

WRAP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

WRAP LIMITED

COMPANY INFORMATION

Directors	Mr T Ahmed Mr M Ahmed
Company secretary	Mrs S Ahmed
Registered number	03800600
Registered office	Unit 4 119 Loverock Road Reading Berkshire RG30 1DZ
Independent auditors	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors 6th Floor 2 London Wall Place London EC2Y 5AU

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**STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

Business review

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 September 2019. Wrap Limited is involved in the sale of books.

The financial year was a robust one for Wrap Limited. Turnover increased to £22.4m vs £20.2m in the previous year. Pre-tax profits were £157k (2018: £104k).

A number of initiatives were undertaken during the year to mitigate increases in online platform sales costs. The positive impact of these was felt as we implemented these through the financial year and these continue to gain momentum. Significantly increased spending on IT systems underpinned several of these initiatives as well as logistical changes.

The Covid-19 pandemic has resulted in some challenges for the business. Initially the lockdown helped sales remain robust as more people shopped online. Beyond this period however, the lack of incoming stock has meant that inventory levels have fallen and we have not been able to refresh stock. This has caused sales to fall back. As the lockdown is lifted, we expect to see sales rise again as inventory is refreshed. However this will take some months as our supply sources will take time to fully re-open themselves. This also depends on government changes to social-distancing rules and any localised lockdowns.

The business expects to be back in a more normal state by the end of the year. With a robust balance sheet, we are confident about our ability to come through this period. In the meantime, the strategy of the business will continue to focus on increasing supply volume and investing in further efficiency measures.

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks, changes in exchange rates being key among them. The company has in place a risk management programme that seeks to limit the adverse effects on the company. Cash flow is an area that is regularly monitored and the company is supported by an overdraft facility. The prospect of Brexit and the uncertainty as it concerns the future trading relationship with the EU is a significant risk which is being addressed through diversification of sales channels.

Financial key performance indicators

The directors consider that an analysis using key performance indicators includes only the overall gross profit percentage for an understanding of the performance and development of the company. Gross profit percentage for 2019 was 10.0% (2018: 8.8%).

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

.....
Mr T Ahmed

Director

Date: 7 August 2020

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

The directors present their report and the financial statements for the year ended 30 September 2019.

Directors' responsibilities statement

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

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

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

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

Principal activity

The principal activity of the company during the year was that of selling books.

Results and dividends

The profit for the year, after taxation, amounted to £126,749 (2018: £80,051).

Directors

The directors who served during the year were:

Mr T Ahmed
Mr M Ahmed

Future developments

The focus of the business over the coming year is to nurture the new growth streams currently in development and also to continue to optimise existing sales channels. Continued emphasis will also be placed on efficiency, to further develop gross margins.

Directors' indemnity insurance

Directors' liability and indemnity insurance was in force throughout the year to cover the directors and officers of the company against actions brought against them in their personal capacity. Neither the insurance nor the indemnity provide cover where the individual has acted fraudulently or dishonestly.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Research and development activities

Wrap continues to look at ways to improve its operational efficiency.

Disclosure of information to auditors

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

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

Post balance sheet events

The company is party to a new bank loan secured for £2.1m arranged through T & M Properties Limited, a company in which Mr T Ahmed, a director, is also a director and shareholder. The bank loan is secured on all the assets of the company. There is also a cross guarantee and debenture in place to the bankers between the company and T & M Properties Limited.

Auditors

The auditors, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

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Mr T Ahmed

Director

Date: 7 August 2020

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS, AS A BODY, OF WRAP LIMITED

Opinion

We have audited the financial statements of Wrap Limited (the 'Company') for the year ended 30 September 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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 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 30 September 2019 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. 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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS, AS A BODY, OF WRAP LIMITED (CONTINUED)

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.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 2, 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS, AS A BODY, OF WRAP LIMITED (CONTINUED)

Auditors' 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 Auditors' 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.

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 Auditors' Report.

Use of our report

This report is made solely to the Company's shareholders, 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 shareholders those matters we are required to state to them in an Auditors' 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 shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Harminther Gill BA ACA (Senior Statutory Auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants & Statutory Auditors

6th Floor

2 London Wall Place

London

EC2Y 5AU

Date: 19 August 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £	2018 £
Turnover	4	22,438,036	20,239,679
Cost of sales		(20,192,962)	(18,460,276)
Gross profit		2,245,074	1,779,403
Administrative expenses		(2,330,086)	(1,883,056)
Other operating income	5	170,000	130,000
Operating profit	6	84,988	26,347
Interest receivable and similar income	10	92,649	87,132
Interest payable and expenses	11	(20,389)	(9,124)
Profit before tax		157,248	104,355
Tax on profit	12	(30,499)	(24,304)
Profit for the financial year		126,749	80,051

There was no other comprehensive income for 2019 (2018: £nil).

The notes on pages 10 to 27 form part of these financial statements.

BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	13	302,082	155,497
		<u>302,082</u>	<u>155,497</u>
Current assets			
Stocks	14	672,485	660,550
Debtors	15	5,362,468	3,958,912
Cash at bank and in hand	16	995,470	1,006,803
		<u>7,030,423</u>	<u>5,626,265</u>
Creditors: amounts falling due within one year	17	(6,064,657)	(4,757,755)
Net current assets		<u>965,766</u>	<u>868,510</u>
Total assets less current liabilities		<u>1,267,848</u>	<u>1,024,007</u>
Creditors: amounts falling due after more than one year	18	(95,109)	-
Provisions for liabilities			
Deferred tax	19	(21,983)	-
		<u>(21,983)</u>	<u>-</u>
Net assets		<u><u>1,150,756</u></u>	<u><u>1,024,007</u></u>
Capital and reserves			
Called up share capital	20	2	2
Profit and loss account		<u>1,150,754</u>	<u>1,024,005</u>
		<u><u>1,150,756</u></u>	<u><u>1,024,007</u></u>

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

.....
Mr T Ahmed
Director

Date: 7 August 2020

The notes on pages 10 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2017	2	943,954	943,956
Profit for the year	-	80,051	80,051
At 1 October 2018	2	1,024,005	1,024,007
Profit for the year	-	126,749	126,749
At 30 September 2019	2	1,150,754	1,150,756

The notes on pages 10 to 27 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

1. General information

Wrap Limited is a private company, limited by shares, incorporated in England and Wales in the United Kingdom. The address of the registered office is given in the company information page of these financial statements. The nature of the company's operations and principal activity is selling books.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The financial statements have been prepared in £ sterling, the functional currency, rounded to the nearest £1.

The financial statements have been prepared on a going concern basis. The Directors have considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment. The COVID-19 pandemic and the ensuing economic shutdown has had a significant impact on the company's operations, mainly being the fall in stock levels due to fewer suppliers operating at full capacity. In response to the COVID-19 pandemic, the Directors have performed a robust analysis of forecast performance taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the impact.

Based on these assessments and having regard to the resources available to the entity, the Directors have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the annual report and accounts.

The following principal accounting policies have been applied:

2.2 Consolidation

Wrap Limited was the parent company of a group until 8 November 2017. The two subsidiary companies were dormant and had total share capital and reserves of £200. As at 30 September 2017, the company had not prepared consolidated financial statements as the subsidiaries were not considered to be material. Following a group restructure on 8 November 2017, Wrap Limited became a wholly owned subsidiary of Anthracite Holdings Limited and the two subsidiaries of Wrap Limited also became 100% owned by Anthracite Holdings Limited.

These financial statements and the comparatives reflect the company only.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.3 Financial reporting standard 102 - reduced disclosure exemptions

Wrap Limited is a wholly owned subsidiary of Anthracite Holdings Limited, a company incorporated in England. The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

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

This information is included in the consolidated financial statements of Anthracite Holdings Limited as at 30 September 2019 and these financial statements may be obtained from the registered office of 46-48 Portman Road, Reading, United Kingdom, RG30 1EA.

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.5 Revenue

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

Sale of goods

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

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

2.6 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.8 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.9 Finance costs

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.10 Borrowing costs

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

2.11 Pensions

Defined contribution pension plan

The Company operates a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.12 Current and deferred taxation

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

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

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

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

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

2.13 Tangible fixed assets

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)**2.13 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold Property	-	over the lease period
Plant and machinery	-	2 and 3 years straight line
Fixtures and fittings	-	3 years straight line
Office equipment	-	3 years 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.15 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.16 Debtors

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

2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.18 Creditors

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

2.19 Provisions for liabilities

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.20 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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

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

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

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Valuation of Stock

Stock is included at the lower of cost and net realisable value. The directors have reviewed the stock obsolescence policy and are satisfied that stock is fairly valued at the year end.

Fixed Assets

Judgements have been made in relation to the lives of tangible assets in particular the useful economic life and residual values of plant and machinery. The directors have concluded that the asset values and residual values are appropriate.

Debtors

Judgements have been made in relation to the recoverability of trade and other debtors. The directors have reviewed the debtors and are satisfied in relation to recoverability.

4. Turnover

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Sales of books and materials	22,438,036	20,239,679
	<u>22,438,036</u>	<u>20,239,679</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	10,624,220	10,330,544
Rest of the world	11,813,816	9,909,135
	<u>22,438,036</u>	<u>20,239,679</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

5. Other operating income

	2019 £	2018 £
Management charge receivable	<u>170,000</u>	<u>130,000</u>
	<u>170,000</u>	<u>130,000</u>

6. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	116,209	103,759
Exchange differences	(59,988)	(5,103)
Operating lease rentals	180,000	180,750
Defined contribution pension cost	<u>34,891</u>	<u>23,879</u>

7. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>10,750</u>	<u>10,750</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	3,099,224	3,120,244
Social security costs	240,794	226,582
Cost of defined contribution scheme	34,891	23,879
	<u>3,374,909</u>	<u>3,370,705</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Warehouse	144	154
Head Office	18	17
	<u>162</u>	<u>171</u>

9. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	14,700	14,700
	<u>14,700</u>	<u>14,700</u>

The directors are considered as the key management personnel for the company.

The aggregate key management personnel compensation for the year was £14,700 (2018: £14,700).

There are no pension benefits accruing to directors under the company's defined contribution pension arrangements (2018: none).

10. Interest receivable

	2019 £	2018 £
Other interest receivable	92,649	87,132
	<u>92,649</u>	<u>87,132</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

11. Interest payable and similar charges

	2019	2018
	£	£
Bank interest payable	8,869	5,783
Other loan interest payable	9,296	3,341
Finance leases and hire purchase contracts	2,224	-
	<u>20,389</u>	<u>9,124</u>

12. Taxation

	2019	2018
	£	£
Corporation tax		
Current tax on profits for the year	5,918	47,597
Total current tax	<u>5,918</u>	<u>47,597</u>
Deferred tax		
Origination and reversal of timing differences	24,581	(23,293)
Taxation on profit on ordinary activities	<u>30,499</u>	<u>24,304</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

12. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>157,248</u>	<u>104,355</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	29,877	19,827
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	414	328
Fixed asset differences	-	1,951
Timing differences leading to an increase/(decrease) in taxation	208	2,643
Group relief	-	(580)
Other taxation adjustments	-	135
Total tax charge for the year	<u>30,499</u>	<u>24,304</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

13. Tangible fixed assets

	Leasehold Property £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation					
At 1 October 2018	142,930	366,170	404,090	92,237	1,005,427
Additions	15,676	242,937	-	4,181	262,794
At 30 September 2019	<u>158,606</u>	<u>609,107</u>	<u>404,090</u>	<u>96,418</u>	<u>1,268,221</u>
Depreciation					
At 1 October 2018	81,203	307,037	375,084	86,606	849,930
Charge for the year	10,516	79,325	20,983	5,385	116,209
At 30 September 2019	<u>91,719</u>	<u>386,362</u>	<u>396,067</u>	<u>91,991</u>	<u>966,139</u>
Net book value					
At 30 September 2019	<u>66,887</u>	<u>222,745</u>	<u>8,023</u>	<u>4,427</u>	<u>302,082</u>
At 30 September 2018	<u>61,727</u>	<u>59,133</u>	<u>29,006</u>	<u>5,631</u>	<u>155,497</u>

14. Stocks

	2019 £	2018 £
Closing stock	<u>672,485</u>	660,550
	<u>672,485</u>	<u>660,550</u>

Stock recognised in cost of sales during the year as an expense was £5,875,360 (2018: £5,321,272) .

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

15. Debtors

	2019 £	2018 £
Due after more than one year		
Other debtors	1,058,333	-
Deferred tax asset	-	2,598
	<u>1,058,333</u>	<u>2,598</u>
Due within one year		
Trade debtors	2,791,375	1,675,955
Other debtors	1,000,645	1,895,854
Prepayments and accrued income	512,115	384,505
	<u>5,362,468</u>	<u>3,958,912</u>

Included in debtors due after more than one year is £1,058,333 (2018: £Nil) in respect of a loan (note 23), and £Nil (2018: £2,598) in respect of deferred taxation balances.

16. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	995,470	1,006,803
Less: bank overdrafts	(620,706)	(271,522)
	<u>374,764</u>	<u>735,281</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

17. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	620,706	271,522
Trade creditors	2,376,713	2,566,326
Amounts owed to group undertakings	1,506,784	806,990
Corporation tax	44,196	62,654
Other taxation and social security	62,167	120,171
Obligations under finance lease and hire purchase contracts	53,335	-
Other creditors	497,976	370,116
Accruals and deferred income	902,780	559,976
	<u>6,064,657</u>	<u>4,757,755</u>

Banks overdrafts of £620,706 (2018: £271,522) are secured on all of the assets of the company. There is a cross guarantee and debenture in place to the bankers between Wrap Limited and T & M Properties Limited, a company in which Mr T Ahmed, a director of the company, is a director and shareholder.

Obligations under finance lease and hire purchase contracts are secured on the assets to which they relate.

18. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Net obligations under finance leases and hire purchase contracts	95,109	-
	<u>95,109</u>	<u>-</u>

Obligations under finance lease and hire purchase contracts are secured on the assets to which they relate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

19. Deferred taxation

	2019 £
At beginning of year	2,598
Charged to profit or loss	(24,581)
At end of year	<u>(21,983)</u>

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Depreciation in excess of capital allowances	(34,607)	(10,257)
Short term timing differences	12,624	12,855
	<u>(21,983)</u>	<u>2,598</u>

20. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
2 (2018 - 2) Ordinary shares shares of £1 each	<u>2</u>	<u>2</u>

21. Pension commitments

The company operates a defined contribution pension scheme for employees. Pension costs in the year were £34,891 (2018: £23,879). Contributions totalling £72,635 (2018: £62,083) were payable at the balance sheet date and are included in creditors.

22. Commitments under operating leases

At 30 September 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	180,000	180,000
Later than 1 year and not later than 5 years	105,000	285,000
	<u>285,000</u>	<u>465,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

23. Related party transactions

The company has taken advantage of the exemption available in Financial Reporting Standard 102 Section 33 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group. The consolidated financial statements of the ultimate parent company, Anthracite Holdings Limited are available from Registrar of Companies, Companies House, Cardiff, CF14 3UZ.

Mr T Ahmed, the director of the company, is a director and shareholder of T & M Properties Limited. There is a cross guarantee and debenture in place to the bankers between Wrap Limited and T & M Properties Limited.

The following transactions were on an arms length basis:

Included within trade debtors at the year end are amounts of £964,500 and £933,302 due from Bahamut Media Limited and Chiron Media Limited, fellow subsidiaries, in respect of the sale of books.

During the year, Wrap Limited was charged rent of £180,000 (2018: £180,000) for commercial letting of one leased property by T & M Properties Limited. At the year end, the company owed £- (2018: £18,000) to T & M Properties Limited, included in trade creditors.

Included within other operating income is an amount accrued of £130,000 (2018: £130,000) which relates to a management charge receivable from T & M Properties Limited. At the year end, the company was owed £130,000 (2018: £130,000), included in accrued income in debtors. Included in trade debtors is an amount of £110,000 (2018: £99,000) payable by T & M Properties Limited for the balance of the 2018 management charges. Included within other debtors due after more than one year at the year end is an amount of £1,058,333 (2018: £Nil) and included within other debtors due within one year is an amount of £Nil (2018: £1,058,333) due from T & M Properties Limited in respect of three unsecured loans totalling £1,058,333 (2018: £1,058,333) and included within other debtors due within one year is interest of £840,583 (2018: £747,979) accrued on these loans. The loans are on an interest only repayment basis and are at a commercial rate of interest. The interest of £840,583 (2018: £747,979) is repayable on demand. At the year end, the total amount owed to the company in respect of these three loans and related interest is £1,898,916 (2018: £1,806,312).

Included in other debtors at the year end is an amount owed to the company from T & M Properties Limited of £87,000 (2018: £87,000) in respect of a short term loan. The loan is unsecured, interest free and repayable on demand.

Post year end, the company is party to a new bank loan secured for £2.1m arranged through T & M Properties Limited. The bank loan is secured on all the assets of the company. There is also a cross guarantee and debenture in place to the bankers between the company and T & M Properties Limited.

Mr R Ahmed, the director and shareholder of Rag Collections Limited, is the father of Mr T Ahmed and Mr M Ahmed, the directors of Wrap Limited.

During the year, sales of £74,204 (2018: £52,715) and purchases of £2,098,102 (2018: £2,353,163) were made to and from Rag Collections Limited. At the year end, the net amount owed to Rag Collections Limited was £682,308 (2018: £906,389), included between trade debtors and trade creditors.

Included in administration expenses is a management charge payable to Rag Collections Limited of £115,000 (2018: £65,000). At the year end, the company owed £115,000 (2018: £65,000), included in accruals, to Rag Collections Limited.

Included within trade creditors at the year end is an amount of £90,000 (2018: £90,000) due to TMJ Textiles SPZOO, a company incorporated in Poland, of which Mr R Ahmed is the director and sole

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

23. Related party transactions (continued)

During the year the company purchased IT consultancy services on an arms length basis for £476,3100 (2018: £279,180) from Market Dynamics, a company in which a director of the company, Mr T Ahmed, has an interest as a shareholder. The net balance of trade debtors and accruals at the year end is an amount of £177,200 (2018: £210,718) owed to Market Dynamics.

Included in other debtors at the year end is an amount of £56,075 owed to the company from Nour Investments Limited, a company where Mr T Ahmed is also a shareholder, in respect of a loan. The loan is unsecured, interest free and repayable on demand.

24. Ultimate controlling party

The company was under the control of Mr T Ahmed and Mr M Ahmed throughout the year and the previous year by virtue of a controlling interest in the ultimate parent company.

25. Parent entity

The immediate and ultimate parent entity is Anthracite Holdings Limited, a company incorporated in the United Kingdom with a registered office of 46-48 Portman Road, Reading, RG30 1EA.

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.