the risk level of being subjected to un-necessary adverse trading conditions. Risk level is by no means the product of global conditions and government choices, it depends primarily upon the wisdom and foresight of management in business entities, large and small. At Atrium, we shall continue to ensure that decisions made today, on issues appearing as being solely current never miss the necessity of considering any potential future impact. The risks and uncertainties surrounding Brexit are very clear and can be managed.

ATRIUM LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Financial

Forecasting is by implication fraught with the risk of getting it quite wrong as a science based upon premises not always perceived as objectivity should require. In our current situation however, the government looks even more like a rudderless ship in a storm than in the previous period, inexorably heading for the rocks that no good and positive outcome can be expected from it. As businesses, we are on our own.

The pound sterling continued its downward trend in value in 2018 against the currencies in which we purchase over 90% of our products, and there is no objective reason to predict a reversal in that trend. To compensate for this adverse state of affairs we shall have to continue applying all the means at our disposal to raise the level of our efficiency. We shall also have to continue to pay utmost attention to the level of our gross margin, a function best helped by the quality of the overall service we can offer and become more stringent with credit control, etc...

In the year ended 31 December 2018, the company achieved a gross profit margin of 30% (2017: 30%).

In order to enhance our ability to forecast as well as to enable the business to operate more efficiently we invested in a new ERP system in the second half of 2018 with implementation set for the 2 January 2019.

Competition

The overall pattern of our competition has changed over the years and even more so in the course of the recent past, on the one hand fewer and fewer independent organisations have remained, most erstwhile independents having been taken over by their major foreign suppliers, on the other hand, major players having. Though the market place has -at least in theory- created increased competition for the likes of Atrium, despite being a comparatively high cost entity, our independence combined with the allegedly best selection of high scale products and long serving knowledgeable team dedicated to quality output will continue to give us the confidence that if we have managed to prosper in our market place for the past 43 years we are even more apt now to face the coming months and years irrespective of the evolving nature of our competitors.

In Conclusion

The future for our industry may not currently be blessed by the most promising signals but some companies will not only survive but prosper, we shall continue to concentrate all our endeavours to stay as part of that group, never forgetting that such an achievement should never be left to chance but will only be reached through strategic behaviour employing intelligence, determination and sustained efforts.

On behalf of the board

Mr U Dormoy
Director
25 September 2019

ATRIUM LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The company is a lighting sales organisation dealing exclusively with a very specific type of products and distributing those products into niche sections of the market place.

Directors

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

Mr P Dormoy	(Resigned 10 December 2018)
Mr U Dormoy	
Mrs H Dormoy	
Mr S Kelly	(Appointed 14 June 2019)

Results and dividends

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

Ordinary dividends of £180,000 were awarded and paid during the year. The directors do not recommend payment of a final dividend.

Included in the Statement of Changes in Equity is an amount of £155,000, separately identified as an 'other movement'. This amount represents a loan amount to Directors in 2017, which was incorrectly identified as a dividend payment. This has been corrected in 2018 with the loan value debited to the Directors' loan accounts.

Financial instruments

Liquidity risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk

The company is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on floating rate deposits, bank overdrafts and loans. The company uses interest rate derivatives to manage the mix of fixed and variable rate debt so as to reduce its exposure to changes in interest rates.

Foreign currency risk

The company's principal foreign currency exposures arise from trading with overseas companies. Company policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

ATRIUM LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Post reporting date events

In the post reporting-date period, the company entered into a sale and leaseback arrangement with a related party, in which the company's freehold interest in the warehouse was sold at its fair value of £2,000,000. Atrium Limited immediately entered into a leaseback arrangement for the warehouse at a market value rent of £163,216 per annum.

Additionally within this post year-end period, the company acquired a subsidiary undertaking for £1,600,000 which was satisfied by the allotment and issue to the seller of the acquired business of 500,000 Ordinary B Shares of £0.01 nominal value. These shares were credited as fully paid and shall rank pari passu with the Ordinary A Shares of the company.

Auditor

In accordance with section 485 of the Companies Act 2006, a resolution proposing that Arnold Hill & Co LLP be reappointed as auditor of the company will be put at a General Meeting.

Strategic report

A Strategic Report, which forms part of the Director's Report, is separately presented (see page 1). A Strategic Report is included in these financial statements in accordance with section 414C(II) of the Companies Act 2006. Further information regarding the company's principal risks and uncertainties and future developments can be found in the Strategic Report.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors' insurance

During the current and preceding periods, the company has maintained adequate cover for its directors and officers under a director's and officer's liability insurance policy.

Going concern

Having reviewed the company's financial forecasts and expected future cash flows, the directors have reasonable expectations that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2018.

On behalf of the board

Mr U Dormoy
Director

25 September 2019

ATRIUM LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures being 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 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ATRIUM LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRIUM LIMITED

Opinion

We have audited the financial statements of Atrium Limited (the 'company') for the year ended 31 December 2018 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

ATRIUM LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ATRIUM LIMITED

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

ATRIUM LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ATRIUM LIMITED

Use of our report

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

Mr Justin Moore (Senior Statutory Auditor)
for and on behalf of Arnold Hill & Co LLP

25 September 2019

Chartered Accountants
Statutory Auditor

Craven House
16 Northumberland Avenue
London
United Kingdom
WC2N 5AP

ATRIUM LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	14,104,669	13,366,880
Cost of sales		(9,838,386)	(9,332,348)
Gross profit		4,266,283	4,034,532
Distribution costs		(1,981,066)	(1,767,720)
Administrative expenses		(2,439,318)	(1,626,806)
Other operating income		26,087	242,333
Operating (loss)/profit	4	(128,014)	882,339
Interest receivable and similar income	7	21,879	-
Interest payable and similar expenses	8	(54,562)	(185,649)
Amounts written off investments	9	12,979	(24,109)
Fair value gains and losses on investment properties	12	-	44,306
(Loss)/profit before taxation		(147,718)	716,887
Tax on (loss)/profit	10	(571,055)	(126,959)
(Loss)/profit for the financial year		(718,773)	589,928

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

ATRIUM LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	£	£
(Loss)/profit for the year	(718,773)	589,928
Other comprehensive income		
Revaluation of tangible fixed assets	-	119,606
Tax relating to other comprehensive income	-	(22,725)
Other comprehensive income for the year	-	96,881
Total comprehensive income for the year	(718,773)	686,809

ATRIUM LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

		2018		2017	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	11		1,766,831		13,420,579
Investment properties	12		-		4,391,306
Investments	13		25		25
			<u>1,766,856</u>		<u>17,811,910</u>
Current assets					
Stocks	16	686,379		782,559	
Debtors	17	5,864,237		2,337,735	
Cash at bank and in hand		4,245,514		42,950	
		<u>10,796,130</u>		<u>3,163,244</u>	
Creditors: amounts falling due within one year	18	<u>(6,140,717)</u>		<u>(9,522,456)</u>	
Net current assets/(liabilities)			<u>4,655,413</u>		<u>(6,359,212)</u>
Total assets less current liabilities			<u>6,422,269</u>		<u>11,452,698</u>
Provisions for liabilities	20		<u>(127,640)</u>		<u>(1,827,962)</u>
Net assets			<u>6,294,629</u>		<u>9,624,736</u>
Capital and reserves					
Called up share capital	23		20,000		25,000
Revaluation reserve			688,433		5,965,339
Capital redemption reserve			5,000		-
Profit and loss reserves			<u>5,581,196</u>		<u>3,634,397</u>
Total equity			<u>6,294,629</u>		<u>9,624,736</u>

The financial statements were approved by the board of directors and authorised for issue on 25 September 2019 and are signed on its behalf by:

Mr U Dormoy
Director

Company Registration No. 01883857

ATRIUM LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Revaluation reserve	Capital redemption reserve	Profit and loss reserves	Total
Notes	£	£	£	£	£
Balance at 1 January 2017	25,000	5,868,458	-	3,439,469	9,332,927
Year ended 31 December 2017:					
Profit for the year	-	-	-	589,928	589,928
Other comprehensive income:					
Revaluation of tangible fixed assets	-	119,606	-	-	119,606
Tax relating to other comprehensive income	-	(22,725)	-	-	(22,725)
Total comprehensive income for the year	-	96,881	-	589,928	686,809
Dividends	-	-	-	(395,000)	(395,000)
Balance at 31 December 2017	25,000	5,965,339	-	3,634,397	9,624,736
Year ended 31 December 2018:					
Loss and total comprehensive income for the year	-	-	-	(718,773)	(718,773)
Dividends	-	-	-	(180,000)	(180,000)
Own shares acquired	-	-	-	(3,860,000)	(3,860,000)
Redemption of shares	23	(5,000)	5,000	-	-
Transfers	-	(5,276,906)	-	6,550,572	1,273,666
Other movements	-	-	-	155,000	155,000
Balance at 31 December 2018	20,000	688,433	5,000	5,581,196	6,294,629

ATRIUM LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018		2017	
		£	£	£	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	27				
			(2,917,265)		660,037
Interest paid			(54,562)		(185,649)
Income taxes (paid)/refunded			(202,138)		91,107
			<u> </u>		<u> </u>
Net cash (outflow)/inflow from operating activities			(3,173,965)		565,495
Investing activities					
Purchase of tangible fixed assets		(178,103)		(22,881)	
Proceeds on disposal of tangible fixed assets		11,902,998		-	
Proceeds on disposal of investment property		4,347,000		-	
Proceeds on disposal of associates		-		(25)	
Interest received		21,879		-	
		<u> </u>		<u> </u>	
Net cash generated from/(used in) investing activities			16,093,774		(22,906)
Financing activities					
Purchase of own shares		(3,860,000)		-	
Repayment of bank loans		(4,894,929)		(315,601)	
Dividends paid		(180,000)		(395,000)	
		<u> </u>		<u> </u>	
Net cash used in financing activities			(8,934,929)		(710,601)
Net increase/(decrease) in cash and cash equivalents			3,984,880		(168,012)
Cash and cash equivalents at beginning of year			(78,931)		89,081
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			3,905,949		(78,931)
			<u> </u>		<u> </u>
Relating to:					
Cash at bank and in hand			4,245,514		42,950
Bank overdrafts included in creditors payable within one year			(339,565)		(121,881)
			<u> </u>		<u> </u>

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Atrium Limited is a private company limited by shares incorporated in England and Wales. The registered office is Craven House, 16 Northumberland Avenue, London, United Kingdom, WC2N 5AP.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention, modified to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Turnover

Turnover represents the amounts earned by the company from the supply of goods exclusive of VAT and all other sales discounts. Turnover for goods supplied is recognised at the point of the despatch of the goods. From time to time, the company also earns commission from its suppliers, where the company has introduced a customer to its suppliers. Commissions turnover is immaterial and infrequent and as a result, has not been separately presented in these financial statements.

1.3 Tangible fixed assets

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

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

Land and buildings Freehold	2% on cost per annum
Land and buildings Leasehold	Straight line over 5-50 years
Fixtures, fittings & equipment	15% - 33.3% on cost per annum
Computer equipment	25% on cost per annum
Motor vehicles	25% on cost per annum

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

1.4 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.6 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If 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.

1.7 Stocks

Stocks, which comprise finished lighting components, are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss. In the current year, an impairment of £119,393 has been recognised in cost of sales in relation to written down stock.

1.8 Cash at bank and in hand

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

1.9 Financial instruments

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

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

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

Basic financial assets

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

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Other financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Derecognition of financial liabilities

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

1.10 Equity instruments

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

1.11 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.12 Taxation

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

Current tax

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

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

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

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

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

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.14 Retirement benefits

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

1.15 Leases

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

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.17 Debt factoring

Assets and liabilities relating to a debt factoring agreement are separately presented within the financial statements. Although this agreement has many characteristics indicative in nature to those that would require a linked presentation disclosure, a separate presentation approach has nevertheless been adopted. This is because the company still retains exposure in regard to the debt that has been factored. Should the debt factoring agreement be terminated the company would have recourse for such debts. Amounts that had been drawn down from the debt factoring facility at the year end in respect of trade debtors was £631,999 (2017: £903,340). This balance is presented as an other creditor.

1.18 Going concern

The directors' assessment of the ability of the company to continue as a going concern is set out in the Directors' Report.

2 Judgements and key sources of estimation uncertainty

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

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

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018	2017
	£	£
Turnover analysed by class of business		
Lighting components and fittings sales	14,104,669	13,366,880

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3	Turnover and other revenue	(Continued)	
		2018	2017
		£	£
	Other significant revenue		
	Interest income	21,879	-
		<u> </u>	<u> </u>
4	Operating (loss)/profit	2018	2017
	Operating (loss)/profit for the year is stated after charging/(crediting):	£	£
	Exchange gains	(10,442)	(67,141)
	Fees payable to the company's auditor for the audit of the company's financial statements	25,170	20,352
	Depreciation of owned tangible fixed assets	83,541	195,725
	Loss on disposal of tangible fixed assets	132,543	-
	Cost of stocks recognised as an expense	9,133,103	8,789,498
	Impairment of stocks recognised or reversed	119,393	-
	Operating lease charges	609,014	-
		<u> </u>	<u> </u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £10,442 (2017 - £67,141).

5 Employees

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

	2018	2017
	Number	Number
Management, Sales, Finance, HR & Marketing (including directors)	52	51
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	2,734,928	2,350,830
Social security costs	82,628	263,690
Pension costs	78,568	60,472
	<u> </u>	<u> </u>
	<u>2,896,124</u>	<u>2,674,992</u>

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

6	Directors' remuneration	2018	2017
		£	£
	Remuneration for qualifying services	109,469	112,000
	Company pension contributions to defined contribution schemes	2,372	2,146
		<u>111,841</u>	<u>114,146</u>
7	Interest receivable and similar income	2018	2017
		£	£
	Interest income		
	Interest on bank deposits	21,879	-
		<u>21,879</u>	<u>-</u>
	Investment income includes the following:		
	Interest on financial assets not measured at fair value through profit or loss	21,879	-
		<u>21,879</u>	<u>-</u>
8	Interest payable and similar expenses	2018	2017
		£	£
	Interest on financial liabilities measured at amortised cost:		
	Interest on bank overdrafts and loans	54,562	185,649
		<u>54,562</u>	<u>185,649</u>
9	Amounts written off investments	£	£
	Fair value gains/(losses) on financial instruments		
	Gain/(loss) on forward contract	12,979	(24,109)
		<u>12,979</u>	<u>(24,109)</u>
10	Taxation	2018	2017
		£	£
	Current tax		
	UK corporation tax on profits for the current period	972,208	200,192
	Adjustments in respect of prior periods	25,502	(64,950)
	Total current tax	<u>997,710</u>	<u>135,242</u>
	Deferred tax		
	Other adjustments	(426,655)	(8,283)
		<u>(426,655)</u>	<u>(8,283)</u>
	Total tax charge	<u>571,055</u>	<u>126,959</u>

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

10 Taxation

(Continued)

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

	2018 £	2017 £
(Loss)/profit before taxation	<u>(147,718)</u>	<u>716,887</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(28,066)	137,979
Tax effect of expenses that are not deductible in determining taxable profit	47,250	58,932
Tax effect of income not taxable in determining taxable profit	-	(1,995)
Permanent capital allowances in excess of depreciation	(14,361)	13,804
Effect of revaluations of investments	-	(8,528)
Under/(over) provided in prior years	25,502	(64,950)
Deferred Tax movements	(426,655)	(8,283)
Chargeable gain on fixed asset disposal	960,290	-
Other taxable income	7,095	-
Taxation charge for the year	<u>571,055</u>	<u>126,959</u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018 £	2017 £
Deferred tax arising on:		
Revaluation of property	<u>-</u>	<u>22,725</u>

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11 Tangible fixed assets

	Land and buildings Freehold £	Land and buildings Leasehold £	Fixtures, fittings & equipment £	Computer equipment £	Motor vehicles £	Total £
Cost						
At 1 January 2018	1,700,000	14,930,472	105,742	194,699	185,230	17,116,143
Additions	-	176,111	1,992	-	-	178,103
Disposals	-	(14,930,471)	(19,351)	-	-	(14,949,822)
At 31 December 2018	1,700,000	176,112	88,383	194,699	185,230	2,344,424
Depreciation and impairment						
At 1 January 2018	67,999	3,201,512	69,957	176,108	179,988	3,695,564
Depreciation charged in the year	34,000	22,014	3,694	18,591	5,242	83,541
Eliminated in respect of disposals	-	(3,201,512)	-	-	-	(3,201,512)
At 31 December 2018	101,999	22,014	73,651	194,699	185,230	577,593
Carrying amount						
At 31 December 2018	1,598,001	154,098	14,732	-	-	1,766,831
At 31 December 2017	1,632,001	11,728,960	35,785	18,591	5,242	13,420,579

Freehold Land and Buildings comprises a warehouse space used by the company. This warehouse was last valued as at 31st December 2015 at a value of £1.7m. This valuation was carried out by an independent valuer, Jones Lang LaSalle Ltd, and the valuation was based upon the valuer's experience within the market. Upon transition to FRS 102 in 2015, the company adopted the historical cost accounting policy of recognising this freehold property, with the £1.7m valuation carried forward as the deemed cost of the property.

As at 31st December 2018, the revaluation reserve comprises solely the revaluation of the warehouse property, net of the deferred tax impact of the revaluation. Any amounts in respect of the Leonard Street property which was disposed of in the current year have been reversed from the revaluation reserve.

12 Investment property

	2018 £
Fair value	
At 1 January 2018	4,347,000
Disposals	(4,347,000)
At 31 December 2018	-

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

12 Investment property (Continued)

In the current year, the company disposed of its Leasehold interest to an unconnected party for a total consideration of £16,250,000. This Leasehold interest comprised both office and showroom space which was used by the company as well as an investment property element, tenanted by an unconnected party. Both the tangible fixed asset note and the investment property note in these financial statements show the complete disposal of this property. A loss on disposal of £132,542, which takes into consideration the legal and professional fees incurred as a result of the sale, has been included within administrative expenses.

13 Fixed asset investments

	Notes	2018 £	2017 £
Investments in associates	14	25	25

14 Associates

Details of the company's associates at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
SBR Management Limited	United Kingdom	Management of real estate	Ordinary Shares	25.00	

15 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	5,799,169	2,271,148
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	-	12,979
Measured at amortised cost	3,966,827	9,063,060

16 Stocks

	2018 £	2017 £
Finished goods and goods for resale	686,379	782,559

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

17 Debtors	2018	2017
	£	£
Amounts falling due within one year:		
Trade debtors	1,663,066	2,058,387
Other debtors	4,136,103	212,761
Prepayments and accrued income	65,068	66,587
	<u>5,864,237</u>	<u>2,337,735</u>

Included in other debtors is an amount for £437,115 in respect of a rent deposit for leased office space. This amount is considered to be recoverable in greater than a year.

18 Creditors: amounts falling due within one year	Notes	2018	2017
		£	£
Bank loans and overdrafts	19	339,565	5,016,810
Trade creditors		2,624,061	2,890,053
Corporation tax		1,859,783	200,192
Other taxation and social security		314,107	246,225
Derivative financial instruments		-	12,979
Other creditors		668,162	1,008,077
Accruals and deferred income		335,039	148,120
		<u>6,140,717</u>	<u>9,522,456</u>

19 Loans and overdrafts	2018	2017
	£	£
Bank loans	-	4,894,929
Bank overdrafts	339,565	121,881
	<u>339,565</u>	<u>5,016,810</u>
Payable within one year	<u>339,565</u>	<u>5,016,810</u>

The company has given a first legal charge to its bankers over its freehold warehouse and its long leasehold Leonard Street offices. In addition, Mr P Dormoy & Mr U Dormoy, directors of the company, have provided a joint and several guarantee for £1 million.

The bank loans of £4,894,742 were repaid on the 14th of February 2018 following the sale of the Leonard Street offices. The legal charge over the long leasehold of the Leonard Street property is therefore satisfied.

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	21	127,640	1,827,962

21 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2018 £	Liabilities 2017 £
Balances:		
Accelerated Capital Allowances ("ACA's")	32,361	32,362
Leasehold and Freehold property	95,279	1,368,945
Investment property	-	429,121
Derivative	-	(2,466)
	<u>127,640</u>	<u>1,827,962</u>
Movements in the year:		2018 £
Liability at 1 January 2018		1,827,962
Credit to profit or loss		(426,656)
Credit to other comprehensive income		(1,273,666)
Liability at 31 December 2018		<u>127,640</u>

Changes to the main rate of corporation tax were introduced in Finance Act 2016 and enacted during the period. These comprised a reduction in the main rate of corporation tax for the financial year beginning 1 April 2017 from 20% to 19% and a further reduction for the financial year beginning 1 April 2020 from 19% to 17%.

The deferred tax liability at 30 December 2018 has been calculated at 19% with the exception of ACAs that were calculated at 17% as this is the tax rate at which the reversal of the deferred tax liability is expected to occur.

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

22 Retirement benefit schemes

	2018	2017
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	78,568	60,472

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

23 Share capital

	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
2,000,000 (2017: 2,500,000) Ordinary A shares of 1p each	20,000	25,000

On 9 November 2018, the company acquired 500,000 of its ordinary shares with a nominal value of £0.01. These shares were then cancelled and are reflected in the capital redemption reserve within equity.

24 Operating lease commitments

Lessee

Operating leases represent the rental of office space from third parties. This lease has been negotiated over a term of 10 years and rentals are fixed for 5 years. This lease includes a provision for five-yearly upward rent reviews according to prevailing market conditions. After 5 years, the company has an option to terminate the lease on the provision that 9 months notice is given.

The total commitment payable in respect of this leased office space is £3,645,625 of which £728,525 is payable within 12 months of the balance sheet date.

25 Events after the reporting date

In the post reporting-date period, the company entered into a sale and leaseback arrangement with a related party, in which the company's freehold interest in the warehouse was sold at its fair value of £2,000,000. Atrium Limited immediately entered into a leaseback arrangement for the warehouse at a market value rent of £163,216 per annum.

Additionally within this post year-end period, the company acquired a subsidiary undertaking for £1,600,000 which was satisfied by the allotment and issue to the seller of the acquired business of 500,000 Ordinary B Shares of £0.01 nominal value. These shares were credited as fully paid and rank pari passu with the Ordinary A Shares of the company.

ATRIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

26 Related party transactions

During the current and previous year, the company was under the control of its directors.

As at 31 December 2018, Mr U Dormoy and Mrs H Dormoy, both of whom are directors of the company, owed £2,709,000 (2017: £6,000) and £22,000 (2017: was owed £8,000) respectively to Atrium Limited. As at 31 December 2018, the company owed Mr P Dormoy, a former director of the company, £36,134 (2018: the company was owed £54,528).

The Directors are considered to be the key management personnel of the company and as such, their remuneration is disclosed in note 6 of these financial statements.

27 Cash generated from operations

	2018	2017
	£	£
(Loss)/profit for the year after tax	(718,773)	589,928
Adjustments for:		
Taxation charged	571,055	126,959
Finance costs	54,562	185,649
Investment income	(21,879)	-
Gain on disposal of tangible fixed assets	(110,384)	-
Fair value gains and losses on foreign exchange contracts and investment properties	-	(44,306)
Depreciation and impairment of tangible fixed assets	83,541	195,725
Fair value gains or losses on a hedged item	(12,979)	24,109
Movements in working capital:		
Decrease in stocks	96,180	6,417
(Increase) in debtors	(2,507,482)	(430,940)
(Decrease)/increase in creditors	(351,106)	6,496
Cash (absorbed by)/generated from operations	<u>(2,917,265)</u>	<u>660,037</u>

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