REGISTERED NUMBER: 03123861 (England and Wales)

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

FOR

LUCART HYGIENE LIMITED

Magma Audit LLP
Chartered Accountants
Statutory Auditor
Magma House, 16 Davy Court
Castle Mound Way
Rugby
CV23 0UZ

CONTENTS OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2022

COMPANY INFORMATION
for the year ended 31 December 2022

DIRECTORS:	S Pasquini A Pasquini J Wilks
REGISTERED OFFICE:	Blackmore Park Hanley Swan Malvern Worcestershire WR8 0EF
REGISTERED NUMBER:	03123861 (England and Wales)
AUDITORS:	Magma Audit LLP Chartered Accountants Statutory Auditor Magma House, 16 Davy Court Castle Mound Way Rugby CV23 0UZ

STRATEGIC REPORT
for the year ended 31 December 2022

REVIEW OF BUSINESS

The principal activity of the company is the manufacture and resale of disposable paper tissue and associated products. Sales activity is focused almost exclusively on the UK and Eire "Away from Home" markets i.e. business to business transactions through a network of established and independent wholesale customers serving janitorial, catering, engineering and medical markets together with high profile resellers with nationwide distribution capability.

Following on from the acquisition In March 2021 whereby Lucart SPA acquired 100% of the shares of Essential Supply Products Ltd, a period of alignment followed in respect of evaluating supply requirements in terms of finished product, raw materials and auxiliary products, in order to better define intercompany supply requirements.

2022 was a year of transformation, not just from a supply perspective but cementing cohesive co-ordination practices and nurturing relationships across all business functions. To align the UK business with the Lucart Group from a systems and reporting perspective, January 2022 saw the activation of the Group's integrated ERP system across the plant. A short period of adaptation to new business processes followed and at the end of Q1 2022, the business started to reap the benefits of much improved real-time data visibility and the resultant business intelligence facilitated informed decisions to be taken from both commercial and operational perspectives. This proved an invaluable resource with the economic headwinds that ensued.

The company is continuing to maintain operational changes, supporting its staff with the provision of training to ensure maximum efficiency and utilisation of the business assets.

Whist the start of 2022 saw some residual challenges from the COVID-19 pandemic in terms of the UK economy returning to normal conditions and all restrictions being lifted, there was no notable impact on trading or from an operations perspective.

Following the adjustment of our financial year end in 2021 in order to be aligned with the Lucart Group, we have now reverted to a full 12-month statement period.

The financial results of this reporting period are largely impacted by an unprecedented rise in energy costs arising from the Russia-Ukraine war, and resultant impact on tissue paper prices that initially emerged during the last few months of 2021 but were sustained through 2022 and only peaked at the end of the third quarter. The impact of rising costs was mitigated through a series of coordinated and targeted sales price increases which took place throughout the year.

Revenues for the year were more than £36 million, an increase of over 26% on the previous year (annualised based on the 9-month prior reporting period). Whilst there is a substantial price inflation affecting overall revenue levels, growth was evident in real terms with the introduction of the Lucart Professional and dispenser range into the UK distribution channel being well received and market interest has been piqued. The EBITDA value is equal to -£0.3 million and the net loss before taxation is £1.5 million. For completeness of information it is necessary to mention that the loss was accumulated in its entirety during the first 3 quarters of the year, whilst in the last quarter, thanks to the above mentioned price increases and the reduction in the cost of energy after the summer peak, the company generated a positive result.

At the year end the company has net current liabilities of £8,463,629 (2021 : £5,925,532) and net assets of £2,651,069 (2021: £3,791,887).

FUTURE PROSPECTS

The company is integrating systems and processes in the pursuit of operational excellence as we continue to undertake operational changes, improvements and investments.

In the first months of 2023, despite the continued tension over gas and energy prices, pulp material costs have shown modest signs of stabilisation, and trading levels have been particularly buoyant.

The directors have prepared profit and cashflow forecasts for the business until December 2023 based upon currently known factors and sensitised for possible risk factors.

On the basis of these forecasts, the directors believe that the business has good market prospects and sufficient resources to enable it to continue growing profitably and successfully in the future.

PRINCIPAL RISKS AND UNCERTAINTIES

Management and the Board regularly review the risks facing the business.

The directors consider that the principal risk factors that could materially affect the future operating profits or financial position of the business. Other risks and uncertainties are commodity material price risk, contract loss, credit risk and liquidity and cashflow risk.

STRATEGIC REPORT
for the year ended 31 December 2022

COMMODITY PRICE RISK
Currently the business is still managing the impact of the unprecedented rise in pulp material costs in order to preserve margins however, the directors are confident that inflated costs to the business can be managed through careful sales price management. The directors therefore do not believe that it is necessary to hedge against changes in pulp prices due to the volitivity in the markets. Energy contracts for Lucart Hygiene Ltd were fixed in March 2020 for a five year period.

CONTRACT LOSS
The business continues to spread the risk across a broad range of markets and customer sectors. This strategy ensures that no one customer or sector creates excessive risk exposure. A wide customer portfolio together with a large geographical spread and a diverse market platform provide security against this risk. The Board monitor performance across all sectors on a regular basis to assess concentration and risk.

CREDIT RISK
The business is exposed to potential credit related losses in the event of non-performance and potential failure of its' customers. The business has a robust credit control policy in place and continual monitoring of customer payment experience contributes toward risk mitigation. From the start of 2023, Lucart Hygiene Ltd have joined the Group credit insurance provision, of which customer credit profiles are continually monitored to further reduce any exposure to the business. This is particularly relevant in the current economic climate.

LIQUIDITY AND CASH FLOW RISK
The company holds financial instruments, including intra-group loans, to finance its operations and manages risk arising from these operations and its sources of finance in accordance with its accounting policies.

ON BEHALF OF THE BOARD:

J Wilks - Director

20 April 2023

REPORT OF THE DIRECTORS
for the year ended 31 December 2022

The directors present their report with the financial statements of the company for the year ended 31 December 2022.

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of the manufacture and supply of disposable tissue products.

DIVIDENDS
No final dividend was declared during the year ended 31 December 2022.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

S Pasquini
A Pasquini
J Wilks

FINANCIAL INSTRUMENTS
The principal financial instruments of the company comprise bank balances and borrowings, trade creditors, trade debtors and hire purchase contracts. The main purpose of these instruments is to raise funds for the company's operations and to finance its continuing operations. Liquidity risk is managed by the use of bank balances and fixed deposit facilities along with efficient monitoring and forecasting of cash flow to ensure there are sufficient funds to meet liabilities. Trade debtors are managed in respect of credit and cash flow risk by policies monitoring the credit offered to customers, and regular monitoring of amounts outstanding for both time and credit limits.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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;
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, Magma Audit LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

J Wilks - Director

20 April 2023

Opinion
We have audited the financial statements of Lucart Hygiene Limited (the 'company') for the year ended 31 December 2022 which comprise the Profit and Loss Account, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity 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 Financial Reporting Standard 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 2022 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Other information
The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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 Statement of Directors' Responsibilities set out on page four, 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 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.

Auditors' 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 a Report of the Auditors 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.

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

Based on our understanding of the company and the industry, we have identified the principal risks of non-compliance with laws and regulations, and we have considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries, and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management for consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Challenging assumptions made by management in their accounting estimates, in particular in relation to the carrying value of assets, impairment of debtors and impairment of investment.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, journal entries crediting revenue, journal entries crediting cash and journal entries with specific defined descriptions.

There are inherent limitations in the audit procedures describes above and the further removed non-compliant with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting in error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentation, or through collusion.

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 Report of the Auditors.

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 a Report of the Auditors 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.

Victoria Craig (Senior Statutory Auditor)
for and on behalf of Magma Audit LLP
Chartered Accountants
Statutory Auditor
Magma House, 16 Davy Court
Castle Mound Way
Rugby
CV23 0UZ

21 April 2023

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2022

	Notes	Year Ended 31/12/22 £	Period 1/4/21 to 31/12/21 £
TURNOVER	5	**36,683,905**	21,818,119
Cost of sales		**(29,587,202)**	(16,169,874)
GROSS PROFIT		**7,096,703**	5,648,245
Distribution costs		**(4,361,274)**	(2,947,412)
Administrative expenses		**(3,663,752)**	(2,220,414)
		(928,323)	480,419
Other operating income	6	**30,494**	139,035
OPERATING (LOSS)/PROFIT	9	**(897,829)**	619,454
Interest payable and similar expenses	10	**(638,505)**	(352,003)
(LOSS)/PROFIT BEFORE TAXATION		**(1,536,334)**	267,451
Tax on (loss)/profit	11	**395,516**	(135,717)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		**(1,140,818)**	131,734

The notes form part of these financial statements

OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2022

	Notes	Year Ended 31/12/22 £	Period 1/4/21 to 31/12/21 £
(LOSS)/PROFIT FOR THE YEAR		**(1,140,818)**	131,734
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,140,818)**	131,734

The notes form part of these financial statements

BALANCE SHEET
31 December 2022

	Notes	2022 £	2021 £
FIXED ASSETS			
Intangible assets	12	**218,452**	4,735
Tangible assets	13	**15,549,576**	14,987,479
Investments	14	**1,194,250**	1,194,250
Investment property	15	**209,367**	562,969
		17,171,645	16,749,433
CURRENT ASSETS			
Stocks	16	**4,056,708**	2,020,504
Debtors	17	**7,739,698**	5,916,764
Cash at bank and in hand		**598,696**	1,106,763
		12,395,102	9,044,031
CREDITORS			
Amounts falling due within one year	18	**(20,858,731)**	(14,969,566)
NET CURRENT LIABILITIES		**(8,463,629)**	(5,925,535)
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,708,016**	10,823,898
CREDITORS			
Amounts falling due after more than one year	19	**(5,951,604)**	(6,531,152)
PROVISIONS FOR LIABILITIES	23	**(105,343)**	(500,859)
NET ASSETS		**2,651,069**	3,791,887
CAPITAL AND RESERVES			
Called up share capital	24	**5,000**	5,000
Revaluation reserve	25	**486,094**	423,499
Capital redemption reserve	25	**5,000**	5,000
Other reserves	25	**105,718**	168,313
Retained earnings	25	**2,049,257**	3,190,075
SHAREHOLDERS' FUNDS		**2,651,069**	3,791,887

The financial statements were approved by the Board of Directors and authorised for issue on 20 April 2023 and were signed on its behalf by:

S Pasquini - Director

J Wilks - Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

	Called up share capital £	Retained earnings £	Revaluation reserve £
Balance at 1 April 2021	5,000	3,058,341	423,499
Changes in equity			
Profit for the period	-	131,734	-
Total comprehensive income	-	131,734	-
Balance at 31 December 2021	5,000	3,190,075	423,499
Changes in equity			
Deficit for the year	-	(1,140,818)	-
Total comprehensive income	-	(1,140,818)	-
Transfer	-	-	62,595
Balance at 31 December 2022	5,000	2,049,257	486,094

	Capital redemption reserve £	Other reserves £	Total equity £
Balance at 1 April 2021	5,000	168,313	3,660,153
Changes in equity			
Profit for the period	-	-	131,734
Total comprehensive income	-	-	131,734
Balance at 31 December 2021	5,000	168,313	3,791,887
Changes in equity			
Deficit for the year	-	-	(1,140,818)
Total comprehensive income	-	-	(1,140,818)
Transfer	-	(62,595)	-
Balance at 31 December 2022	5,000	105,718	2,651,069

1. GENERAL INFORMATION

The principal activity of the Company remains that of manufacture and supply of disposable tissue products.

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Basis of preparing the financial statements
These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through the income statement.

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The comparative figures cover a 9 month accounting period, and as such are not entirely comparable to the results for the period ending 31 December 2021.

Going concern
At 31 December 2022 the company had net current liabilities of £8,463,629 (2021: £5,925,525) and net assets of £2,651,069 (2021: £3,791,887). The directors have considered this and have prepared the financial statements on a going concern basis as the parent company, Lucart SPA, will not recall their loan until the company are in a position to do so. They will also ensure the company continues to receive the financial support required to ensure the company remaining a going concern for at least twelve months from the signing of the financial statements.

The directors have also prepared forecasts which include cash flow forecasts that show that adequate cash resources will be available to meet the company's requirements for working capital and capital expenditure for at least twelve months from signing the accounts.

Financial Reporting Standard 102 - reduced disclosure exemptions
The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of paragraph 3.17(d);
- the requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c).

Preparation of consolidated financial statements
The financial statements contain information about Lucart Hygiene Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, Lucart SPA, Via Ciarpi 77, 55016 Porcari (Lucca) Italy.

continued...

3. **ACCOUNTING POLICIES - continued**

Turnover
Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied, net of returns, discounts and rebates allowed by the company and value added taxes.

The company recognises revenue when:
(a) the significant risks and rewards of ownership have been transferred to the buyer;
(b) the company retains no continuing involvement or control over the goods;
(c) the amount of revenue can be measured reliably;
(d) it is probable that future economic benefits will flow to the entity and
(e) when the specific criteria relating to the each of company's sales channels have been met, as described below.

The company manufactures and sells a range of disposable paper products in the wholesale market. Sales of goods are recognised on despatch to the wholesaler, when ownership and risk is passed on to the customer or wholesaler.

Goods sold to wholesalers are occasionally sold with volume rebates. Sales are measured at the prices specified in the sale contract, net of estimated volume rebates. Volume rebates are assessed based on anticipated sales.

Intangible fixed assets other than goodwill
Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Trademarks	-	20% straight line
Other intangibles	-	20% straight line

Amortisation is included in 'administrative expenses' in the profit and loss account.

Tangible fixed assets
Tangible fixed assets other than freehold and buildings are stated at cost less depreciation. Cost represents purchase price together with any incidental costs of acquisition.

Depreciation is provided at the following annual rates in order to write off each asset, net of anticipated disposal proceeds, over its estimated useful economic life. Depreciation is charged at the following rates:

Plant and machinery	-	18 years straight line
Fixtures and fittings	-	4-10 years straight line
Motor vehicles	-	8 years straight line

Freehold land and building is not depreciated.

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3. **ACCOUNTING POLICIES - continued**

Tangible fixed assets continued
Tangible fixed assets which represent freehold land and buildings are stated at valuation. No provision for depreciation is made on freehold land and buildings. The policy of not providing for depreciation on freehold buildings is a departure from the requirement of the Companies Act 2006 concerning the depreciation of fixed assets. It is in the opinion of the directors that the useful economic life of these assets are of such a length and the residual values are such that they are not materially different from the carrying value and any depreciation would not be material. In accordance with FRS 102 annual impairment reviews are undertaken to confirm this treatment. Residual values are reviewed annually and any permanent diminution in value is provided in the profit and loss account.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Asset under construction
Assets under construction are those assets that are currently in development and not in use by the company. The costs relating to the development of these assets are capitalised however no depreciation is charged until the asset is available for use.

Once the asset is available for use, the asset will be transferred at cost to tangible fixed assets and depreciated over it's useful economic life.

Investments in subsidiaries
Investment in subsidiary company is held at cost less accumulated impairment losses.

Investment property
Investment property is stated at valuation. Any aggregate surplus or deficit arising from changes in fair value is recognised in profit or loss and transferred to other reserves.

Stocks
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the average cost method (AVCO). Cost comprises direct materials and, where applicable, direct labour costs and other direct costs that have been incurred in bringing the stocks to their present location and condition.

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss.

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3. **ACCOUNTING POLICIES - continued**

Financial instruments
The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances and investments are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies 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 payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts creditors 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.

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 the profit and loss in finance costs or income appropriately.

Taxation
Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current Tax
Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Tax
Deferred tax arises from timing difference that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Foreign currencies
Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

continued...

3. **ACCOUNTING POLICIES - continued**

Operating leases
Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

Rentals paid under operating leases are charged to the profit and loss on a straight line basis over the period of the lease.

Rentals received under operating leases are credited to the profit and loss on a straight line basis over the period of the lease.

Finance leases
Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Employee benefits
The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in other creditors in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Cash and cash equivalents
Cash and cash equivalents are represented by cash in hand, deposits held at call with financial institutions, and other short-term highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Grants
The company has received funding in the form of Coronavirus related government grants. The grant funding is released to the profit and loss account in other income in full in the year the conditions of the grant funding have been met.

Invoice discounting
The gross amount of invoice discounted debts are included in trade debtors and a corresponding liability in respect of proceeds received from factors are shown within current liabilities. Factoring charges and interest are recognised in the profit and loss account as they accrue.

continued...

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets and carrying value
The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.
The company makes an estimate as to the fair value of the freehold land and buildings and investment properties at the year end date. Management have utilised available data to assess the market values including but not limited to, the changes in the rental market and the economic climate of the relevant locations.

(ii) Impairment of debtors
The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

(iii) Carrying value of investment
Annually, the company considers whether investments in subsidiaries are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable of the cash generated units (CGUs). This requires estimation of the future cash flows from the CGUs and also the selection of appropriate discount rates in order to calculate the net present value of those cash flows.

5. TURNOVER

The turnover and loss (2021 - profit) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	Year Ended 31/12/22	Period 1/4/21 to 31/12/21
	£	£
United Kingdom	**35,833,861**	21,309,670
Europe	**850,044**	508,449
	36,683,905	21,818,119

6. OTHER OPERATING INCOME

	Year Ended 31/12/22	Period 1/4/21 to 31/12/21
	£	£
Rents received	**30,494**	47,433
Sundry receipts	**-**	58,802
Government grants	**-**	32,800
	30,494	139,035

continued...

7. EMPLOYEES AND DIRECTORS

	Year Ended 31/12/22	Period 1/4/21 to 31/12/21
	£	£
Wages and salaries	2,989,020	1,961,794
Social security costs	296,941	198,036
Other pension costs	83,668	54,649
	3,369,629	2,214,479

The average number of employees during the year was as follows:

	Year Ended 31/12/22	Period 1/4/21 to 31/12/21
Directors	3	3
Administration	16	15
Distribution	19	14
Production	46	49
Sales	7	6
	91	87

8. DIRECTORS' EMOLUMENTS

	Year Ended 31/12/22	Period 1/4/21 to 31/12/21
	£	£
Directors' remuneration	115,900	151,711
Directors' pension contributions to money purchase schemes	5,891	6,134

9. OPERATING (LOSS)/PROFIT

The operating loss (2021 - operating profit) is stated after charging/(crediting):

	Year Ended 31/12/22	Period 1/4/21 to 31/12/21
	£	£
Hire of plant and machinery	-	1,908
Depreciation - owned assets	392,995	414,749
(Profit)/loss on disposal of fixed assets	(923)	9,866
Trademarks amortisation	1,072	402
Other Intangibles amortisation	52,241	-
Auditors' remuneration	14,000	12,000
Taxation compliance services	3,000	2,000
Foreign exchange differences	156,210	(150,335)

continued...

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 31/12/22 £	Period 1/4/21 to 31/12/21 £
Bank loan interest	**584,507**	309,759
Finance leasing interest	**53,998**	42,244
	638,505	352,003

11. TAXATION

Analysis of the tax (credit)/charge
The tax (credit)/charge on the loss for the year was as follows:

	Year Ended 31/12/22 £	Period 1/4/21 to 31/12/21 £
Deferred tax	**(395,516)**	135,717
Tax on (loss)/profit	**(395,516)**	135,717

Reconciliation of total tax (credit)/charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended 31/12/22 £	Period 1/4/21 to 31/12/21 £
(Loss)/profit before tax	**(1,536,334)**	267,451
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	**(291,903)**	50,816
Effects of:		
Expenses not deductible for tax purposes	**(4,814)**	(4,379)
Capital allowances in excess of depreciation	**(120,688)**	(133,379)
Utilisation of tax losses	**(540,971)**	(184,507)
Deferred tax asset in relation to taxable losses	**-**	31,899
Deferred tax movement	**145,455**	288,325
Losses carried forward	**417,405**	86,942
Total tax (credit)/charge	**(395,516)**	135,717

continued...

12. **INTANGIBLE FIXED ASSETS**

	Trademarks	Other Intangibles	Totals
	£	£	£
COST			
At 1 January 2022	17,630	16,004	33,634
Additions	-	267,030	267,030
At 31 December 2022	17,630	283,034	300,664
AMORTISATION			
At 1 January 2022	12,895	16,004	28,899
Amortisation for year	1,072	52,241	53,313
At 31 December 2022	13,967	68,245	82,212
NET BOOK VALUE			
At 31 December 2022	3,663	214,789	218,452
At 31 December 2021	4,735	-	4,735

13. **TANGIBLE FIXED ASSETS**

	Freehold land & buildings	Plant and machinery	Fixtures and fittings
	£	£	£
COST OR VALUATION			
At 1 January 2022	11,931,781	6,733,511	625,082
Additions	-	77,956	63,344
Disposals	-	(992)	(1,948)
Reclassification	353,602	-	-
At 31 December 2022	12,285,383	6,810,475	686,478
DEPRECIATION			
At 1 January 2022	-	3,980,086	322,809
Charge for year	-	278,796	114,199
Eliminated on disposal	-	(992)	(1,034)
At 31 December 2022	-	4,257,890	435,974
NET BOOK VALUE			
At 31 December 2022	12,285,383	2,552,585	250,504
At 31 December 2021	11,931,781	2,753,425	302,273

continued...

13. TANGIBLE FIXED ASSETS - continued

	Motor vehicles £	Asset under construction £	Totals £
COST OR VALUATION			
At 1 January 2022	13,408	-	19,303,782
Additions	-	461,104	602,404
Disposals	-	-	(2,940)
Reclassification	-	-	353,602
At 31 December 2022	13,408	461,104	20,256,848
DEPRECIATION			
At 1 January 2022	13,408	-	4,316,303
Charge for year	-	-	392,995
Eliminated on disposal	-	-	(2,026)
At 31 December 2022	13,408	-	4,707,272
NET BOOK VALUE			
At 31 December 2022	-	461,104	15,549,576
At 31 December 2021	-	-	14,987,479

The cost of land included within freehold land & buildings, on which no depreciation is charged is £856,234 (2021: £856,234).

The net carrying amount of assets held under finance leases included in plant and machinery and fixtures and fittings is £1,540,066 (2021: £1,780,236).

Cost or valuation at 31 December 2022 is represented by:

	Freehold land & buildings £	Plant and machinery £	Fixtures and fittings £
Valuation in 2017	1,057,215	-	-
Valuation in 2021	(525,558)	-	-
Cost	11,753,726	6,810,475	686,478
	12,285,383	6,810,475	686,478

	Motor vehicles £	Asset under construction £	Totals £
Valuation in 2017	-	-	1,057,215
Valuation in 2021	-	-	(525,558)
Cost	13,408	461,104	19,725,191
	13,408	461,104	20,256,848

Freehold land and buildings were valued on an open market basis on 2 March 2022 by Avison Young (UK) Limited .

The directors have considered the valuation as at 31 December 2022, on an open market basis, and consider the values to be in line with the valuation undertaken on 2 March 2022.

continued...

14. FIXED ASSET INVESTMENTS

	Investment in group undertaking £
COST	
At 1 January 2022 and 31 December 2022	**1,194,250**
NET BOOK VALUE	
At 31 December 2022	**1,194,250**
At 31 December 2021	1,194,250

The company's investments at the Balance Sheet date in the share capital of companies include the following:

ESP Blackmore Park Limited
Registered office: Hornyold House, Blackmore Park, Hanley Swan, England, WR8 0EF
Nature of business: Dormant

Class of shares:	% holding
Ordinary	100.00

	31/12/22 £	31/12/21 £
Aggregate capital and reserves	**1,047,600**	1,047,600

15. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 January 2022	**562,969**
Reclassification	**(353,602)**
At 31 December 2022	**209,367**
NET BOOK VALUE	
At 31 December 2022	**209,367**
At 31 December 2021	562,969

Fair value at 31 December 2022 is represented by:

	£
Valuation in 2021	**105,718**
Cost	**103,649**
	209,367

The directors have considered the valuation as at 31 December 2022, on an open market basis, and consider the values to be in line with the valuation undertaken on 2 March 2022.

16. STOCKS

	2022 £	2021 £
Raw materials	**2,864,740**	869,810
Finished goods	**1,191,968**	1,150,694
	4,056,708	2,020,504

continued...

17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Trade debtors	**7,500,354**	5,415,257
Other debtors	**14,681**	-
Called up share capital not paid	**2**	2
Prepayments and accrued income	**224,661**	501,505
	7,739,698	5,916,764

Trade debtors includes £3,866,485 (2021: £nil) of invoice discounted debts.

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Bank loans and overdrafts (see note 20)	**433,334**	426,350
Finance leases (see note 21)	**253,525**	380,389
Trade creditors	**4,584,397**	3,758,805
Amounts owed to group undertakings	**9,383,085**	8,730,033
Social security and other taxes	**68,478**	64,882
VAT	**749,299**	855,185
Other creditors	**4,099,343**	449,051
Accruals and deferred income	**1,287,270**	304,871
	20,858,731	14,969,566

The amounts owed to group undertakings are due within one year and carry interest of 1.9% per annum.

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2022	2021
	£	£
Bank loans (see note 20)	**5,850,000**	6,182,073
Finance leases (see note 21)	**101,604**	349,079
	5,951,604	6,531,152

20. LOANS

An analysis of the maturity of loans is given below:

	2022	2021
	£	£
Amounts falling due within one year or on demand:		
Bank loans	**433,334**	426,350
Amounts falling due between two and five years:		
Bank loans - 2-5 years	**5,850,000**	1,705,399
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans over 5 years by installment	**-**	4,476,674
	-	4,476,674

continued...

20. LOANS - continued

The loan with Natwest was repaid during the year on which interest was charged on the bank loan at a rate of 5% per annum.

A new loan with Santander was taken out during the year with fixed and variable interest at a rate of 5% per annum.

21. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Finance leases	
	2022	2021
	£	£
Gross obligations repayable:		
Within one year	**286,906**	435,577
Between one and five years	**116,977**	400,349
	403,883	835,926
Finance charges repayable:		
Within one year	**33,381**	55,188
Between one and five years	**15,373**	51,270
	48,754	106,458
Net obligations repayable:		
Within one year	**253,525**	380,389
Between one and five years	**101,604**	349,079
	355,129	729,468

Finance leased assets are secured by way of a fixed charge against the assets on which they relate.

	Non-cancellable	operating leases
	2022	2021
	£	£
Within one year	**29,512**	34,225
Between one and five years	**9,398**	40,321
	38,910	74,546

continued...

22. SECURED DEBTS

The following secured debts are included within creditors:

	2022	2021
	£	£
Bank loans	**6,283,334**	6,608,423
Finance leases	**355,129**	729,468
Invoice financing	**3,886,485**	-
	10,524,948	7,337,891

The bank loans and invoice discounting are secured against all assets of the company including freehold property by way of fixed and floating charges. The invoice discounting liability at the reporting date is included within other creditors and is considered to be payable within one year.

Finance leases are secured against the assets to which they relate by way of a fixed charge.

23. PROVISIONS FOR LIABILITIES

	2022	2021
	£	£
Deferred tax		
Accelerated capital allowances	**950,234**	802,873
Tax losses carried forward	**(975,899)**	(434,928)
Other timing differences	**131,008**	132,914
	105,343	500,859

	Deferred tax
	£
Balance at 1 January 2022	**500,859**
Utilised during year	**(395,516)**
Balance at 31 December 2022	**105,343**

24. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022 £	2021 £
5,000	Ordinary	£1	**5,000**	5,000

25. RESERVES

	Retained earnings £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Totals £
At 1 January 2022	**3,190,075**	**423,499**	**5,000**	**168,313**	**3,786,887**
Deficit for the year	**(1,140,818)**				**(1,140,818)**
Transfer	**-**	**62,595**	**-**	**(62,595)**	**-**
At 31 December 2022	**2,049,257**	**486,094**	**5,000**	**105,718**	**2,646,069**

continued...

26. **ULTIMATE PARENT COMPANY**

The ultimate parent company is Pasfin SPA by virtue of its 100% ownership in Lucart SPA. The consolidated accounts for this entity are available from Via Ciarpi 77, 55016 Porcari (Lucca), Italy.

27. **OTHER FINANCIAL COMMITMENTS**

At the year end forward exchange contracts amounting to £1,566,443 (2021: £1,942,944) were outstanding for the purchase of foreign currency at set dates in the future.

28. **RELATED PARTY DISCLOSURES**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

29. **ULTIMATE CONTROLLING PARTY**

The company has no ultimate controlling party, as no one person has a significant shareholding in the ultimate parent company.