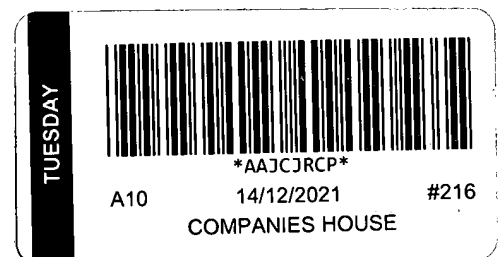


COMPANY REGISTRATION NUMBER: 01895837

Lil Packaging Ltd
Financial Statements
For the year ended
31 March 2021



Lil Packaging Ltd

Financial Statements

Year ended 31 March 2021

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Lil Packaging Ltd

Officers and Professional Advisers

THE BOARD OF DIRECTORS

R S Lill
J Lill
B R Lill
F J Lill

COMPANY SECRETARY

J Lill

REGISTERED OFFICE

9 Glebe Road
Huntingdon
Cambridgeshire
PE29 7DB

AUDITOR

Streets Audit LLP
Chartered accountants & statutory auditor
3 Wellbrook Court
Girton
Cambridge
CB3 0NA

Lil Packaging Ltd

Strategic Report

Year ended 31 March 2021

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and non complex nature of our business and is written in the context of the risks and uncertainties we face.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity during the year continued to be that of printed packaging manufacturer to the ecommerce sector.

The financial results for the year ended 31 March 2021 have shown an increase in turnover and an increase in profit margins; the company has returned a profit during the year.

Turnover has increased by 25.95% through continued expansion of our customer base within the ecommerce sector combined with continued investment in new products. The gross profit margin has increased from 21.3% in the prior year to 24.8%, which is in line with our expectations.

The key performance indicators of the business tend to be those that reflect the financial performance as a whole, as outlined below:

	2021 £'000	2020 £'000
Turnover	17,867	14,186
Gross profit	4,422	3,017
Operating profit before asset disposals	1,485	642
Loss on disposal of fixed assets	60	183
Operating profit before interest and tax	1,425	459
Net profit before tax	1,359	365
Net assets	4,287	3,241

The board believe that given the straightforward nature of the business no further KPI analysis is required to understand the development, performance and position of the company.

Throughout 2020 and 2021 the company has made significant investments in new equipment to enable a COVID safe working environment and to increase capacity and performance. The company replaced its uninsulated roof with a modern insulated roof to reduce CO2 emissions and costs. In 2021 the company also committed to the purchase of a nearby 75,000sqft factory to allow for the continued growth required by our customers. As such the company is well placed to continue to provide both new and existing customers with an efficient, premium level of service.

Lil Packaging Ltd

Strategic Report *(continued)*

Year ended 31 March 2021

RISK MANAGEMENT OBJECTIVES AND POLICIES

Business Risk

The company operates within the printing and packaging industry, which means its activities are exposed to the economic climate across a variety of business sectors to which sales of goods and work done on manufactured goods are provided. Whilst this is a risk, the directors recognise it also provides an element of business protection where downturns are sector specific.

The nature of the work carried out by the business gives rise to a large proportion of fixed cost expenditure, therefore maintaining activity is of prime importance.

Interest Rate Risk

The business considers the level of risk exposure on all debt transactions and takes necessary steps to reduce risk to an acceptable level. For significant obligations the company seeks to arrange fixed rate finance where possible in order to mitigate interest rate risk.

Exchange Rate Risk

The company's trading activities require certain products to be purchased and sold in foreign currency as opposed to Sterling, giving rise to exchange rate risk. The company operates a foreign currency bank account to give short term control over exchange rate risk. The company also considers the use of forward contracts and forward options to reduce risk to an acceptable level.

Credit Risk and Liquidity Risk

The company has policies in place to ensure transactions are entered into only with parties that are of acceptable credit quality. The company ensures that there are adequate funds available through credit facilities to meet the operational requirements of the business.

Strategy

Supplying the ecommerce industry means we experience seasonal demand and as such we increase our stock levels in the low seasons to smooth out the demand in manufacturing. As a result of the capital investment and expansion of the brand we are highly confident of an increase in both turnover and profit for the next financial year, this is after considering the future impact of COVID-19 on the business which we believe will be minimal as the ecommerce industry continues to thrive. We will continue to closely monitor our customers financial situation with the aim to minimise bad debts.

Future Developments

The directors are forever mindful of the impact that we have made on the environment so have signed the Climate Pledge to be Net Zero carbon by 2040. The investments being made into our new site are all based on the company being Net Zero much sooner than this.


Lil Packaging are heavily driven to become the world's first ZERO-CARBON PACKAGING manufacturer from 1st Feb 2022 by eradicating all GHG emissions from scopes 1 & 2 whilst offsetting its entire scope 3 supply chain. The Directors agree to ongoing collaboration with all stakeholders to achieve a 90-95% reduction in scope 3 emissions by 2040 (compared to the 2020 baseline).

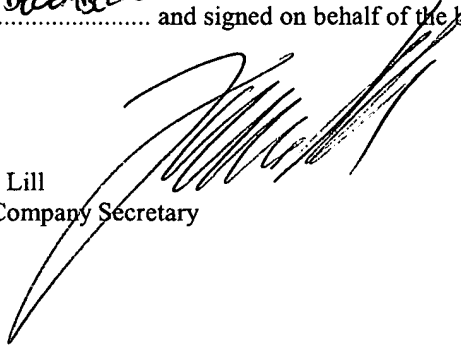
Lil Packaging Ltd

Strategic Report (continued)

Year ended 31 March 2021

This report was approved by the board of directors on ^{8th December 2021} and signed on behalf of the board by:


B R Lill
Director


J Lill
Company Secretary

Lil Packaging Ltd

Directors' Report

Year ended 31 March 2021

The directors present their report and the financial statements of the company for the year ended 31 March 2021.

Directors

The directors who served the company during the year were as follows:

R S Lill
J Lill
B R Lill
F J Lill

Dividends

Particulars of recommended dividends are detailed in note 11 to the financial statements.

Disclosure of information in the strategic report

Information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the Strategic Report.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 company and the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Lil Packaging Ltd

Directors' Report *(continued)*

Year ended 31 March 2021

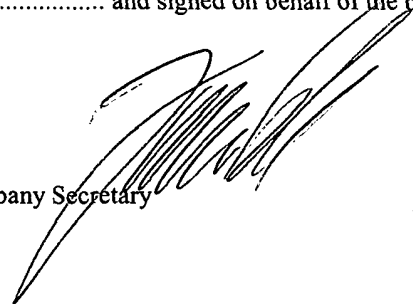
Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 8th December 2021 and signed on behalf of the board by:


B R Lill
Director


J Lill
Company Secretary

Lil Packaging Ltd

Independent Auditor's Report to the Members of Lil Packaging Ltd

Year ended 31 March 2021

Qualified opinion

We have audited the financial statements of Lil Packaging Ltd (the 'company') for the year ended 31 March 2021 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit 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 qualified opinion

Due to the extenuating circumstances being experienced as a result of COVID-19 we did not observe the counting of physical inventories at the prior year end of 31 March 2020. We were unable to satisfy ourselves by alternative means concerning the stock quantities held at 31 March 2020, which are included in the balance sheet at £648,444 with a further £431,324 of amounts recoverable on contract included within trade debtors, by using other audit procedures. Consequently we were unable to determine whether any adjustments to these amounts were necessary. In addition, were any adjustments to the inventory balance to be required, the strategic report would also need to be amended.

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 qualified opinion.

Conclusions relating to going concern

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

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

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

Lil Packaging Ltd

Independent Auditor's Report to the Members of Lil Packaging Ltd *(continued)*

Year ended 31 March 2021

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £648,444 with a further £431,324 of amounts recoverable on contract included within trade debtors held at 31 March 2020. We have concluded that where the other information refers to the inventory balance and amounts recoverable on contract or related balances such as turnover and cost of sales, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matters described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

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

Lil Packaging Ltd

Independent Auditor's Report to the Members of Lil Packaging Ltd *(continued)*

Year ended 31 March 2021

Matters on which we are required to report by exception

Except for the matters described in the basis for qualified opinion section of our report, 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 directors' report.

Arising solely from the limitation on the scope of our work relating to inventory and amounts recoverable on contract, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

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

Responsibilities of directors

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

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

Lil Packaging Ltd

Independent Auditor's Report to the Members of Lil Packaging Ltd *(continued)*

Year ended 31 March 2021

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, outlined above, 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:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the company and sector in which it operates;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
 - tested journal entries to identify unusual transactions;
 - assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 1 were indicative of potential bias; and
 - investigated the rationale behind significant or unusual transactions.
-

Lil Packaging Ltd

Independent Auditor's Report to the Members of Lil Packaging Ltd *(continued)*

Year ended 31 March 2021

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

AR Blake

Alan Blake (Senior Statutory Auditor)

For and on behalf of
Streets Audit LLP
Chartered accountants & statutory auditor
3 Wellbrook Court
Girton
Cambridge
CB3 0NA

12 December 2021

Lil Packaging Ltd

Statement of Income and Retained Earnings

Year ended 31 March 2021

	Note	2021 £	2020 £
Turnover	4	17,867,182	14,185,560
Cost of sales		<u>13,445,234</u>	<u>11,168,948</u>
Gross profit		4,421,948	3,016,612
Administrative expenses		3,035,896	2,557,332
Other operating income		<u>39,213</u>	<u>–</u>
Operating profit	5	1,425,265	459,280
Other interest receivable and similar income	8	422	–
Interest payable and similar expenses	9	66,924	94,761
Profit before taxation		1,358,763	364,519
Tax on profit	10	251,285	72,218
Profit for the financial year and total comprehensive income		<u>1,107,478</u>	<u>292,301</u>
Dividends paid and payable	11	(61,951)	(82,602)
Retained earnings at the start of the year		<u>2,938,445</u>	<u>2,728,746</u>
Retained earnings at the end of the year		<u>3,983,972</u>	<u>2,938,445</u>

All the activities of the company are from continuing operations.

The notes on pages 15 to 26 form part of these financial statements.

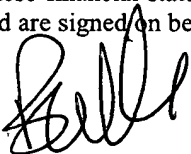
Lil Packaging Ltd

Statement of Financial Position

31 March 2021

	Note	2021		2020	
		£	£	£	£
Fixed assets					
Tangible assets	12		5,902,861		4,596,361
Investments	13		<u>1</u>		<u>1</u>
			5,902,862		4,596,362
Current assets					
Stocks	14	931,520		648,444	
Debtors	15	4,096,067		3,601,543	
Cash at bank and in hand		<u>177,973</u>		<u>51,823</u>	
		5,205,560		4,301,810	
Creditors: amounts falling due within one year	16	<u>5,232,751</u>		<u>4,719,205</u>	
Net current liabilities			<u>27,191</u>		<u>417,395</u>
Total assets less current liabilities			5,875,671		4,178,967
Creditors: amounts falling due after more than one year	17		1,058,581		541,176
Provisions					
Taxation including deferred tax	19		<u>530,339</u>		<u>396,567</u>
Net assets			<u>4,286,751</u>		<u>3,241,224</u>
Capital and reserves					
Called up share capital	22		9,000		9,000
Revaluation reserve	23		286,079		286,079
Capital redemption reserve	23		7,700		7,700
Profit and loss account	23		<u>3,983,972</u>		<u>2,938,445</u>
Shareholders funds			<u>4,286,751</u>		<u>3,241,224</u>

These financial statements were approved by the board of directors and authorised for issue on 8th December 2021 and are signed on behalf of the board by:



B R Lill
Director

Company registration number: 01895837

The notes on pages 15 to 26 form part of these financial statements.

Lil Packaging Ltd

Statement of Cash Flows

Year ended 31 March 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	1,107,478	292,301
<i>Adjustments for:</i>		
Depreciation of tangible assets	552,843	298,236
Other interest receivable and similar income	(422)	-
Interest payable and similar expenses	66,924	94,761
Loss on disposal of tangible assets	60,278	183,348
Tax on profit	251,285	72,218
<i>Changes in:</i>		
Stocks	(283,076)	(535)
Trade and other debtors	(502,188)	(1,257,085)
Trade and other creditors	974,751	666,667
Cash generated from operations	2,227,873	349,911
Interest paid	(66,924)	(94,761)
Interest received	422	-
Tax received	22,923	-
Net cash from operating activities	<u>2,184,294</u>	<u>255,150</u>
Cash flows from investing activities		
Purchase of tangible assets	(924,966)	(247,970)
Proceeds from sale of tangible assets	73,333	199,282
Net cash used in investing activities	<u>(851,633)</u>	<u>(48,688)</u>
Cash flows from financing activities		
(Repayment of) / proceeds from borrowings	(865,535)	180,044
New loan advances	150,000	-
Payment of finance lease liabilities	(429,025)	(284,391)
Dividends paid	(61,951)	(82,602)
Net cash used in financing activities	<u>(1,206,511)</u>	<u>(186,949)</u>
Net increase in cash and cash equivalents	126,150	19,513
Cash and cash equivalents at beginning of year	51,823	32,310
Cash and cash equivalents at end of year	<u>177,973</u>	<u>51,823</u>

The notes on pages 15 to 26 form part of these financial statements.

Lil Packaging Ltd

Notes to the Financial Statements

Year ended 31 March 2021

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 9 Glebe Road, Huntingdon, Cambridgeshire, PE29 7DB.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis as modified by the revaluation of freehold buildings prior to the transition to FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Consolidation

The company has taken the exemption available under section 402 of the Companies Act 2006 from preparing consolidated financial statements on the grounds that the subsidiary undertaking can be excluded from the consolidation due to it being dormant and immaterial for the purpose of the financial statements giving a true and fair view.

These financial statements therefore include information about the company as an individual entity only.

Judgements and key sources of estimation uncertainty

The directors make estimates and assumptions about the future. These estimates and assumptions impact recognised assets and liabilities, as well as revenue and expenses and other disclosures. These estimates are based on historical experience and on various assumptions considered reasonable under the prevailing conditions. The actual outcome may diverge from these estimates if other assumptions are made, or other conditions arise. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the financial year include:

Tangible assets are recognised at cost, less accumulated depreciation and any impairment. Depreciation takes place over the estimated useful life, down to the assessed residual value. The carrying amount of the company's fixed assets is tested as soon as changed conditions show that a need for impairment has arisen.

The recoverability of trade debtors and associated provisioning is considered on a regular basis. When calculating the debtor provision, the directors consider the age of the debts and the financial position of its customers.

Revenue recognition

The turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and work done on manufactured goods, stated net of discounts and of Value Added Tax.

In respect of long-term contracts, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts is recognised by reference to the stage of completion.

Lil Packaging Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

3. Accounting policies *(continued)*

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, tax is recognised directly in equity.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all material timing differences at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position. Where realisation is anticipated to be covered by forward exchange contracts or forward options assets and liabilities in foreign currencies are translated at the contracted rate of exchange. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. As at the date of transition to FRS 102, the company elected to use a previous valuation of property as the deemed cost.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold Property	-	2% straight line for buildings only
Plant & Machinery	-	4%-33% straight line
Fixtures & Fittings	-	4%-33% straight line

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

Lil Packaging Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

3. Accounting policies *(continued)*

Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost of raw materials is based upon purchase price. Cost of finished goods is calculated by discounting the sales value of products held.

Work in progress

Non contractual work in progress is valued on the basis of direct costs plus attributable overheads based on normal level activity. Cost is calculated based upon discounted sales value. Provision is made for foreseeable losses where appropriate. No element of profit is included within the valuation of non-contractual work in progress.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measure at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

Lil Packaging Ltd

Notes to the Financial Statements (continued)

Year ended 31 March 2021

3. Accounting policies (continued)

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

4. Turnover

Turnover arises from:

	2021	2020
	£	£
Sale of goods and work done on manufactured goods	<u>17,867,182</u>	<u>14,185,560</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2021	2020
	£	£
United Kingdom	16,743,718	13,365,560
Overseas sales	<u>1,123,464</u>	<u>820,000</u>
	<u>17,867,182</u>	<u>14,185,560</u>

5. Operating profit

Operating profit or loss is stated after charging/crediting:

	2021	2020
	£	£
Depreciation of tangible assets	552,843	298,236
Loss on disposal of tangible assets	60,278	183,348
Impairment of trade debtors	721	8,973
Foreign exchange differences	(84,219)	(65,829)
Fees payable for the audit of the financial statements	<u>9,250</u>	<u>8,400</u>

6. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2021	2020
	No.	No.
Production staff	71	59
Administrative staff	21	15
Management staff	<u>16</u>	<u>12</u>
	<u>108</u>	<u>86</u>

Lil Packaging Ltd

Notes to the Financial Statements (continued)

Year ended 31 March 2021

6. Staff costs (continued)

The aggregate payroll costs incurred during the year, relating to the above, were:

	2021	2020
	£	£
Wages and salaries	4,023,864	2,896,559
Social security costs	329,487	259,789
Other pension costs	70,796	54,536
	<u>4,424,147</u>	<u>3,210,884</u>

7. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2021	2020
	£	£
Remuneration	292,896	276,813
Company contributions to defined contribution pension plans	6,565	6,579
	<u>299,461</u>	<u>283,392</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2021	2020
	No.	No.
Defined contribution plans	<u>2</u>	<u>2</u>

Remuneration of the highest paid director in respect of qualifying services:

	2021	2020
	£	£
Aggregate remuneration	129,289	124,740
Company contributions to defined contribution pension plans	3,282	3,290
	<u>132,571</u>	<u>128,030</u>

8. Other interest receivable and similar income

	2021	2020
	£	£
Interest on cash and cash equivalents	<u>422</u>	<u>-</u>

9. Interest payable and similar expenses

	2021	2020
	£	£
Interest on obligations under finance leases and hire purchase contracts	32,024	36,606
Other interest payable and similar charges	34,900	58,155
	<u>66,924</u>	<u>94,761</u>

Lil Packaging Ltd

Notes to the Financial Statements (continued)

Year ended 31 March 2021

10. Tax on profit

Major components of tax expense

	2021 £	2020 £
Current tax:		
UK current tax expense	117,513	-
Deferred tax:		
Origination and reversal of timing differences	133,772	72,218
Tax on profit	<u>251,285</u>	<u>72,218</u>

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is lower than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
Profit on ordinary activities before taxation	1,358,763	364,519
Profit on ordinary activities by rate of tax	258,165	69,258
Adjustment to tax charge in respect of prior periods	(18,887)	-
Effect of expenses not deductible for tax purposes	12,007	2,960
Tax on profit	<u>251,285</u>	<u>72,218</u>

11. Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2021 £	2020 £
Equity dividends on ordinary shares	61,951	82,602

Dividends proposed after the year end and not recognised as a liability:

	2021 £	2020 £
Equity dividends on ordinary shares	-	82,602

Lil Packaging Ltd

Notes to the Financial Statements (continued)

Year ended 31 March 2021

12. Tangible assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 April 2020	1,580,000	5,826,988	580,015	7,987,003
Additions	–	1,910,254	82,700	1,992,954
Disposals	–	(169,377)	–	(169,377)
At 31 March 2021	<u>1,580,000</u>	<u>7,567,865</u>	<u>662,715</u>	<u>9,810,580</u>
Depreciation				
At 1 April 2020	30,024	2,862,267	498,351	3,390,642
Charge for the year	5,004	509,740	38,099	552,843
Disposals	–	(35,766)	–	(35,766)
At 31 March 2021	<u>35,028</u>	<u>3,336,241</u>	<u>536,450</u>	<u>3,907,719</u>
Carrying amount				
At 31 March 2021	<u>1,544,972</u>	<u>4,231,624</u>	<u>126,265</u>	<u>5,902,861</u>
At 31 March 2020	<u>1,549,976</u>	<u>2,964,721</u>	<u>81,664</u>	<u>4,596,361</u>

On 1 April 2014, the directors revalued the freehold land included within freehold property above as part of the transition to FRS102 to £780,477 (2020 - £780,477). The historical cost of the land was £524,000 (2020 - £524,000). Land is not depreciated.

Tangible assets held at valuation

In respect of tangible assets held at valuation, the aggregate cost, depreciation and comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model are as follows:

	Freehold property £
At 31 March 2021	
Aggregate cost	1,323,523
Aggregate depreciation	(64,630)
Carrying value	<u>1,258,893</u>
At 31 March 2020	
Aggregate cost	1,323,523
Aggregate depreciation	(59,626)
Carrying value	<u>1,263,897</u>

Lil Packaging Ltd

Notes to the Financial Statements (continued)

Year ended 31 March 2021

12. Tangible assets (continued)

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery £
At 31 March 2021	2,282,456
At 31 March 2020	<u>1,769,339</u>

13. Investments

	Shares in group undertakings £
Cost	
At 1 April 2020 and 31 March 2021	<u>1</u>
Impairment	
At 1 April 2020 and 31 March 2021	<u>-</u>
Carrying amount	
At 31 March 2021	<u>1</u>
At 31 March 2020	<u>1</u>

Subsidiaries, associates and other investments

	Class of share	Percentage of shares held
Subsidiary undertakings		
Mainline Flatpacks Limited	Ordinary	100

During the year Mainline Flatpacks Limited remained dormant.

14. Stocks

	2021 £	2020 £
Raw materials and consumables	403,292	347,299
Work in progress	89,250	35,532
Finished goods and goods for resale	438,978	265,613
	<u>931,520</u>	<u>648,444</u>

Lil Packaging Ltd

Notes to the Financial Statements (continued)

Year ended 31 March 2021

15. Debtors

	2021	2020
	£	£
Trade debtors	3,605,305	3,142,268
Prepayments and accrued income	435,621	302,702
Corporation tax repayable	-	7,664
Other debtors	55,141	148,909
	<u>4,096,067</u>	<u>3,601,543</u>

Trade debtors includes amounts recoverable on contract of £980,040 (2020 - £431,324).

16. Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loans and overdrafts	918,001	1,676,479
Trade creditors	2,494,394	2,055,172
Amounts owed to group undertakings	1	1
Accruals and deferred income	165,342	72,315
Corporation tax	132,772	-
Social security and other taxes	840,119	422,269
Obligations under finance leases and hire purchase contracts	615,089	450,588
Other creditors	67,033	42,381
	<u>5,232,751</u>	<u>4,719,205</u>

Bank loans and overdrafts are secured by a charge over certain trade debtors, a fixed and floating debenture over the company's assets and a legal charge over the freehold property owned by Lil Packaging Ltd. In addition to the security provided by the company R S Lill and J Lill have provided a personal guarantee amounting to £50,000 (2020 - £50,000) in total.

Bank loans include a treasury loan repayable by monthly instalments of £8,477. The monthly repayment is inclusive of interest charged at 1.4% over base rate.

Amounts due under finance leases and hire purchase contracts are secured on the related assets.

17. Creditors: amounts falling due after more than one year

	2021	2020
	£	£
Bank loans and overdrafts	180,212	137,269
Obligations under finance leases and hire purchase contracts	878,369	403,907
	<u>1,058,581</u>	<u>541,176</u>

See note 16 above for details of security.

Lil Packaging Ltd

Notes to the Financial Statements (continued)

Year ended 31 March 2021

18. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2021	2020
	£	£
Not later than 1 year	615,089	450,588
Later than 1 year and not later than 5 years	878,369	403,907
	<u>1,493,458</u>	<u>854,495</u>

Finance leases and hire purchase creditors are secured on the assets to which they relate.

19. Provisions

	Deferred tax (note 20) £
At 1 April 2020	396,567
Movement in provision	133,772
At 31 March 2021	<u>530,339</u>

20. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2021	2020
	£	£
Included in provisions (note 19)	<u>530,339</u>	<u>396,567</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2021	2020
	£	£
Accelerated capital allowances	531,300	397,247
Unused tax losses	-	(1,347)
Other timing differences	(961)	667
	<u>530,339</u>	<u>396,567</u>

21. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £70,796 (2020: £54,536).

Lil Packaging Ltd

Notes to the Financial Statements (continued)

Year ended 31 March 2021

22. Called up share capital

Issued, called up and fully paid

	2021		2020	
	No.	£	No.	£
Ordinary Class A shares of £1 each	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>

23. Reserves

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

Profit and loss account - This reserve records retained earnings and accumulated losses.

Revaluation reserve - This reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset. This reserve is not distributable.

24. Analysis of changes in net debt

	At 1 Apr 2020	Cash flows	Other changes	At 31 Mar 2021
	£	£	£	£
Cash at bank and in hand	51,823	126,150	-	177,973
Debt due within one year	(2,127,068)	1,294,560	(700,583)	(1,533,091)
Debt due after one year	(541,176)	(150,000)	(367,405)	(1,058,581)
	<u>(2,616,421)</u>	<u>1,270,710</u>	<u>(1,067,988)</u>	<u>(2,413,699)</u>

25. Capital commitments

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	2021	2020
	£	£
Tangible assets	<u>838,191</u>	<u>728,663</u>

26. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
	£	£
Not later than 1 year	173,047	172,047
Later than 1 year and not later than 5 years	123,838	182,564
	<u>296,885</u>	<u>354,611</u>

In addition to the operating lease commitments noted above, the company has entered into a commitment to purchase board from a supplier during the year ending 31 March 2021 amounting to £815,755 (2020 - £300,000).

Lil Packaging Ltd

Notes to the Financial Statements *(continued)*

Year ended 31 March 2021

27. Directors' advances, credits and guarantees

There has been no advances, credits and guarantees during the current or prior year.

28. Related party transactions

During both the current year until 22 February 2021 and prior years the company was under the joint control of R S Lill and J Lill, who are husband and wife, holding a combined 70% of the ordinary share capital of the company. R S Lill and J Lill are also directors of the company.

A warehouse jointly owned by R S Lill and J Lill is rented to Lil Packaging Limited. The rent during the year was £114,320 (2020 - £114,320). At the balance sheet date the company owed R S Lill and J Lill £20,080 (2020 - £20,080) which is included within trade creditors.