

Company Registration No. 02823778 (England and Wales)

ZONES (UK) LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

ZONES (UK) LTD

COMPANY INFORMATION

Directors	A D Kaye F Lalji R Day Mr S Hobday	(Appointed 4 April 2022) (Appointed 25 April 2023)
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Secretary	T Boyd
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Company number	02823778
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Registered office	St Clements House 27 Clements Lane London EC4N 7AE
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Auditor	Jeffreys Henry LLP 1a New Street London EC2M 4TP
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ZONES (UK) LTD

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ZONES (UK) LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Section 172 Statement

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

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

The Board recognises that the long-term success of Zones (UK) Ltd requires positive interaction with its stakeholders, including customers, suppliers, government and regulatory authorities. The directors seek to actively identify and positively engage with key stakeholders in an open and constructive manner. The board believes that this strategy enables our stakeholders to better understand and address relevant stakeholder views which will assist the Board in its decision making and to discharge its duties under Section 172 of the Companies Act 2006.

Fair review of the business

This past year has seen a significant increase in revenue and margins as our business continued to recover from the economic impact of COVID-19 and successfully circumnavigating the issues post Brexit.

The business has strategically worked upon expanding our locations across Europe and opened a fully operative sister entity in the Netherlands (ZBS BV), to accompany our other entities in Ireland, Turkey and Israel and further support our customers, suppliers and partners. This includes leased premises including office, warehouse and configuration space and have expanded our team of logistics and configuration engineers.

A lot of our customers had continued increased spend from 2021, predominantly relating to countries reopening following lockdowns, however we have incurred increased costs in warehousing, freight and administration due to our preparation for the future.

Our credit lines remain fully intact, and we retain a robust working capital facility with our Bankers, and this enabled us to continue effective working relationships with our supply chain. This working capital facility will remain to accommodate the forecasted recession periods over 2023 and onwards.

The growth in global business over the past few years has caused the Group to tighten controls to protect against changes in currency values, especially the Euro. We work with currency brokers and our bankers to ensure that we do not suffer losses in our currency exposure, whilst remaining competitive when quoting clients.

We are confident that we are well-placed to manage all the challenges we will face with the current economic climate in 2023 and onwards.

ZONES (UK) LTD

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key risks and uncertainties affecting the company are as follows:

- purchasing cycles of customers;
- more manufacturers going direct;
- industry consolidation and increased competition;
- loss of significant customers;
- decrease in gross margins due to increase in competition in the computer industry;
- decrease of rebates/incentives from key suppliers;
- the ongoing impact of the Covid pandemic;
- rapid inventory obsolescence due to accelerating technological changes in the personal computer industry; and
- Brexit and general economic conditions.

A decline in sales could adversely affect our business, financial condition, cash flows or results of operation.

Key performance indicators

The main KPIs in the year are as follows:

- Sales increased by 10.7% to £68.3m (2021: £61.7m)
- Gross profit up by 17.8% to £6.7m (2021: £5.7m)
- Gross profit margin increased by 0.6% to 9.8% (2021: 9.2%)

On behalf of the board

A D Kaye

Director

27 October 2023

ZONES (UK) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Principal activities

The principal activity of the company continued to be the trade of computer consumables, hardware, software and data centre, security mobility and cloud services.

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

A D Kaye	
F Lalji	
R McFadden	(Resigned 4 April 2022)
Mr J Bauer	(Resigned 25 April 2023)
R Day	(Appointed 4 April 2022)
Mr S Hobday	(Appointed 25 April 2023)

Financial instruments

Treasury operations and financial instruments

The company operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities.

The company's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks and interest rate risks arising from the company's activities. In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations. Derivative transactions which the company enters into principally comprise forward exchange contracts. In accordance with company's treasury policy, derivative instruments are not entered into for speculative purposes.

Auditor

In accordance with the company's articles, a resolution proposing that Jeffreys Henry LLP be reappointed as auditor of the company will be put at a General Meeting.

Energy and carbon report

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

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.

ZONES (UK) LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

On behalf of the board

A D Kaye
Director

27 October 2023

ZONES (UK) LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 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.

ZONES (UK) LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZONES (UK) LTD

Opinion

We have audited the financial statements of Zones (UK) Ltd (the 'company') for the year ended 31 December 2022 which comprise 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

The Company meets its day to day working capital requirement through use of cash reserves and bank facilities. The Directors have considered the applicability of the going concern basis in the preparation of the financial statements. This included review of forecasts which show that the Company should be able to sustain its operation within the level of its current debt facility arrangements.

The current bank facilities is still in place. The Company continues to benefit from the support of Zones Inc who have provided a US\$1m guarantee on the debt facility. The Directors have reasonable expectation that the Company has adequate resources to continue operation for the foreseeable future for the reason they have adopted the going concern basis in the preparation of financial statements.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

ZONES (UK) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ZONES (UK) LTD

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 directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the company's business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

ZONES (UK) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ZONES (UK) LTD

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

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 senior statutory auditor ensured 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 IT services sector.
- 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 Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environmental, health and safety legislation and anti-money laundering regulations.
- 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;
 - 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 3 of the Group financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

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;
- reviewing correspondence with HMRC and the company's legal advisor.

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.

A further 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.

ZONES (UK) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ZONES (UK) LTD

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.

Sudhir Rawal (Senior Statutory Auditor)
For and on behalf of Jeffreys Henry LLP

27 October 2023

Chartered Accountants
Statutory Auditor

1a New Street
London
EC2M 4TP

ZONES (UK) LTD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
Turnover	2	68,259,928	61,680,159
Cost of sales		(61,524,929)	(56,019,335)
Gross profit		6,734,999	5,660,824
Administrative expenses		(5,858,058)	(5,337,982)
Operating profit	3	876,941	322,842
Interest payable and similar expenses	5	(211,866)	(89,611)
Profit before taxation		665,075	233,231
Tax on profit	6	(155,495)	(40,974)
Profit for the financial year		509,580	192,257

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

ZONES (UK) LTD

BALANCE SHEET

AS AT 31 DECEMBER 2022

		2022		2021	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	7		157,410		150,804
Current assets					
Stocks	8	2,122,556		2,975,461	
Debtors	9	10,227,845		13,685,688	
Cash at bank and in hand		172,804		1,109	
		<u>12,523,205</u>		<u>16,662,258</u>	
Creditors: amounts falling due within one year	10	<u>(8,195,942)</u>		<u>(12,837,969)</u>	
Net current assets			<u>4,327,263</u>		<u>3,824,289</u>
Total assets less current liabilities			<u>4,484,673</u>		<u>3,975,093</u>
Provisions for liabilities					
Deferred tax liability	12	<u>14,909</u>		<u>14,909</u>	
			<u>(14,909)</u>		<u>(14,909)</u>
Net assets			<u><u>4,469,764</u></u>		<u><u>3,960,184</u></u>
Capital and reserves					
Called up share capital	14		866,666		866,666
Share premium account			783,334		783,334
Profit and loss reserves			<u>2,819,764</u>		<u>2,310,184</u>
Total equity			<u><u>4,469,764</u></u>		<u><u>3,960,184</u></u>

The financial statements were approved by the board of directors and authorised for issue on 27 October 2023 and are signed on its behalf by:

A D Kaye
Director

Company Registration No. 02823778

ZONES (UK) LTD

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

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2021	866,666	783,334	2,117,927	3,767,927
Year ended 31 December 2021:				
Profit and total comprehensive income for the year	-	-	192,257	192,257
Balance at 31 December 2021	866,666	783,334	2,310,184	3,960,184
Year ended 31 December 2022:				
Profit and total comprehensive income for the year	-	-	509,580	509,580
Balance at 31 December 2022	866,666	783,334	2,819,764	4,469,764

ZONES (UK) LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	20		1,173,298		(1,743,954)
Interest paid			(211,866)		(89,611)
Income taxes paid			(41,580)		(138,512)
Net cash inflow/(outflow) from operating activities			919,852		(1,972,077)
Investing activities					
Purchase of tangible fixed assets		(122,017)		(83,905)	
Net cash used in investing activities			(122,017)		(83,905)
Net increase/(decrease) in cash and cash equivalents			797,835		(2,055,982)
Cash and cash equivalents at beginning of year			(2,123,223)		(67,241)
Cash and cash equivalents at end of year			(1,325,388)		(2,123,223)
Relating to:					
Cash at bank and in hand			172,804		1,109
Bank overdrafts included in creditors payable within one year			(1,498,192)		(2,124,332)

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Zones (UK) Ltd is a private company limited by shares incorporated in England and Wales. The registered office is St Clements House, 27 Clements Lane, London, EC4N 7AE.

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 £.

The financial statements have been prepared under the historical cost convention.

1.2 Going concern

The Group meets its day to day working capital requirement through use of cash reserves and bank facilities. The Directors have considered the applicability of the going concern basis in the preparation of the financial statements. This included review of forecasts which show that the Group should be able to sustain its operation within the level of its current debt facility arrangements. The current bank facilities are due for renewal in December 2023 and the directors are in the process of negotiating new facilities. The group continues to benefit from the support of Zones Inc who have provided a US\$1m guarantee on the debt facility. The Directors have reasonable expectation that the Group has adequate resources to continue operation for the foreseeable future for the reason they have adopted the going concern basis in the preparation of financial statements.

1.3 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.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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.

Revenue relating to the sale of goods whereby the buyer does not take immediate delivery of the goods is recognised when the buyer takes title of the goods providing; the delivery is probable, the goods are on hand and ready for delivery, the buyer acknowledges deferral of delivery and usual payment terms apply.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 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.

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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:

Fixtures, fittings & equipment	20% - 30% p.a. on cost
Computer equipment	33% p.a. on cost

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.

1.5 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.

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.

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 at bank and in hand

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.

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 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.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

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.

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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.

Other financial liabilities

Derivatives, including 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.

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.

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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.

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 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

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.

1.14 Bill and hold

Under a bill-and-hold arrangement, the seller may have a performance obligation to act as the custodian for the goods being held at its facility. If so, the seller may need to allocate a portion of the transaction price to the custodial function, and recognize this revenue over the course of the custodial period.

2 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2022	2021
	£	£
Turnover analysed by class of business		
Goods	64,509,209	61,680,159
Services	3,750,719	3,507,803
	<u>68,259,928</u>	<u>61,680,159</u>

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Turnover and other revenue (Continued)

	2022 £	2021 £
Turnover analysed by geographical market		
United Kingdom	28,962,602	28,213,638
European Union	34,848,277	28,413,654
Other	4,449,049	5,052,867
	<u>68,259,928</u>	<u>61,680,159</u>

3 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(298,508)	(88,593)
Fees payable to the company's auditor for the audit of the company's financial statements	26,284	34,136
Depreciation of owned tangible fixed assets	115,411	113,484
Cost of stocks recognised as an expense	61,823,482	56,107,825
	<u>61,823,482</u>	<u>56,107,825</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £298,508 (2021 - £88,593).

4 Employees

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

	2022 Number	2021 Number
Directors	4	4
Administration and operations	37	41
Sales	17	14
Warehouse	7	10
Total	<u>65</u>	<u>69</u>

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	5,387,188	4,480,103
Social security costs	310,283	344,728
Pension costs	171,381	135,749
	<u>5,868,852</u>	<u>4,960,580</u>

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

5 Interest payable and similar expenses

	2022	2021
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	211,866	89,611
	<u>211,866</u>	<u>89,611</u>

6 Taxation

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	155,495	41,580
	<u>155,495</u>	<u>41,580</u>
Deferred tax		
Origination and reversal of timing differences	-	(606)
	<u>-</u>	<u>(606)</u>
Total tax charge	<u>155,495</u>	<u>40,974</u>

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

	2022	2021
	£	£
Profit before taxation	665,075	233,231
	<u>665,075</u>	<u>233,231</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	126,364	44,314
Tax effect of expenses that are not deductible in determining taxable profit	118,459	-
Group relief	-	(6)
Permanent capital allowances in excess of depreciation	(89,328)	(2,728)
Change in deferred tax provision	-	(606)
	<u>155,495</u>	<u>40,974</u>
Taxation charge for the year	<u>155,495</u>	<u>40,974</u>

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

7 Tangible fixed assets

	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£
Cost			
At 1 January 2022	108,023	560,377	668,400
Additions	-	122,017	122,017
At 31 December 2022	108,023	682,394	790,417
Depreciation and impairment			
At 1 January 2022	76,417	441,179	517,596
Depreciation charged in the year	7,993	107,418	115,411
At 31 December 2022	84,410	548,597	633,007
Carrying amount			
At 31 December 2022	23,613	133,797	157,410
At 31 December 2021	31,606	119,198	150,804

8 Stocks

	2022 £	2021 £
Finished goods and goods for resale	2,122,556	2,975,461

9 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	8,604,830	10,929,409
Other debtors	1,348,177	2,447,745
Prepayments and accrued income	274,838	308,534
	10,227,845	13,685,688

The majority of the trade debtors have been invoice discounted.

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Creditors: amounts falling due within one year

	Notes	2022 £	2021 £
Bank loans and overdrafts	11	1,498,192	2,124,332
Trade creditors		3,582,308	8,982,433
Corporation tax		155,495	41,580
Other taxation and social security		173,677	171,719
Other creditors		-	359
Accruals and deferred income		2,786,270	1,517,546
		<u>8,195,942</u>	<u>12,837,969</u>

11 Loans and overdrafts

	2022 £	2021 £
Bank facility	<u>1,498,192</u>	<u>2,124,332</u>
Payable within one year	<u>1,498,192</u>	<u>2,124,332</u>

The bank facility is secured by way of a fixed and floating charge over the company's assets and a guarantee of \$1million from Zones Inc.

12 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2022 £	Liabilities 2021 £
Balances:		
Accelerated Capital Allowances	<u>14,909</u>	<u>14,909</u>

There were no deferred tax movements in the year.

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	171,381	135,749

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

14 Share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
A Ordinary shares of £1 each	520,000	520,000	520,000	520,000
B Ordinary shares of £1 each	346,666	346,666	346,666	346,666
	866,666	866,666	866,666	866,666

Each Ordinary A and each Ordinary B share is entitled to one vote in any circumstances.

15 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	258,050	427,431
Between two and five years	209,850	94,850
	467,900	522,281

16 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2022	2021
	£	£
Aggregate compensation	788,192	671,762

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Related party transactions

(Continued)

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2022	2021	2022	2021
	£	£	£	£
Entities with control, joint control or significant influence over the company	8,291,041	6,523,600	3,025,798	656,414
	<u>8,291,041</u>	<u>6,523,600</u>	<u>3,025,798</u>	<u>656,414</u>

The following amounts were outstanding at the reporting end date:

	Amounts due from related parties	
	2022	2021
	£	£
Entities with control, joint control or significant influence over the company	875,664	1,557,911
	<u>875,664</u>	<u>1,557,911</u>

A \$1million guarantee has been provided by parent company Zones Inc for the invoice discounting facility held with Close Brothers.

17 Ultimate controlling party

The immediate parent undertaking is Zones (EMEA) Limited, a company incorporated in the UK.

The ultimate controlling party is F Lalji (Director).

18 Post reporting date events

There are no post reporting date events to report.

19 Analysis of changes in net debt

	1 January 2022	Cash flows	31 December 2022
	£	£	£
Cash at bank and in hand	1,109	171,695	172,804
Bank overdrafts	(2,124,332)	626,140	(1,498,192)
	<u>(2,123,223)</u>	<u>797,835</u>	<u>(1,325,388)</u>

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

20 Cash generated from operations

	2022 £	2021 £
Profit for the year after tax	509,580	192,257
Adjustments for:		
Taxation charged	155,495	40,974
Finance costs	211,866	89,611
Depreciation and impairment of tangible fixed assets	115,411	113,484
Movements in working capital:		
Decrease/(increase) in stocks	852,905	(1,297,997)
Decrease/(increase) in debtors	3,457,843	(3,731,703)
(Decrease)/increase in creditors	(4,129,802)	949,514
Cash generated from/(absorbed by) operations	1,173,298	(3,643,860)

ZONES (UK) LTD
MANAGEMENT INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

ZONES (UK) LTD

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	Movement £	Movement %	2021 £
Administrative expenses				
Wages and salaries	5,279,843	861,824	19.51%	4,418,019
Social security costs	310,283	(34,445)	9.99%	344,728
Temporary staff	107,345	45,261	72.90%	62,084
Staff pension costs defined contribution	171,381	35,632	26.25%	135,749
Rates	490,710	(25,460)	4.93%	516,170
Power, light and heat	35,308	15,616	79.30%	19,692
Property repairs and maintenance	356,944	36,960	11.55%	319,984
Premises insurance	34,672	4,558	15.14%	30,114
Computer running costs	3,888	3,888	-	-
Hire of equipment (not operating lease)	4,004	(1,460)	26.72%	5,464
Travelling expenses	77,658	74,388	2274.86%	3,270
Professional subscriptions	52,871	39,177	286.09%	13,694
Legal and professional fees	65,457	8,948	15.83%	56,509
Accountancy	(1,614,384)	(508,971)	46.04%	(1,105,413)
Audit fees	26,284	(7,852)	23.00%	34,136
Bank charges	81,493	(12,891)	13.66%	94,384
Bad and doubtful debts	114,266	(34,080)	22.97%	148,346
Printing and stationery	20,979	9,374	80.78%	11,605
Advertising	386	(38,784)	99.01%	39,170
Telecommunications	57,040	14,076	32.76%	42,964
Sundry expenses	27,084	14,418	113.83%	12,666
Canteen	35,677	3,900	12.27%	31,777
Depreciation	118,824	15,851	15.39%	102,973
Profit or loss on foreign exchange	45	148	143.69%	(103)
	<u>5,858,058</u>	<u>520,076</u>	<u>9.74%</u>	<u>5,337,982</u>

ZONES (UK) LTD

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	£	2022 £	£	2021 £
Turnover				
Sales of goods		68,259,928		61,680,159
Cost of sales				
Opening stock of finished goods	2,975,358		1,677,464	
Finished goods purchases	60,970,680		57,405,720	
Closing stock of finished goods	(2,122,556)		(2,975,359)	
Profit or loss on foreign exchange	(298,553)		(88,490)	
		<u>(61,524,929)</u>		<u>(56,019,335)</u>
Gross profit		6,734,999		5,660,824
Administrative expenses		<u>(5,858,058)</u>		<u>(5,337,982)</u>
Operating profit		876,941		322,842
Interest payable and similar expenses				
Bank interest on loans and overdrafts		<u>(211,866)</u>		<u>(89,611)</u>
Profit before taxation		<u><u>665,075</u></u>		<u><u>233,231</u></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.