

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE PERIOD
1 APRIL 2021 TO 31 DECEMBER 2021
FOR
LUCART HYGIENE LIMITED
PREVIOUSLY KNOWN AS
ESSENTIAL SUPPLY PRODUCTS LIMITED**

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

**LUCART HYGIENE LIMITED (REGISTERED NUMBER: 03123861)
PREVIOUSLY KNOWN AS ESSENTIAL SUPPLY PRODUCTS LIMITED**

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for the period 1 April 2021 to 31 December 2021**

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LUCART HYGIENE LIMITED
PREVIOUSLY KNOWN AS ESSENTIAL SUPPLY PRODUCTS LIMITED

COMPANY INFORMATION
for the period 1 April 2021 to 31 December 2021

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

**LUCART HYGIENE LIMITED (REGISTERED NUMBER: 03123861)
PREVIOUSLY KNOWN AS ESSENTIAL SUPPLY PRODUCTS LIMITED**

**STRATEGIC REPORT
for the period 1 April 2021 to 31 December 2021**

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.

In March 2021 Lucart SPA acquired 100% of the shares of Essential Supply Products Ltd. During the acquisition, the directors had taken the decision to increase the levels of both raw material and finished goods stocks to provide a buffer to initial demands which had been predicted when COVID-19 restrictions were eased in the early part of Q2 2021.

As part of the Lucart group, the business is now able to collectively look at all supply requirements in terms of finished product, raw materials and auxiliary products, to better define intercompany relationships, requirements and rationalise our supplier base. During the period from March to December 2021 the business initiated a project to install a leading ERP system to ensure business intelligence throughout the company was aligned with Lucart SPA and all its subsidiaries.

The company is continuing to maintain operational changes, investments in production and warehouse facilities as well as carrying out effective staff training to ensure maximum efficiency and utilisation of the business assets.

To align the year end to the rest of the Lucart Group, we have decided to shorten the duration of this financial statement to 9 months (from 1st April to 31st December 2021).

The financial results of these 9 months are positive, despite the challenges created by the COVID-19 pandemic (and the related impact on the economy generated by lockdowns and other restrictions), the higher transport costs, either for imports from abroad and inland deliveries and the surge in energy costs since the last months of 2021.

The revenues for the 9 months period were more than £21.8 million, that projected on a linear base on 12 months would mean more than £29.0 million, that would represent an historic record.

The EBITDA value is equal to £1.0 million (4.7% of revenues) and the net profit before taxation is above £267K, values considered even better than the original expectations.

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 2022, the situation generated by the COVID-19 pandemic, the tension over gas and energy prices and the war burst between Russia and Ukraine, are heavily affecting the world economy, generating high inflation rates all over Europe and a lot of uncertainty on future forecasts.

Despite all this, the directors have prepared profit and cashflow forecasts for the business until December 2022 based upon known factors, including relevant selling prices increase necessary to compensate the higher cost of energy, raw and auxiliary raw materials and logistic expenses, 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, COVID-19, contract loss, credit risk and, liquidity and cash flow risk.

**LUCART HYGIENE LIMITED (REGISTERED NUMBER: 03123861)
PREVIOUSLY KNOWN AS ESSENTIAL SUPPLY PRODUCTS LIMITED**

**STRATEGIC REPORT
for the period 1 April 2021 to 31 December 2021**

COMMODITY PRICE RISK

Currently the business is still managing sustained rises in Pulp material costs as a direct result of the unprecedented energy cost increases affecting key suppliers. The Directors are confident that these costs can be reverted through increased sales prices. The directors therefore do not believe it is appropriate to hedge against changes in pulp price due to the volatility in the markets. Energy costs for Lucart Hygiene Ltd were fixed in March 2021 for a five year period.

COVID-19

Whilst the continuing effects of the coronavirus COVID-19 will still represent an uncertainty for the coming year the successful rollout of the nationwide vaccination programme and the relaxation of government restrictions has resulted in a return to almost normalised levels of trade from traditional industry sectors. The business continues to implement COVID-19 safety protocols for all staff and visitors to negate any significant Business Interruption.

CONTRACT LOSS

The business continues to spread the risk across diverse markets and customer sectors where possible. This strategy ensures that no one customer or sector threatens the business as a whole. A wide customer portfolio, a large geographic spread and a diverse market platform deliver security against this risk. The Board monitor performance across all sectors on a regular basis to mitigate concentration and risk.

CREDIT RISK

The business is exposed to potential credit related losses in the event of non-performance by the counterparties related to its export activity and potential failure of UK based customers. The company's credit control policy has been established to monitor customer performance and identify variation against agreed terms of trade to mitigate against this risk. Credit insurance cover has been put in place for selected UK and European customers. Customer credit facility is continually reviewed to align with price increases and planned growth activities.

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

12 April 2022

**LUCART HYGIENE LIMITED (REGISTERED NUMBER: 03123861)
PREVIOUSLY KNOWN AS ESSENTIAL SUPPLY PRODUCTS LIMITED**

**REPORT OF THE DIRECTORS
for the period 1 April 2021 to 31 December 2021**

The directors present their report with the financial statements of the company for the period 1 April 2021 to 31 December 2021.

CHANGE OF NAME

The company passed a special resolution on 9 August 2021 changing its name from Essential Supply Products Limited to Lucart Hygiene Limited.

PRINCIPAL ACTIVITY

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

DIVIDENDS

No final dividend was declared during the year ended 31 March 2021.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2021 to the date of this report.

S Pasquini
A Pasquini
J Wilks

Other changes in directors holding office are as follows:

C J Theakston - resigned 29 July 2021
M J Hovard - resigned 29 July 2021

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.

**LUCART HYGIENE LIMITED (REGISTERED NUMBER: 03123861)
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**REPORT OF THE DIRECTORS
for the period 1 April 2021 to 31 December 2021**

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

12 April 2022

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
LUCART HYGIENE LIMITED
PREVIOUSLY KNOWN AS ESSENTIAL SUPPLY PRODUCTS LIMITED**

Opinion

We have audited the financial statements of Lucart Hygiene Limited (the 'company') for the period ended 31 December 2021 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 2021 and of its profit for the period 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
LUCART HYGIENE LIMITED
PREVIOUSLY KNOWN AS ESSENTIAL SUPPLY PRODUCTS LIMITED**

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 that 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:

- Enquires with management for consideration of known or suspected instances of non-compliance laws and regulations and fraud.
- Challenging assumptions made by management in their accounting estimates, in particular in relation to the carrying value of fixed assets, impairment of debtors, impairment of investment and provision for taxation.
- 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.

Richard Lodder (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

14 April 2022

LUCART HYGIENE LIMITED (REGISTERED NUMBER: 03123861)
PREVIOUSLY KNOWN AS ESSENTIAL SUPPLY PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT
for the period 1 April 2021 to 31 December 2021

		Period 1/4/21 to 31/12/21 £	Year Ended 31/3/21 £
	Notes		
TURNOVER	5	21,818,119	25,473,162
Cost of sales		<u>(16,169,874)</u>	<u>(18,140,741)</u>
GROSS PROFIT		5,648,245	7,332,421
Distribution costs		<u>(2,947,412)</u>	<u>(3,229,144)</u>
Administrative expenses		<u>(2,220,414)</u>	<u>(3,457,463)</u>
		480,419	645,814
Other operating income	6	<u>139,035</u>	<u>385,364</u>
OPERATING PROFIT	9	619,454	1,031,178
Gain on revaluation of assets		<u>-</u>	<u>140,026</u>
		619,454	1,171,204
Interest payable and similar expenses	10	<u>(352,003)</u>	<u>(422,185)</u>
PROFIT BEFORE TAXATION		267,451	749,019
Tax on profit	11	<u>(135,717)</u>	<u>(130,915)</u>
PROFIT FOR THE FINANCIAL PERIOD		<u>131,734</u>	<u>618,104</u>

The notes form part of these financial statements

**LUCART HYGIENE LIMITED (REGISTERED NUMBER: 03123861)
PREVIOUSLY KNOWN AS ESSENTIAL SUPPLY PRODUCTS LIMITED**

**OTHER COMPREHENSIVE INCOME
for the period 1 April 2021 to 31 December 2021**

	Period 1/4/21 to 31/12/21 £	Year Ended 31/3/21 £
Notes		
PROFIT FOR THE PERIOD	131,734	618,104
OTHER COMPREHENSIVE INCOME		
Revaluation of tangible fixed assets	-	(525,558)
Income tax relating to other comprehensive income	-	99,856
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	-	(425,702)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>131,734</u>	<u>192,402</u>

The notes form part of these financial statements

LUCART HYGIENE LIMITED (REGISTERED NUMBER: 03123861)
PREVIOUSLY KNOWN AS ESSENTIAL SUPPLY PRODUCTS LIMITED

BALANCE SHEET
31 December 2021

	Notes	2021 £	2021 £
FIXED ASSETS			
Intangible assets	12	4,735	5,137
Tangible assets	13	14,987,479	14,805,240
Investments	14	1,194,250	1,194,250
Investment property	15	562,969	562,969
		<u>16,749,433</u>	<u>16,567,596</u>
CURRENT ASSETS			
Stocks	16	2,020,504	2,149,647
Debtors	17	5,916,764	3,726,170
Cash at bank and in hand		1,106,763	599,310
		<u>9,044,031</u>	<u>6,475,127</u>
CREDITORS			
Amounts falling due within one year	18	(14,969,566)	(11,644,028)
NET CURRENT LIABILITIES		<u>(5,925,535)</u>	<u>(5,168,901)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,823,898	11,398,695
CREDITORS			
Amounts falling due after more than one year	19	(6,531,152)	(7,373,400)
PROVISIONS FOR LIABILITIES	23	<u>(500,859)</u>	<u>(365,142)</u>
NET ASSETS		<u>3,791,887</u>	<u>3,660,153</u>
CAPITAL AND RESERVES			
Called up share capital	24	5,000	5,000
Revaluation reserve	25	423,499	423,499
Capital redemption reserve	25	5,000	5,000
Other reserves	25	168,313	168,313
Retained earnings	25	3,190,075	3,058,341
SHAREHOLDERS' FUNDS		<u>3,791,887</u>	<u>3,660,153</u>

The financial statements were approved by the Board of Directors and authorised for issue on 12 April 2022 and were signed on its behalf by:

S Pasquini - Director

J Wilks - Director

The notes form part of these financial statements

LUCART HYGIENE LIMITED (REGISTERED NUMBER: 03123861)
PREVIOUSLY KNOWN AS ESSENTIAL SUPPLY PRODUCTS LIMITED

STATEMENT OF CHANGES IN EQUITY
for the period 1 April 2021 to 31 December 2021

	Called up share capital £	Retained earnings £	Revaluation reserve £
Balance at 1 April 2020	5,000	2,580,263	849,201
Changes in equity			
Profit for the year	-	618,104	-
Other comprehensive income	-	-	(425,702)
Total comprehensive income	-	618,104	(425,702)
Transfer	-	(140,026)	-
Balance at 31 March 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
	Capital redemption reserve £	Other reserves £	Total equity £
Balance at 1 April 2020	5,000	28,287	3,467,751
Changes in equity			
Profit for the year	-	-	618,104
Other comprehensive income	-	-	(425,702)
Total comprehensive income	-	-	192,402
Transfer	-	140,026	-
Balance at 31 March 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

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the period 1 April 2021 to 31 December 2021

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 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 12 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 2021 the company had net current liabilities of £5,925,525 (March 2021: £5,168,901) and net assets of £3,791,887 (March 2021: £3,660,153). The directors have considered this and have prepared the financial statements on a going concern basis. The directors have prepared three year forecasts which include cash flow forecasts that show that adequate cash resources will be available to meet the group and 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.

LUCART HYGIENE LIMITED (REGISTERED NUMBER: 03123861)
PREVIOUSLY KNOWN AS ESSENTIAL SUPPLY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the period 1 April 2021 to 31 December 2021

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.

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 purchases.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at acquisition date if the fair value can be measured reliably.

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

Trademarks	-	25% straight line
Other intangibles	-	20% straight line

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	-	5-10 years straight line
Fixtures and fittings	-	2-10 years straight line
Motor vehicles	-	4-10 years straight line

Freehold land and building is not depreciated.

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.

Investments in subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS - continued
for the period 1 April 2021 to 31 December 2021

3. ACCOUNTING POLICIES - continued

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.

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 in profit and loss in finance costs or income appropriately.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the period 1 April 2021 to 31 December 2021

3. **ACCOUNTING POLICIES - continued**

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the period 1 April 2021 to 31 December 2021

3. ACCOUNTING POLICIES - continued

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.

Borrowing costs

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.

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.

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.

(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.

(iv) Provision for tax

The company makes an estimate of the corporation tax liability due to HM Revenue & Customs as at the balance sheet date. When assessing the liability, the directors evaluate all aspects which may be open to interpretation and take specialist advice where necessary.

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5. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	Period 1/4/21 to 31/12/21 £	Year Ended 31/3/21 £
United Kingdom	21,309,670	25,165,946
Europe	508,449	307,216
	<u>21,818,119</u>	<u>25,473,162</u>

6. OTHER OPERATING INCOME

	Period 1/4/21 to 31/12/21 £	Year Ended 31/3/21 £
Rents received	47,433	81,339
Sundry receipts	58,802	(21,283)
Government grants	32,800	325,308
	<u>139,035</u>	<u>385,364</u>

7. EMPLOYEES AND DIRECTORS

	Period 1/4/21 to 31/12/21 £	Year Ended 31/3/21 £
Wages and salaries	1,961,794	3,366,361
Social security costs	198,036	367,420
Other pension costs	54,649	69,508
	<u>2,214,479</u>	<u>3,803,289</u>

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

	Period 1/4/21 to 31/12/21	Year Ended 31/3/21
Directors	3	4
Administration	15	14
Distribution	14	12
Production	49	53
Sales	6	6
	<u>87</u>	<u>89</u>

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8. DIRECTORS' EMOLUMENTS

	Period 1/4/21 to 31/12/21 £	Year Ended 31/3/21 £
Directors' remuneration	151,711	791,221
Directors' pension contributions to money purchase schemes	<u>6,134</u>	<u>12,478</u>

9. OPERATING PROFIT

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

	Period 1/4/21 to 31/12/21 £	Year Ended 31/3/21 £
Hire of plant and machinery	1,908	1,997
Depreciation - owned assets	414,749	523,767
Loss on disposal of fixed assets	9,866	15,299
Trademarks amortisation	402	223
Auditors' remuneration	12,000	10,550
Taxation compliance services	2,000	1,080
Foreign exchange differences	<u>(150,335)</u>	<u>(251,542)</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	Period 1/4/21 to 31/12/21 £	Year Ended 31/3/21 £
Bank loan interest	309,759	358,841
Finance leasing interest	<u>42,244</u>	<u>63,344</u>
	<u>352,003</u>	<u>422,185</u>

11. TAXATION

Analysis of the tax charge

The tax charge on the profit for the period was as follows:

	Period 1/4/21 to 31/12/21 £	Year Ended 31/3/21 £
Deferred tax	135,717	130,915
Tax on profit	<u>135,717</u>	<u>130,915</u>

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NOTES TO THE FINANCIAL STATEMENTS - continued
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11. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1/4/21 to 31/12/21 £	Year Ended 31/3/21 £
Profit before tax	<u>267,451</u>	<u>749,019</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	<u>50,816</u>	142,314
Effects of:		
Expenses not deductible for tax purposes	(4,379)	(8,457)
Capital allowances in excess of depreciation	(133,379)	(43,552)
Utilisation of tax losses	(184,507)	(90,305)
Deferred tax asset in relation to taxable losses	31,899	90,274
Deferred tax movement	288,325	40,641
Losses carried forward	86,942	-
Total tax charge	<u>135,717</u>	<u>130,915</u>

Tax effects relating to effects of other comprehensive income

There were no tax effects for the period ended 31 December 2021.

	Gross £	2021 Tax £	Net £
Revaluation of tangible fixed assets	<u>(525,558)</u>	<u>99,856</u>	<u>(425,702)</u>

Factors affecting current and future tax charges

On 24 May 2021, the Finance Act 2021 was substantively enacted to introduce a main rate of corporation tax of 25%, with effect from 1 April 2023. As such, deferred tax has been provided at 25%.

12. INTANGIBLE FIXED ASSETS

	Trademarks £	Other Intangibles £	Totals £
COST			
At 1 April 2021 and 31 December 2021	<u>17,630</u>	<u>16,004</u>	<u>33,634</u>
AMORTISATION			
At 1 April 2021	12,493	16,004	28,497
Amortisation for period	402	-	402
At 31 December 2021	<u>12,895</u>	<u>16,004</u>	<u>28,899</u>
NET BOOK VALUE			
At 31 December 2021	<u>4,735</u>	-	<u>4,735</u>
At 31 March 2021	<u>5,137</u>	-	<u>5,137</u>

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NOTES TO THE FINANCIAL STATEMENTS - continued
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13. TANGIBLE FIXED ASSETS

	Freehold land & buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION					
At 1 April 2021	11,931,781	6,437,632	836,307	72,851	19,278,571
Additions	-	479,791	127,063	-	606,854
Disposals	-	(183,912)	(338,288)	(59,443)	(581,643)
At 31 December 2021	11,931,781	6,733,511	625,082	13,408	19,303,782
DEPRECIATION					
At 1 April 2021	-	3,785,243	616,447	71,641	4,473,331
Charge for period	-	370,755	43,713	281	414,749
Eliminated on disposal	-	(175,912)	(337,351)	(58,514)	(571,777)
At 31 December 2021	-	3,980,086	322,809	13,408	4,316,303
NET BOOK VALUE					
At 31 December 2021	11,931,781	2,753,425	302,273	-	14,987,479
At 31 March 2021	11,931,781	2,652,389	219,860	1,210	14,805,240

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

The net carrying amount of assets held under finance leases included in plant and machinery and fixtures and fittings is £1,780,236 (March 2021: £2,064,160).

Cost or valuation at 31 December 2021 is represented by:

	Freehold land & buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 2017	1,057,215	-	-	-	1,057,215
Valuation in 2021	(525,558)	-	-	-	(525,558)
Cost	11,400,124	6,733,511	625,082	13,408	18,772,125
	11,931,781	6,733,511	625,082	13,408	19,303,782

Freehold land and buildings were valued on an open market basis on 20 December 2021 by Avison Young (UK) Limited.

The directors have considered the valuation as at 31 December 2021, on an open market basis, and consider the values to be in line with the valuation undertaken on 20 December 2021.

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14. FIXED ASSET INVESTMENTS

	Investment in group undertaking £
COST	
At 1 April 2021	
and 31 December 2021	<u>1,194,250</u>
NET BOOK VALUE	
At 31 December 2021	<u>1,194,250</u>
At 31 March 2021	<u>1,194,250</u>

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: Investment

	%		
Class of shares:	holding		
Ordinary	100.00		
		31/12/21	31/3/21
		£	£
Aggregate capital and reserves		<u>1,047,600</u>	<u>1,047,600</u>

15. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 April 2021	
and 31 December 2021	<u>562,969</u>
NET BOOK VALUE	
At 31 December 2021	<u>562,969</u>
At 31 March 2021	<u>562,969</u>

Fair value at 31 December 2021 is represented by:

	£
Valuation in 2021	140,026
Cost	<u>422,943</u>
	<u>562,969</u>

16. STOCKS

	2021 £	2021 £
Raw materials	869,810	539,981
Finished goods	<u>1,150,694</u>	<u>1,609,666</u>
	<u>2,020,504</u>	<u>2,149,647</u>

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17. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2021 £
Trade debtors	5,415,257	3,262,065
Called up share capital not paid	2	2
Prepayments and accrued income	501,505	464,103
	<u>5,916,764</u>	<u>3,726,170</u>

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2021 £
Bank loans and overdrafts (see note 20)	426,350	677,430
Finance leases (see note 21)	380,389	388,735
Trade creditors	3,758,805	2,131,762
Amounts owed to group undertakings	8,730,033	4,000,100
Social security and other taxes	64,882	57,331
VAT	855,185	1,025,821
Other creditors	449,051	2,917,692
Accruals and deferred income	304,871	445,157
	<u>14,969,566</u>	<u>11,644,028</u>

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

	2021 £	2021 £
Bank loans (see note 20)	6,182,073	6,741,251
Finance leases (see note 21)	349,079	632,149
	<u>6,531,152</u>	<u>7,373,400</u>

20. LOANS

An analysis of the maturity of loans is given below:

	2021 £	2021 £
Amounts falling due within one year or on demand:		
Bank loans	<u>426,350</u>	<u>677,430</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>1,705,399</u>	<u>2,136,605</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans over 5 years		
by installment	<u>4,476,674</u>	<u>4,604,646</u>
	<u>4,476,674</u>	<u>4,604,646</u>

Interest is charged on the bank loans at a rate of between 2.95% and 5% plus base rate per annum.

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21. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Finance leases	
	2021	2021
	£	£
Gross obligations repayable:		
Within one year	435,577	445,004
Between one and five years	400,349	724,552
	<u>835,926</u>	<u>1,169,556</u>
Finance charges repayable:		
Within one year	55,188	56,269
Between one and five years	51,270	92,403
	<u>106,458</u>	<u>148,672</u>
Net obligations repayable:		
Within one year	380,389	388,735
Between one and five years	349,079	632,149
	<u>729,468</u>	<u>1,020,884</u>

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

	Non-cancellable	operating leases
	2021	2021
	£	£
Within one year	34,225	8,948
Between one and five years	40,321	-
	<u>74,546</u>	<u>8,948</u>

22. SECURED DEBTS

The following secured debts are included within creditors:

	2021	2021
	£	£
Bank loans	6,608,423	7,418,681
Finance leases	729,468	1,020,884
Stock financing	-	470,455
Invoice financing	-	2,019,382
	<u>7,337,891</u>	<u>10,929,402</u>

The bank loans are secured against all assets of the company including freehold property by way of fixed and floating charges.

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

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23. PROVISIONS FOR LIABILITIES

	2021 £	2021 £
Deferred tax		
Accelerated capital allowances	802,873	514,548
Tax losses carried forward	(434,928)	(250,421)
Other timing differences	132,914	101,015
	<u>500,859</u>	<u>365,142</u>
		Deferred tax
		£
Balance at 1 April 2021		365,142
Utilised during period		135,717
Balance at 31 December 2021		<u>500,859</u>

24. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid: Number:	Class:	Nominal value: £1	2021 £	2021 £
5,000	Ordinary		<u>5,000</u>	<u>5,000</u>

25. RESERVES

	Retained earnings £	Revaluation reserve £	Capital redemption reserve £	Other reserves £	Totals £
At 1 April 2021	3,058,341	423,499	5,000	168,313	3,655,153
Profit for the period	131,734				131,734
At 31 December 2021	<u>3,190,075</u>	<u>423,499</u>	<u>5,000</u>	<u>168,313</u>	<u>3,786,887</u>

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 £1,942,944 (March 2021: £959,830) 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.

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