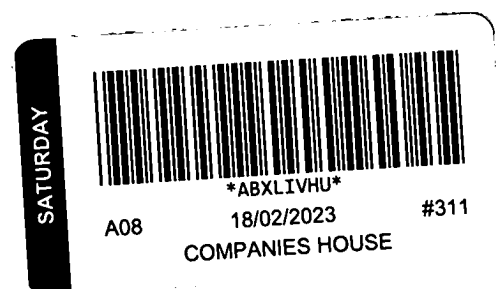


Lemonpath Limited

Registered number: 05667249

Audited financial statements

For the year ended 31 July 2022



LEMONPATH LIMITED

COMPANY INFORMATION

Directors	L Lopes-Grilli R J Cookman
Registered number	05667249
Registered office	Unit 1b, Wanlip Road Syston Leicester Leicestershire LE7 1PD
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor Two Chamberlain Square Birmingham B3 3AX

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2022**

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

Review of the business

The profit for the year, after taxation, amounted to £234,883 (2021: £393,480). Dividends of £10,000 per ordinary share (total £500,000) were paid during the year (2021: £15,000, total £750,000).

Operating performance

The company's key financial performance indicators during the year were as follows:

	2022 £'000	2021 £'000
Turnover	12,772	12,514
Gross Profit	5,123	5,286
Operating Profit	283	425

The directors also consider gross profit margin and return on sales/capital employed as key performance indicators as below:

	2022 %	2021 %
Gross profit margin	40.1	42.2
Return on sales (pre-tax)	2.3	3.6
Return on capital employed	14.7	20.0

The business has gone through a difficult year with having to deal with exceptional circumstances in the global supply chain networks. The economy re-opening post pandemic created a set of conditions which affected everyone in every supply chain but more so the businesses which come at the end of it. Lemonpath tried to anticipate as much as possible some of those issues but delays in deliveries and shortage of labour created challenges beyond standard risk management practices and so the first half of the year delivered results well below expectations.

The business demonstrated great resilience to change which brought some good results in the second half, managing to recover some of the adverse performance of the first half. The business also saw some important changes at senior level which created some short-term instability, quickly recovered through a blend of restructure and new hires in the business, confirming the business' agility in responding to such events.

Additional to the structural changes, various processes were reviewed and improved to ensure that all lessons were learnt from the year. In equal measure, some KPIs were refined to enable greater visibility and anticipation of future performance, leading to the development of a pro-active culture.

The business continues to put at the forefront of its priorities the health and safety of its people, recognising their value and importance to the success of the business. Despite the Government lifting all Covid-19 restrictions, the business has remained committed to continue to protect its employees and as such keeping some partial measures in place, leading to a proud record of no major outbreak or severe individual cases.

Principal risks and uncertainties

The company is heavily dependent on the general economic cycle and in particular the level of consumer activity at Christmas. The company has looked to mitigate this risk by increasing the amount of all year-round work that it carries out and will continue to do so going forwards.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2022**

Global Supply Chain issues

The global supply chain issues encountered as a consequence of the economy re-opening, following the Covid-19 pandemic, have created a wave of uncertainty. The company has plans in place to support as best as possible the evolution of this situation. However, there are numerous external factors which are outside of our control which could continue to influence our plans.

The situation continues to be monitored closely and plans continue to be adjusted accordingly. This is probably one of the largest areas of risk for the business, as its trading nature highly depends on customers global supply chains and their effectiveness.

UK exit from the EU risk

The exit from the EU which was sealed by the deal between the EU and UK following Brexit has generated some practical difficulties, creating some short-term disruption whilst developing adaptability in planning and organisation. One of the largest disruptions for the company is the employment market conditions left behind, in the wake of the UK exiting the EU. The current labour shortages are directed to areas which are core to our activities. A continuous evaluation of market conditions is in place and regular reviews allow the business to make the necessary adjustments to ensure business continuity with minimal disruption. Although the UK exit from the EU is now completely acted, the risk around the consequences of this departure, for businesses, continues to be present with a need of continuous management.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, and liquidity risk.

The company has defined policies and procedures which set out specific guidelines to manage credit risk, liquidity risk and cash flow risk and the circumstances when it would be appropriate to use financial instruments to manage these.

The company holds regular meetings attended by various directors or their representatives to discuss the current and future financial risks facing the company in accordance with the company's policies and appropriate decisions are made based on the market and business information available.

Price risk

This arises on material purchases but the company aims to minimise risk through holding as little stock as possible, and reviewing prices regularly with customers.

Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Credit policies aim to avoid this by continuous monitoring of credit limits and trading patterns.

Liquidity risk

This arises when an entity encounters difficulty in meeting obligations. The company aims to mitigate risk by focusing on its working capital cycle and working to continuously reduce debtor days.

Cash flow risk

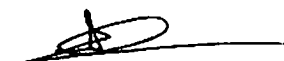
This is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. The company manages this risk through the use of its short-term loan facility.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2022

Future developments

This year has provided important insights in the strengths and weaknesses in the business. The main areas for improvement have been or are being addressed and equally, capitalising and promoting the business strengths are ongoing. With the internal factors being understood, and in current global economic climate, it is imperative to understand the new baseline for the external factors in the type of industry that our business operates into. Careful consideration is needed in the next strategic review of the business with regards to growth and sectors of development; but equally investments required to achieve the ambition.

By order of the board



L Lopes-Grilli
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2022**

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

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to £234,883 (2021 - £393,480).

Dividends paid during the year were £500,000 (2021: £750,000).

Directors

The directors who served during the year and to date were:

L Lopes-Grilli
R J Cookman
N Patel (resigned 21 August 2022)
C J Antliff (resigned 31 August 2021)

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**DIRECTORS REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2022**

Post balance sheet events

There have been no significant events affecting the Company since the year end.

COVID-19 impact

Covid-19 continues to be part of business considerations, particularly in an environment where business continuity is dependent on its workforce. The situation continues to be monitored regularly and the senior management team has updated the measures and protocols of the business accordingly, throughout the year. The lifting of the restrictions by the government was a good guideline to help with some decisions in the business. The world had to learn to "live with Covid" and 2 years on the original outbreak in the world, the business has adapted well and continues to adapt to what is required to ensure the safety of its people as a prime objective. Other considerations such as the effect that an outbreak can have on supply chain globally must continue to be part of the risk management process.

Matters covered in the Strategic Report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report. These matters relate to the future developments of the Company, dividends and financial risk management.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 15 November 2022 and signed on its behalf.



L Lopes-Grilli
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEMONPATH LIMITED

Opinion

We have audited the financial statements of Lemonpath Limited (the 'company') for the year ended 31 July 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation and anti-money laundering regulation.

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

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

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

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

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

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

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

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

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

Use of the audit report

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

Elisa Howe

Elisa Howe (Nov 17, 2022 12:22 GMT)

Elisa Howe (Senior statutory auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
1st Floor, 2 Chamberlain Square
Birmingham
B3 3AX

Date 15 November 2022

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2022**

	Note	2022 £	2021 £
Turnover	4	12,772,201	12,514,194
Cost of sales		(7,648,711)	(7,227,866)
Gross Profit		5,123,490	5,286,328
Administrative expenses		(4,840,437)	(4,861,344)
Operating profit	5	283,053	424,984
Government grant		4,163	21,981
Profit before tax		287,216	446,965
Tax on profit	8	(52,333)	(53,485)
Profit for the year		234,883	393,480

There was no other comprehensive income for 2022 (2021: £nil).

The notes on pages 13 to 23 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	10		441,362		534,857
Current assets					
Stocks	11	26,157		32,043	
Debtors: amounts falling due within one year	12	2,527,654		2,482,279	
Cash at bank and in hand		994,692		1,357,515	
		<u>3,548,503</u>		<u>3,871,837</u>	
Creditors: amounts falling due within one year	13	(2,035,717)		(2,176,502)	
Net current assets			<u>1,512,786</u>		<u>1,695,335</u>
Total assets less current liabilities			<u>1,954,148</u>		<u>2,230,192</u>
Provisions for liabilities: Deferred tax	14		(77,584)		(88,511)
Net assets			<u><u>1,876,564</u></u>		<u><u>2,141,681</u></u>
Capital and reserves					
Called up share capital	15		50		50
Capital redemption reserve	16		50		50
Profit and loss account	17		<u>1,876,464</u>		<u>2,141,581</u>
			<u><u>1,876,564</u></u>		<u><u>2,141,681</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 November 2022



R J Cookman
Director

The notes on pages 13 to 23 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2022**

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 August 2021	50	50	2,141,581	2,141,681
Comprehensive income for the year				
Profit for the year	-	-	234,883	234,883
Dividends paid	-	-	(500,000)	(500,000)
Total comprehensive income for the year	-	-	(265,117)	(265,117)
At 31 July 2022	50	50	1,876,464	1,876,564

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2021**

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 August 2020	50	50	2,498,101	2,498,201
Comprehensive income for the year				
Profit for the year	-	-	393,480	393,480
Dividends paid	-	-	(750,000)	(750,000)
Total comprehensive income for the year	-	-	(356,520)	(356,520)
At 31 July 2021	50	50	2,141,581	2,141,681

The notes on pages 13 to 23 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

1. General information

Lemonpath Limited is a company limited by shares, incorporated in England and Wales and domiciled in England. Its registered office is Unit 1b, Wanlip Road, Syston, Leicester, Leicestershire, LE7 1PD. The principal activity of the Company is contract packing, reverse logistics, general warehousing and storage. The Company operates within the UK and sells primarily to the UK.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102 (March 2020), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The financial statements are presented in Sterling, which is considered to be the functional currency of the company, and are rounded to the nearest £1.

The following principal accounting policies have been applied:

2.2 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 the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of DK Group Investments Limited as at 31 July 2022 and these financial statements may be obtained from the registered office.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

2. Accounting policies (continued)

2.3 Going concern

The outbreak of COVID-19 continues to affect the company. Risk assessments have been carried out and will be updated on an ongoing basis to protect employees against infection risk and to ensure continued stable provision of services. Several measures have been taken to reduce the risk of infection and mitigate the impact on the Company, such as utilising the Coronavirus Job Retention Scheme. The longer term impacts of COVID-19 on the Company and the wider economy are uncertain, but are continually being assessed and monitored by management.

After considering the impact of COVID-19 at the time of approving the financial statements and reviewing the budget for the year to 31 July 2023, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

2. Accounting policies (continued)

2.6 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.8 Pensions

Defined contribution pension plan

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 in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

2. Accounting policies (continued)

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a straight line basis.

Depreciation is provided on the following basis:

Leasehold properties	-	Straight line over the life of the lease
Plant and machinery	-	25% reducing balance
Motor vehicles	-	25% reducing balance

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 the Statement of Comprehensive Income.

Assets are assessed annually for impairment and adjusted accordingly.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stocks to their present location and condition.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are 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.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

2. Accounting policies (continued)

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.16 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.17 Government grants

Where grants are received from government agencies and which meet the definition of government grants, they are recognised when there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

2. Accounting policies (continued)

2.17 Government grants (continued)

Government grants are recognised using the accrual model and are grants relating to revenue. Grants relating to revenue are recognised in income on a systematic basis over the period in which related costs for which the grant is intended to compensate are recognised. Where a grant is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs, it is recognised as revenue in the period in which it becomes receivable.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the Directors believe that there are no critical accounting policies where judgements or estimations are necessarily applied in the financial statements.

4. Turnover

Turnover arises from contract packing, reverse logistics, general warehousing and storage and is all generated in the UK. (2021: all in UK).

5. Operating Profit

The operating profit is stated after charging:

	2022 £	2021 £
Depreciation	152,401	169,490
Auditor's remuneration	9,734	9,270
Operating lease rentals	<u>1,354,841</u>	<u>1,126,281</u>

6. Employees

Number of employees

The average monthly number of employees, including directors, during the year was 91 (2021 - 86).

Employment cost

	2022 £	2021 £
Wages and salaries	2,462,503	2,185,119
Social security costs	220,450	201,533
Other pension costs	<u>86,535</u>	<u>48,583</u>
	<u>2,769,488</u>	<u>2,435,235</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

7. Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	131,628	137,490
Company pension contributions to defined contribution schemes	11,585	7,238
	<u>143,213</u>	<u>144,728</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021: 2).

8. Taxation

	2022 £	2021 £
Current tax	62,915	21,923
Adjustment in respect of prior years	345	-
Total current tax	<u>63,260</u>	<u>21,923</u>
Deferred tax		
Origination and reversal of timing differences	(9,220)	31,562
Adjustment in respect of prior years	(1,707)	-
Total deferred tax	<u>(10,927)</u>	<u>31,562</u>
Taxation of profit on ordinary activities	<u>52,333</u>	<u>53,485</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before taxation	<u>287,215</u>	<u>446,965</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	54,571	84,923
Effects of:		
Expenses not deductible for tax purposes	110	170
Effect of capital allowances and depreciation	1,227	10,537
Adjustments in respect of prior years	(1,362)	-
Adjust closing deferred tax to average rate of 25%	(2,213)	21,243
Group relief	-	(63,388)
Total tax charge for the year	<u>52,333</u>	<u>53,485</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

8. Taxation (continued)

Factors that may affect future tax charges

There were no factors that may affect future tax charges

9. Dividends

	2022 £	2021 £
Ordinary dividends paid	<u>500,000</u>	<u>750,000</u>

10. Tangible fixed assets

	Leasehold Improvements £	Plant & Machinery £	Motor Vehicles £	Total £
Cost				
At 1 August 2021	437,537	879,266	-	1,316,803
Additions	11,480	72,605	13,800	97,885
Disposals	(13,238)	(105,254)	-	(118,492)
At 31 July 2022	<u>435,781</u>	<u>846,618</u>	<u>13,800</u>	<u>1,296,199</u>
Depreciation				
At 1 August 2021	289,151	492,795	-	781,946
Charge for the year	52,253	97,273	2,875	152,401
Eliminated on disposals	(13,235)	(66,275)	-	(79,510)
At 31 July 2022	<u>328,169</u>	<u>523,793</u>	<u>2,875</u>	<u>854,837</u>
Net book value				
At 31 July 2022	<u>107,612</u>	<u>322,825</u>	<u>10,925</u>	<u>441,362</u>
At 31 July 2021	<u>148,386</u>	<u>386,471</u>	<u>-</u>	<u>534,857</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022

11. Stocks

	2022 £	2021 £
Raw materials	<u>26,157</u>	<u>32,043</u>

£289,862 was expensed to the profit and loss account during the period (2021: £313,735).

12. Debtors

	2022 £	2021 £
Trade debtors	2,102,710	2,061,390
Other debtors	29	-
Prepayments	394,179	420,889
Accrued income	<u>30,736</u>	<u>-</u>
	<u>2,527,654</u>	<u>2,482,279</u>

13. Creditors: Amounts falling due within one year

	2022 £	2021 £
Trade creditors	1,416,484	1,681,325
Amounts owed to group undertakings	345	-
Corporation tax	62,915	21,923
Other taxation and social security	271,438	198,486
Other creditors	1,165	-
Accruals	<u>283,370</u>	<u>274,768</u>
	<u>2,035,717</u>	<u>2,176,502</u>

There is a fixed and floating charge secured over the company's assets in respect of the bank overdraft.

Amounts owed to group undertakings are repayable on demand and do not bear any interest.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

14. Deferred taxation

	Total £
At 1 August 2021	88,511
Credited to Statement of Comprehensive Income	<u>(10,927)</u>
At 31 July 2022	<u>77,584</u>

The deferred taxation balance is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	<u>77,584</u>	<u>88,511</u>

15. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
50 (2021 – 50) Ordinary shares of £1.00 each	<u>50</u>	<u>50</u>

16. Other reserves

	2022 £	2021 £
Capital redemption reserve	<u>50</u>	<u>50</u>

On 16 July 2009, the company purchased 50 of its own £1 ordinary shares. The shares were cancelled on purchase.

17. Profit and loss account

This reserve includes all current and prior year related profits and losses.

18. Contingent liabilities

The company is party to an inter-company guarantee in respect of bank facilities with the following group companies:

- DK Group Investments Limited
- DK Packing and Casemaking Limited
- Mercury Material Management Limited
- Centurion Industrial Packaging Limited
- Lufapak Holdings Limited
- GE Door Manufacturing Limited

No liability is expected to arise under the arrangement, however the total amount of indebtedness guaranteed across the group is £4,903,006.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2022**

19. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £86,535 (2021 - £48,583). Contributions totalling £nil (2021 - £2,355) were payable to the fund at the reporting date and are included within creditors.

20. Commitments under operating leases

At 31 July 2022, the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2022 £	2021 £
Land and buildings		
Not later than 1 year	1,041,013	1,183,002
Later than 1 year and not later than 5 years	3,163,563	3,635,569
Later than 5 years	993,542	1,839,071
	<u>5,198,118</u>	<u>6,657,642</u>
	2022 £	2021 £
Other		
Not later than 1 year	59,301	145,348
Later than 1 year and not later than 5 years	67,469	62,449
Later than 5 years	3,382	-
	<u>130,152</u>	<u>207,797</u>

21. Related party transactions

The Company is a wholly owned subsidiary of DK Group Investments Limited and has taken advantage of the exemption conferred by the Financial Reporting Standard FRS 102 Reduced Disclosure Framework (FRS 102) not to disclose transactions with DK Group Investments Limited or its wholly owned subsidiaries. There are no other related party transactions requiring disclosure.

22. Controlling party

The directors consider that the ultimate parent undertaking of this company and controlling party is DK Group Investments Limited, a company registered in England and Wales. The smallest and largest group of which the Company is a member and for which group accounts are prepared is DK Group Investments Limited. Copies of these accounts are available from the Registered Office, Unit 5, Lawford Heath Industrial Estate Lawford Heath Lane, Rugby, Warwickshire, CV23 9EU.