

Company Registration No. 06670788 (England and Wales)

LEMONGRASS CONSULTING LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022

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LEMONGRASS CONSULTING LIMITED

COMPANY INFORMATION

Directors	M J Provenzano M D Rosenbloom
Secretary	M J Provenzano
Company number	06670788
Registered office	20-22 Queen Victoria Street Reading RG1 1TG
Auditor	RSM UK Audit LLP Chartered Accountants Davidson House Forbury Square Reading Berkshire RG1 3EU

LEMONGRASS CONSULTING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present the strategic report for the year ending 31 December 2022.

Fair review of the business

Lemongrass Consulting Limited is a limited liability company incorporated in England and Wales and is domiciled in England with 8 overseas subsidiaries. The registered office is 20-22 Queen Victoria Street, Reading, RG1 1TG. The company is a wholly owned subsidiary of Lemongrass Holdings, Inc., a US company.

Revenue for the year was £60,165,799 (2021: £40,578,656) and is considered to be the sole key performance indicator for the group. The increase of 48.3% is in line with the business model and shows growth in all territories. Total costs increased as anticipated, representing investment in the infrastructure to support and enable continued rapid growth.

The average headcount for the year to 31 December 2022 was 386 (2021: 304). The ending permanent employee headcount was 467 as at 31 December 2022 (31 December 2021: 336).

The parent company, Lemongrass Holdings, Inc., secured a \$25m Series D Equity Financing Round in December 2021 to continue to drive the business expansion with the additional offering of the Microsoft Azure and Google Cloud hyperscaler platforms to increase the Cloud choice for customers and thereby further increase sales.

The balance sheet reflects the expected position at this stage of the group's development. The infusion of cash from the parent company continues to support sales growth and the associated working capital requirements.

Principal risks and uncertainties

Foreign exchange

The group has investments outside the UK and buys and sells services denominated in currencies other than sterling. As a result, the value of the group's non sterling revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates in general and in the US Dollar in particular.

Credit risk

Trade receivables are monitored and regularly reviewed by leadership which has successfully reduced the inherent risk in this area.

Liquidity risk

Liquidity is seen as a key risk of the business as it is essential to maintain operating cashflows and invest in the growth of the business. The group monitors availability of funds using cash flow forecasts.

Generally, where risks have been perceived, controls have been established to mitigate those risks.

Research and development

Product development and innovation are considered key strategies to the group's competitive position within the marketplace and accordingly the group continues to invest significantly in new products and technologies with a spend of £2,192,424 in 2022 (2021: £1,993,113).

Future developments

The management aim to maintain and implement further initiatives to grow the group with the intention of increasing sales, revenue and gross margin.

LEMONGRASS CONSULTING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Promoting the success of the company

The directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company

The directors of the company have sought to balance the needs of its members with the s.172 matters throughout the year, by ensuring the company's core values are upheld to promote our culture and instil the desired behaviour in our employees. A peer recognition scheme is in place to recognise and reward individuals who live the values well. This is an obsession and one that ensures the company's reputation for high standards of conduct are maintained throughout our engagement with employees, customers and suppliers.

The directors of the company have a duty to promote the success of the company. This is achieved through effective internal and external communications. The company solicits feedback from all its stakeholders and has a rigorous practice in place to resolve any identified shortfalls quickly. We take pride in our transparency and genuine desire to make a difference in the communities within which we operate. The focus provided through our vision and our embracing of CSR combine to make the group a rewarding company to work with and work for.

Employees

The directors of the company encourage a collaborative and supportive environment, and work hard to understand and optimize our employee's experience. We are 100% people focused and invest heavily to provide ongoing team training and personal development.

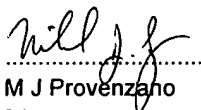
Business relationships

The directors hold in high regard the need to foster the company's business relationships with customers, suppliers and others. We are constantly listening to our customers and partners to enhance and improve their experience.

Environment

Our agenda of sustainability and corporate responsibility is central to our business strategy. Our services accelerate cloud adoption and reduce carbon emissions by eliminating on-premises footprints associated with power/cooling, hardware, and computing. Nearly all of our team work remotely and only travel when absolutely required.

On behalf of the board


.....
M J Provenzano
Director

Date: 4th August 2023

LEMONGRASS CONSULTING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Principal activities

The principal activity of the group and company continued to be that of experts in implementing, migrating, operating, innovating & automating SAP Business Suite and SAP Business One environments on the AWS Cloud.

Results and dividends

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

No ordinary dividends were paid in the current or prior year. The directors do not recommend payment of a further dividend. There are no distributable reserves from which a dividend can be paid.

Directors

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

M J Provenzano

M D Rosenbloom

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Business relationships

The directors have had regard to the need to foster the company and group's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company and group during the financial year. Further detail is outlined in the s.172 statement in the Strategic Report.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Energy and carbon reporting

As the group and company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

LEMONGRASS CONSULTING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments, research and development, and financial risk management.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board


M J Provenzano
Director

Date: 4th August 2023.....

LEMONGRASS CONSULTING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors are responsible for preparing the Strategic Report and 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 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEMONGRASS CONSULTING LIMITED

Opinion

We have audited the financial statements of Lemongrass Consulting Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including 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 group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the 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 group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

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

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and evaluating tax advice reviewed from internal tax advisors.

The group audit engagement team identified the risk of management override of controls and revenue cut-off as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and testing a sample of revenue transactions either side of the year-end to ensure that revenue has been recognised in the correct accounting period.

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

Use of our report

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

Mayulee Pinkerton

Mayulee Pinkerton CA (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Davidson House

Forbury Square

Reading

Berkshire, RG1 3EU

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LEMONGRASS CONSULTING LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	3	60,165,799	40,578,656
Cost of sales		(54,993,909)	(36,397,425)
Gross profit		5,171,890	4,181,231
Administrative expenses		(20,198,710)	(11,539,637)
Other operating income		184,119	-
Operating loss	6	(14,842,701)	(7,358,406)
Interest receivable and similar income	8	75,819	6,523
Interest payable and similar expenses	9	(4,200)	(3,090)
Loss before taxation		(14,771,082)	(7,354,973)
Tax on loss	10	(291,484)	(99,552)
Loss for the financial year		(15,062,566)	(7,454,525)
Other comprehensive income			
Currency translation differences		(751,157)	(582,270)
Total comprehensive income for the year		(15,813,723)	(8,036,795)

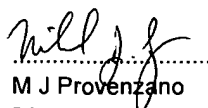
Loss for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

LEMONGRASS CONSULTING LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Notes	2022 £	£	2021 £	£
Current assets					
Debtors	13	16,977,367		12,946,115	
Cash at bank and in hand		8,946,875		2,878,820	
Restricted cash		27,676		-	
		<u>25,951,918</u>		<u>15,824,935</u>	
Creditors: amounts falling due within one year	14	<u>(59,869,963)</u>		<u>(33,929,257)</u>	
Net current liabilities			<u>(33,918,045)</u>		<u>(18,104,322)</u>
Capital and reserves					
Called up share capital	16		1,295		1,295
Share premium account	17		154,470		154,470
Profit and loss reserves	17		<u>(34,073,810)</u>		<u>(18,260,087)</u>
Total equity			<u>(33,918,045)</u>		<u>(18,104,322)</u>

The financial statements were approved by the board of directors and authorised for issue on 4th August 2023 and are signed on its behalf by:

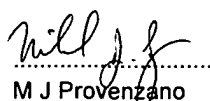

M J Provenzano
Director

LEMONGRASS CONSULTING LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2022**

	Notes	2022 £	£	2021 £	£
Fixed assets					
Investments	11		178,360		178,360
Current assets					
Debtors	13	20,794,990		14,790,996	
Cash at bank and in hand		1,846,775		2,184,454	
		<u>22,641,765</u>		<u>16,975,450</u>	
Creditors: amounts falling due within one year	14	<u>(55,914,650)</u>		<u>(34,904,163)</u>	
Net current liabilities			<u>(33,272,885)</u>		<u>(17,928,713)</u>
Total assets less current liabilities			<u>(33,094,525)</u>		<u>(17,750,353)</u>
Capital and reserves					
Called up share capital	16		1,295		1,295
Share premium account	17		154,470		154,470
Profit and loss reserves	17		<u>(33,250,290)</u>		<u>(17,906,118)</u>
Total equity			<u>(33,094,525)</u>		<u>(17,750,353)</u>

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income and related notes as it prepares group financial statements. The company's loss for the year was £15,344,172 (2021: £7,563,222).

The financial statements were approved by the board of directors and authorised for issue on ...4th August 2023... and are signed on its behalf by:


 M J Provenzano
 Director

LEMONGRASS CONSULTING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2021	1,295	154,470	(10,223,292)	(10,067,527)
Year ended 31 December 2021:				
Loss for the year	-	-	(7,454,525)	(7,454,525)
Other comprehensive income:				
Currency translation differences	-	-	(582,270)	(582,270)
Total comprehensive income for the year	-	-	(8,036,795)	(8,036,795)
Balance at 31 December 2021	1,295	154,470	(18,260,087)	(18,104,322)
Year ended 31 December 2022:				
Loss for the year	-	-	(15,062,566)	(15,062,566)
Other comprehensive income:				
Currency translation differences	-	-	(751,157)	(751,157)
Total comprehensive income for the year	-	-	(15,813,723)	(15,813,723)
Balance at 31 December 2022	1,295	154,470	(34,073,810)	(33,918,045)

LEMONGRASS CONSULTING LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2021	1,295	154,470	(10,342,896)	(10,187,131)
Year ended 31 December 2021:				
Loss and total comprehensive income for the year	-	-	(7,563,222)	(7,563,222)
Balance at 31 December 2021	1,295	154,470	(17,906,118)	(17,750,353)
Year ended 31 December 2022:				
Loss and total comprehensive income for the year	-	-	(15,344,172)	(15,344,172)
Balance at 31 December 2022	1,295	154,470	(33,250,290)	(33,094,525)

LEMONGRASS CONSULTING LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	18	6,987,429		(753,797)	
Interest paid		(4,200)		(3,090)	
Income taxes paid		(212,160)		(130,344)	
Net cash inflow/(outflow) from operating activities		6,771,069		(887,231)	
Investing activities					
Interest received		75,819		6,523	
Net cash generated from investing activities		75,819		6,523	
Net increase/(decrease) in cash and cash equivalents		6,846,888		(880,708)	
Cash and cash equivalents at beginning of year		2,878,820		4,341,798	
Effect of foreign exchange rates		(751,157)		(582,270)	
Cash and cash equivalents at end of year		8,974,551		2,878,820	
Comprising of:					
Unrestricted cash		8,946,875		2,878,820	
Restricted cash		27,676		-	
Cash and cash equivalents at end of year		8,974,551		2,878,820	

LEMONGRASS CONSULTING LIMITED

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

1 Accounting policies

Company information

Lemongrass Consulting Limited ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 20-22 Queen Victoria Street, Reading, RG1 1TG.

The group consists of Lemongrass Consulting Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of Lemongrass Consulting Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 December 2022, unless specified otherwise. Lemongrass Product Development Limited India Private Limited prepares financial statements made up to 31 March, Lemongrass Consulting Pty Ltd prepares to 30 June, and Lemongrass Consulting (Pty) Ltd, Lemongrass Consulting SDN BHD, and Lemongrass Consulting Philippines Inc all prepare to 31 August. For consolidation purposes, all trial balances are prepared to 31 December. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

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

LEMONGRASS CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Going concern

The financial statements have been prepared on a going concern basis as the parent company has provided written confirmation of its willingness to provide continued financial support to the company and its group for the foreseeable future.

The foreseeable future is considered to be a period of 12 months from the approval of these financial statements. In making this consideration, the directors have considered the ability of the parent company to provide this support for a period of 12 months of approving these financial statements. Given the financial position of the parent company and the cash and resources available to the worldwide Lemongrass Group, the directors have considered that this support can be provided.

As such, they have prepared these financial statements on a going concern basis.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Research and development

Research expenditure is written off against profits in the year in which it is incurred.

Fixed asset investments

In the separate financial statements of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks.

Restricted cash

Restricted cash amounts are held in escrow which are administered in accordance with the terms of the bank account. These have been presented separately from cash and cash equivalents.

LEMONGRASS CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Financial instruments

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

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings, and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

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

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

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, and amounts owed to 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.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs.

LEMONGRASS CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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

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

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

LEMONGRASS CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Recoverability of intercompany balance (company only)

Estimates are made relating to the recoverability of intercompany debtor balances to reflect unrecoverable amounts due to known defaults and defaults incurred but not reported at the year end. The directors consider the solvency and future trading forecasts of subsidiaries to determine whether the group company balances are impaired. The directors have assessed that no provision against intercompany balances outstanding at the reporting date is required.

Bad debt provision

Estimates are made relating to the recoverability of debtor balances to reflect unrecoverable amounts due to customers who are known to be in financial difficulty and from whom payment was overdue. The directors have assessed that a provision of £537,498 (2021: £395,169) against group debtor balances outstanding at the reporting date is required.

Impairment of investments in subsidiaries (company only)

The recoverable amount of investments is based on future cash flows for the individual investments. In determining whether any impairment is required, management makes a number of estimates in respect of future cash flows and future earnings growth. Following their assessment and review, the directors have determined no impairment is necessary.

LEMONGRASS CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 Turnover

	2022 £	2021 £
Turnover analysed by class of business		
Services revenue	60,165,799	40,578,656
	<u>60,165,799</u>	<u>40,578,656</u>
	2022 £	2021 £
Turnover analysed by geographical market		
United Kingdom	11,502,776	8,462,670
Europe	10,374,071	6,255,612
USA and Canada	15,530,995	12,809,361
Rest of the World	22,757,957	13,051,013
	<u>60,165,799</u>	<u>40,578,656</u>

4 Employees

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

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Sales	23	28	12	8
Delivery	278	194	40	34
Products	52	43	21	18
Delivery Operations	7	8	4	4
Marketing	2	4	2	1
Corporate	-	5	-	1
Finance	11	12	11	11
IT	4	2	-	-
HR	9	8	4	2
Total	<u>386</u>	<u>304</u>	<u>94</u>	<u>79</u>

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	21,853,269	16,666,138	9,773,020	8,316,026
Social security costs	1,703,871	1,397,136	1,249,222	1,024,926
Pension costs	382,151	328,936	107,586	93,884
	<u>23,939,291</u>	<u>18,392,210</u>	<u>11,129,828</u>	<u>9,434,836</u>

LEMONGRASS CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

5 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	822,715	606,872

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022 £	2021 £
Remuneration for qualifying services	412,058	304,172

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2021: 0).

6 Operating loss

	2022 £	2021 £
Operating loss for the year is stated after charging:		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	4,687,144	140,571
Research and development costs	2,192,424	1,993,113
Amortisation of intangible assets	-	88,675
Operating lease charges	28,320	27,651

The amortisation of intangible assets is included within cost of sales.

7 Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	65,000	40,000
Audit of the financial statements of the company's subsidiaries	13,500	10,000
	78,500	50,000
For other services		
Taxation compliance services	4,160	3,950
All other non-audit services	11,185	9,350
	15,345	13,300

LEMONGRASS CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

8 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	75,819	6,523

9 Interest payable and similar expenses

	2022 £	2021 £
Other interest	4,200	3,090

10 Taxation

	2022 £	2021 £
Current tax		
Adjustments in respect of prior periods	(29,360)	-
Foreign current tax on profits for the current period	320,844	99,552
Total current tax	291,484	99,552

The total tax charge for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2022 £	2021 £
Loss before taxation	(14,771,082)	(7,354,973)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(2,806,506)	(1,397,445)
Tax effect of expenses that are not deductible in determining taxable profit	427,949	30,909
Tax effect of income not taxable in determining taxable profit	(166,900)	-
Change in unrecognised deferred tax assets	2,891,082	1,403,769
Adjustments in respect of prior years	(29,340)	-
Other permanent differences	-	(32,459)
Effect of overseas tax rates	9,255	(4,774)
Foreign exchange differences	(142,720)	99,552
Foreign tax credits	108,664	-
Taxation charge	291,484	99,552

LEMONGRASS CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

10 Taxation (Continued)

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

A deferred tax asset of £8,332,461 (2021: £4,551,767) in respect of tax losses has not been recognised due to uncertainty that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

11 Fixed asset investments

	Notes	Company 2022 £	2021 £
Investments in subsidiaries	12	178,360	178,360
Movements in fixed asset investments			
Company			Shares in group undertakings £
Cost			
At 1 January 2022 and 31 December 2022			178,360
Carrying amount			
At 31 December 2022			178,360
At 31 December 2021			178,360

LEMONGRASS CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
Lemongrass Consulting (Pty) Ltd	a)	IT consultancy	Ordinary	100.00
Lemongrass Bilisim Danismanlik ve Yazilim Limited Sirketi	b)	IT consultancy	Ordinary	100.00
Lemongrass Consulting SDN BHD	c)	IT consultancy	Ordinary	100.00
Lemongrass Consulting NL BV	d)	IT consultancy	Ordinary	100.00
Lemongrass Consulting Pty Ltd	e)	IT consultancy	Ordinary	100.00
Lemongrass Product Development India Private Limited	f)	IT consultancy	Ordinary	100.00
Lemongrass Consulting Philippines Inc	g)	IT consultancy	Ordinary	100.00
Lemongrass Consulting GmbH	h)	IT consultancy	Ordinary	100.00

Registered office addresses:

- a) PO Box 36614, Menlo Park, Pretoria, Gauteng 0102, South Africa
- b) Kosuyolu Cad. Cenap Sahabettin Sok. Sk.No: 78 Postakodu:34718 Kadikoy, Istanbul
- c) Jalan Tuanka Abdul, Unit NO. 2001, Level 20, Menara Centara NO.360, Rahman 50100, Kuala Lumpur, Malaysia
- d) Markt 19, 6071 JD, Swalmen, Netherlands
- e) 14 Ivy St, Hampton 3188, Australia
- f) 302, 3rd Floor, SMR Vinay Estate, 560043 Bengaluru, India
- g) 5th Street, 1634 Taguig City, Metro Manila, Philippines
- h) Friedrich-Ebert-Straße 65, 53177 Bonn, Germany

13 Debtors

	Group 2022	2021	Company 2022	2021
Amounts falling due within one year:	£	£	£	£
Trade debtors	10,381,797	8,509,699	5,627,988	4,924,053
Corporation tax recoverable	777,116	423,040	606,227	392,248
Amounts owed by group undertakings	-	-	10,526,288	6,862,408
Other debtors	851,575	502,116	840,226	502,749
Prepayments and accrued income	4,966,879	3,511,260	3,194,261	2,109,538
	<u>16,977,367</u>	<u>12,946,115</u>	<u>20,794,990</u>	<u>14,790,996</u>

Included in group and company trade debtors is a provision against bad debt of £537,498 (2021: £395,169).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

LEMONGRASS CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

14 Creditors: amounts falling due within one year

	Group 2022 £	2021 £	Company 2022 £	2021 £
Trade creditors	7,326,807	1,704,034	4,609,407	1,796,500
Amounts owed to group undertakings	44,335,729	25,872,278	45,765,931	28,699,518
Other taxation and social security	993,890	804,938	463,340	274,359
Other creditors	30,019	170,765	7,704	163,198
Accruals and deferred income	7,183,518	5,377,242	5,068,268	3,970,588
	<u>59,869,963</u>	<u>33,929,257</u>	<u>55,914,650</u>	<u>34,904,163</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

15 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>382,151</u>	<u>328,936</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

At the reporting date, there were no accrued pension contributions outstanding (2021: £nil).

16 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	<u>1,295</u>	<u>1,295</u>	<u>1,295</u>	<u>1,295</u>

All share have equal voting rights, dividend rights, and rights in respect of capital and distributions, including on winding up.

17 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

LEMONGRASS CONSULTING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

18 Cash generated from/(absorbed by) group operations

	2022 £	2021 £
Loss for the year after tax	(15,062,566)	(7,454,525)
Adjustments for:		
Taxation charged	291,484	99,552
Finance costs	4,200	3,090
Investment income	(75,819)	(6,523)
Amortisation and impairment of intangible assets	-	88,675
Movements in working capital:		
Increase in debtors	(4,110,576)	(3,035,755)
Increase in creditors	25,940,706	9,551,689
Cash generated from/(absorbed by) operations	6,987,429	(753,797)

19 Analysis of changes in net funds - group

	1 January 2022 £	Cash flows £	Exchange rate movements £	31 December 2022 £
Cash at bank and in hand	2,878,820	6,846,888	(751,157)	8,974,551

20 Financial commitments, guarantees and contingent liabilities

As at the reporting date, the company was listed as co-borrower on a loan and security agreement along with Lemongrass Holdings, Inc. and Lemongrass Consulting (US), Inc. The security agreement includes fixed and floating charges secured over the assets of the company in respect of borrowings held in the parent companies.

21 Controlling party

The immediate and ultimate parent company is Lemongrass Holdings Inc., incorporated in Delaware, United States of America. The registered office of Lemongrass Holdings Inc., is 251 Little Falls Drive, Wilmington DE 18090. Lemongrass Holdings Inc., is the largest group for which consolidated financial statements including Lemongrass Consulting Limited are prepared.

These financial statements are the smallest group for which consolidated financial statements are prepared.

The directors consider there to be no controlling party.