

Company registration number 09119960 (England and Wales)

**THE LOVELY DISTRIBUTION COMPANY LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2022**

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## COMPANY INFORMATION

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<b>Director</b>	Mr A Frenkel
<b>Company number</b>	09119960
<b>Registered office</b>	Unit 3 Woking8 Forsyth Road WOKING GU21 5SB
<b>Auditor</b>	Lopian Gross Barnett & Co 1st Floor Cloister House Riverside, New Bailey Street Manchester M3 5FS
<b>Business address</b>	Unit 3 Woking8 Forsyth Road WOKING GU21 5SB

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# THE LOVELY DISTRIBUTION COMPANY LIMITED

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# THE LOVELY DISTRIBUTION COMPANY LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 JULY 2022**

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The director presents the strategic report for the year ended 31 July 2022.

### **Fair review of the business**

The company continues to supply goods to retailers and wholesalers and also continues developing its own brands.

The director is satisfied with the results, following turnover increasing by 23.19% in the year. This increase has been supported by a 1.33% increase in gross profit margin.

The director continues to maintain trading activity and seek new opportunities.

### **Principal risks and uncertainties**

The company's principal financial risks comprise the management of its banking facilities, trade creditors, trade debtors, loans to the company and finance leases.

### **Key performance indicators**

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect to see increased profits in the foreseeable future.

### **Other performance indicators**

The key financial highlights are as follows:-

			<b>2022</b>	<b>2021</b>
			<b>£</b>	<b>£</b>
Turnover	12,292,381	9,978,007		
Gross profit	23.95%	22.62%		
Return on capital employed		41.89%	50.35%	

On behalf of the board

Mr A Frenkel

**Director**

19 April 2023

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## DIRECTOR'S REPORT

**FOR THE YEAR ENDED 31 JULY 2022**

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The director presents his annual report and financial statements for the year ended 31 July 2022.

### **Principal activities**

The company's principal activity during the year continued to that of the wholesale of perfumery goods and accessories.

### **Results and dividends**

The results for the year are set out on page 8.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

### **Director**

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

Mr A Frenkel

### **Financial instruments**

#### ***Liquidity risk***

In respect of bank facility liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of invoice financing and trade line for payments to suppliers.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

#### ***Interest rate risk***

In respect of loans from trading partners and directors, no interest is charged and repayment is postponed to benefit cash flow where appropriate.

#### ***Foreign currency risk***

Foreign currency risk is considered to be limited to foreign contracts. This is managed by using forward contracts and option contracts to limit the effects of movements in exchange rates on contract prices and on cash flow.

#### ***Credit risk***

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring, through a dedicated credit controller of amounts outstanding for both time and credit limits, and for many customers credit insurance.

#### ***Other risk***

The directors consider that the principal risks for the company, other than financial, are those of protection of the company's assets when in transit and retention of staff as much of the business arises from personal relationships regarding procurement and sales.

Assets are protected by ensuring that insurance cover is adequate, warehouse security is continually updated to limit the potential risk of theft or robbery and systems have been put in place to minimise the risk by requiring all deliveries to be checked on receipt and monitoring entry onto site and to the warehouse.

### **Auditor**

The auditor, Lopian Gross Barnett & Co, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## DIRECTOR'S REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 JULY 2022*

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### **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, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr A Frenkel  
**Director**

19 April 2023

# **THE LOVELY DISTRIBUTION COMPANY LIMITED**

## **DIRECTOR'S RESPONSIBILITIES STATEMENT**

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

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The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is 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.

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF THE LOVELY DISTRIBUTION COMPANY LIMITED

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#### Opinion

We have audited the financial statements of The Lovely Distribution Company Limited (the 'company') for the year ended 31 July 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies.

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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's 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 director 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 director is 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.



# THE LOVELY DISTRIBUTION COMPANY LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF THE LOVELY DISTRIBUTION COMPANY LIMITED

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#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the director's 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of director**

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF THE LOVELY DISTRIBUTION COMPANY LIMITED

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- We obtained an understanding of laws and regulations that affect the entity, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations.
- Where considered necessary we enquired of those charged with governance, reviewed correspondence and reviewed meeting minutes for evidence of non-compliance with relevant laws and regulations.
- We gained an understanding of the controls environment which includes the controls in place to prevent and detect fraud. We enquired of those charged with governance about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations was discussed within the audit team and tests were planned and performed to address these risks.
- We reviewed financial statements disclosures to assess compliance with relevant laws and regulations.
- We enquired of those charged with governance about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations. A more detailed description of our responsibilities is available 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. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to him 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.

**Jonathan Brodie FCA**  
**Senior Statutory Auditor**  
**For and on behalf of Lopian Gross Barnett & Co**

15 May 2023

**Chartered Accountants**  
**Statutory Auditor**

1st Floor Cloister House  
Riverside, New Bailey Street  
Manchester  
M3 5FS

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2022

	Notes	2022 £	2021 £
<b>Turnover</b>	<b>3</b>	12,292,381	9,978,007
Cost of sales		(9,348,799)	(7,720,781)
<b>Gross profit</b>		2,943,582	2,257,226
Distribution costs		(403,129)	(264,492)
Administrative expenses		(4,104,212)	(1,504,318)
<b>Operating (loss)/profit</b>	<b>4</b>	(1,563,759)	488,416
Interest receivable and similar income	<b>6</b>	2,309	-
<b>(Loss)/profit before taxation</b>		(1,561,450)	488,416
Tax on (loss)/profit	<b>7</b>	285,889	(84,175)
<b>(Loss)/profit for the financial year</b>		(1,275,561)	404,241

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 JULY 2022*

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	2022 £	2021 £
(Loss)/profit for the year	(1,275,561)	404,241
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(1,275,561)</u>	<u>404,241</u>

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## BALANCE SHEET

AS AT 31 JULY 2022

		2022		2021	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9	-		46,552	
Investments	10	230		230	
			230		46,782
<b>Current assets</b>					
Stocks	12	3,800,166		2,422,887	
Debtors	13	3,589,373		5,772,330	
Cash at bank and in hand		4,980		11,199	
		7,394,519		8,206,416	
<b>Creditors: amounts falling due within one year</b>	14	(7,867,507)		(7,420,395)	
<b>Net current (liabilities)/assets</b>			(472,988)		786,021
<b>Total assets less current liabilities</b>			(472,758)		832,803
<b>Creditors: amounts falling due after more than one year</b>	15	-		(30,000)	
<b>Net (liabilities)/assets</b>			(472,758)		802,803
<b>Capital and reserves</b>					
Called up share capital	18	200		200	
Profit and loss reserves		(472,958)		802,603	
<b>Total equity</b>			(472,758)		802,803

The financial statements were approved and signed by the director and authorised for issue on 19 April 2023

Mr A Frenkel  
Director

Company Registration No. 09119960

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2022

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
<b>Balance at 1 August 2020</b>		200	665,362	665,562
<b>Year ended 31 July 2021:</b>				
Profit and total comprehensive income for the year		-	404,241	404,241
Dividends	8	-	(267,000)	(267,000)
<b>Balance at 31 July 2021</b>		200	802,603	802,803
<b>Year ended 31 July 2022:</b>				
Loss and total comprehensive income for the year		-	(1,275,561)	(1,275,561)
<b>Balance at 31 July 2022</b>		200	(472,958)	(472,758)

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2022

		2022		2021	
	Notes	£	£	£	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	21	66,790		198,847	
Income taxes refunded/(paid)		483,404		(288,442)	
<b>Net cash inflow/(outflow) from operating activities</b>		550,194		(89,595)	
<b>Investing activities</b>					
Purchase of tangible fixed assets		-	(50,600)		
Proceeds from disposal of tangible fixed assets		48,396	-		
Repayment of loans		(565,868)	243,053		
Interest received		2,309	-		
<b>Net cash (used in)/generated from investing activities</b>		(515,163)		192,453	
<b>Financing activities</b>					
Payment of finance leases obligations		(41,250)	41,250		
Dividends paid		-	(267,000)		
<b>Net cash used in financing activities</b>		(41,250)		(225,750)	
<b>Net decrease in cash and cash equivalents</b>		(6,219)		(122,892)	
Cash and cash equivalents at beginning of year		11,199		134,091	
<b>Cash and cash equivalents at end of year</b>		4,980		11,199	

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 JULY 2022**

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### **1 Accounting policies**

#### **Company information**

The Lovely Distribution Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 3, Woking8, Forsyth Road, WOKING, GU21 5SB.

#### **1.1 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 £.

#### **1.2 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for goods and 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 the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **1.3 Tangible fixed assets**

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

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

Motor vehicles	25% straight line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### **1.4 Fixed asset investments**

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

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

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

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



# THE LOVELY DISTRIBUTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 1 Accounting policies

(Continued)

#### 1.5 Impairment of fixed assets

At each reporting period end date, the company 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.6 Stocks

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

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.7 Cash and cash equivalents

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

#### 1.8 Financial instruments

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

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

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

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 1 Accounting policies

(Continued)

#### **Basic financial assets**

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

#### **Other financial assets**

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

#### **Impairment of financial assets**

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

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

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

#### **Derecognition of financial assets**

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

#### **Classification of financial liabilities**

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

#### **Basic financial liabilities**

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

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

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

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 1 Accounting policies

(Continued)

#### **Other financial liabilities**

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

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

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

### 1.9 Equity instruments

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

### 1.10 Taxation

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

#### **Current tax**

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

#### **Deferred tax**

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

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

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 1 Accounting policies

(Continued)

#### 1.11 Employee benefits

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

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

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

#### 1.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### 1.13 Foreign exchange

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

### 2 Judgements and key sources of estimation uncertainty

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

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

### 3 Turnover and other revenue

	2022	2021
	£	£
<b>Turnover analysed by class of business</b>		
Derived from principal business activity	12,292,381	9,978,007
	<u>12,292,381</u>	<u>9,978,007</u>
	2022	2021
	£	£
<b>Turnover analysed by geographical market</b>		
UK	12,268,418	9,957,410
Overseas	23,963	20,597
	<u>12,292,381</u>	<u>9,978,007</u>

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 3 Turnover and other revenue (Continued)

	2022	2021
	£	£
<b>Other revenue</b>		
Interest income	2,309	-
	<u>2,309</u>	<u>-</u>

### 4 Operating (loss)/profit

	2022	2021
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	12,000	12,000
Depreciation of tangible fixed assets held under finance leases	6,072	4,048
Profit on disposal of tangible fixed assets	(7,916)	-
	<u>10,156</u>	<u>16,048</u>

### 5 Employees

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

	2022	2021
	Number	Number
Directors	1	1
Administrative staff	3	2
	<u>4</u>	<u>3</u>

	2022	2021
	£	£
Wages and salaries	287,869	204,931
Social security costs	37,496	32,050
	<u>325,365</u>	<u>236,981</u>

### 6 Interest receivable and similar income

	2022	2021
	£	£
<b>Interest income</b>		
Other interest income	2,309	-
	<u>2,309</u>	<u>-</u>

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 7 Taxation

	2022 £	2021 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	84,175
	<u>          </u>	<u>          </u>
<b>Deferred tax</b>		
Tax losses carried forward	(285,889)	-
	<u>          </u>	<u>          </u>
Total tax (credit)/charge	<u>(285,889)</u>	<u>84,175</u>

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

	2022 £	2021 £
(Loss)/profit before taxation	(1,561,450)	488,416
	<u>          </u>	<u>          </u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(296,676)	92,799
Tax effect of expenses that are not deductible in determining taxable profit	438	220
Permanent capital allowances in excess of depreciation	10,349	(8,844)
	<u>          </u>	<u>          </u>
Taxation (credit)/charge for the year	<u>(285,889)</u>	<u>84,175</u>

### 8 Dividends

	2022 £	2021 £
Interim paid	-	267,000
	<u>          </u>	<u>          </u>

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 9 Tangible fixed assets

	Motor vehicles
	£
<b>Cost</b>	
At 1 August 2021	50,600
Disposals	(50,600)
	<hr/>
At 31 July 2022	-
	<hr/>
<b>Depreciation and impairment</b>	
At 1 August 2021	4,048
Depreciation charged in the year	6,072
Eliminated in respect of disposals	(10,120)
	<hr/>
At 31 July 2022	-
	<hr/>
<b>Carrying amount</b>	
At 31 July 2022	-
	<hr/>
At 31 July 2021	46,552
	<hr/>

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2022	2021
	£	£
Motor vehicles	-	46,552
	<hr/>	<hr/>

### 10 Fixed asset investments

	Notes	2022	2021
		£	£
Investments in associates	11	230	230
		<hr/>	<hr/>

### 11 Associates

Details of the company's associates at 31 July 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Richsense Limited	England & Wales	Ordinary A and C	42.85
The Bespoke Beauty Company Ltd	England & Wales	Ordinary	46.25

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 12 Stocks

	2022 £	2021 £
Finished goods and goods for resale	3,800,166	2,422,887

### 13 Debtors

	2022 £	2021 £
<b>Amounts falling due within one year:</b>		
Trade debtors	1,149,560	573,027
Corporation tax recoverable	-	483,404
Other debtors	2,153,924	4,715,899
	3,303,484	5,772,330

	2022 £	2021 £
<b>Amounts falling due after more than one year:</b>		
Deferred tax asset (note 17)	285,889	-
<b>Total debtors</b>	3,589,373	5,772,330

### 14 Creditors: amounts falling due within one year

	Notes	2022 £	2021 £
Obligations under finance leases	16	-	11,250
Trade creditors		4,754,424	4,977,028
Corporation tax		84,175	84,175
Other taxation and social security		377,947	360,782
Other creditors		1,691,292	1,717,075
Accruals and deferred income		959,669	270,085
		7,867,507	7,420,395

### 15 Creditors: amounts falling due after more than one year

	Notes	2022 £	2021 £
Obligations under finance leases	16	-	30,000



# THE LOVELY DISTRIBUTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 16 Finance lease obligations

	2022 £	2021 £
Future minimum lease payments due under finance leases:		
Within one year	-	11,250
In two to five years	-	30,000
	<u>-</u>	<u>41,250</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. No restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The lease was settled in the year, in advance of the agreement settlement date.

### 17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2022 £	Assets 2021 £
<b>Balances:</b>		
Tax losses	285,889	-
	<u>285,889</u>	<u>-</u>
<b>Movements in the year:</b>		2022 £
Liability at 1 August 2021		-
Credit to profit or loss		(285,889)
Asset at 31 July 2022		<u>(285,889)</u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits.

### 18 Share capital

	2022 Number	2021 Number	2022 £	2021 £
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary A shares of £1 each	85	85	85	85
Ordinary B shares of £1 each	85	85	85	85
Ordinary C shares of £1 each	30	30	30	30
	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

On 21 November 2022 the company entered into an agreement to purchase the 30 shares held by the 'C' Shareholder by way of a share buy back.

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 19 Related party transactions

The turnover figure includes goods to the value of £12,187,549 (2021 - £9,943,683) relating to transactions with CRM Trading Limited, a company in which Mr A Frenkel is a shareholder.

The company incurred management and administrative services from CRM Trading Limited to the value of £360,000 (2021 - £418,304) during the period. There were also expenses paid for by CRM Trading Limited on behalf of the company, these amounts were not material.

At the balance sheet date the company owed £3,261,800 (2021 - £4,519,424) to CRM Trading Limited.

During the year the company has made payments to, and on behalf of Flawless Distribution LP, a connected entity incorporated in the USA. This entity is not under common control.

At the balance sheet date the company was owed £2,681,866 (2021: £2,104,358) from Flawless Distribution LP.

During the year the company has made payments to, and on behalf of Richsense Limited, a connected company. This entity is not under common control.

At the balance sheet date the company was owed £1,191,889 (2021: £2,610,933) from Richsense Limited.

### 20 Directors' transactions

Dividends totalling £0 (2021 - £0) were paid in the year in respect of shares held by the company's directors.

The shareholder's loan of £87,000 was repaid in full on 23 November 2022.

The director's loan of £478,868 was repaid in full on 23 March 2023.

Advances or credits have been granted by the company to its directors as follows:

Description	% Rate	Opening balance £	Amounts advanced £	Closing balance £
Shareholder's loan	-	-	87,000	87,000
Director's loan	-	(3,935)	482,803	478,868
		(3,935)	569,803	565,868

# THE LOVELY DISTRIBUTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2022

### 21 Cash generated from operations

	2022 £	2021 £
(Loss)/profit for the year after tax	(1,275,561)	404,241
<b>Adjustments for:</b>		
Taxation (credited)/charged	(285,889)	84,175
Investment income	(2,309)	-
Gain on disposal of tangible fixed assets	(7,916)	-
Depreciation and impairment of tangible fixed assets	6,072	4,048
<b>Movements in working capital:</b>		
Increase in stocks	(1,377,279)	(178,346)
Decrease/(increase) in debtors	2,551,310	(1,022,406)
Increase in creditors	458,362	907,135
<b>Cash generated from operations</b>	<b>66,790</b>	<b>198,847</b>

### 22 Analysis of changes in net funds/(debt)

	1 August 2021 £	Cash flows £	31 July 2022 £
Cash at bank and in hand	11,199	(6,219)	4,980
Obligations under finance leases	(41,250)	41,250	-
	<u>(30,051)</u>	<u>35,031</u>	<u>4,980</u>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.