

REPUBLIC TECHNOLOGIES (UK) LIMITED (REGISTERED NUMBER: 00873671)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020 FOR
REPUBLIC TECHNOLOGIES (UK) LIMITED**



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FOR THE YEAR ENDING 31 DECEMBER 2020**

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**COMPANY INFORMATION
FOR THE YEAR ENDING 31 DECEMBER 2020**

DIRECTORS:

Mr T Elton
Mr S S Vila

SECRETARY:

Mr G M Long

REGISTERED OFFICE:

Sword House
Totteridge Road
High Wycombe
Buckinghamshire
HP13 6DG

REGISTERED NUMBER:

00873671 (England and Wales)

AUDITORS:

Ernst & Young LLP, Statutory Auditor
Chartered Accountants
400 Capability Green
Luton
Bedfordshire
LU1 3LU

**STRATEGIC REPORT
FOR THE YEAR ENDING 31 DECEMBER 2020**

The directors present their strategic report for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

During the year the principal activities of the business were the sale and distribution of cigarette rolling papers and filters, matches, lighters and smoker's requisites. During 2020 the Company performance was exceptional and was well ahead of expectations. The market place in which the Company operates continues to be volatile but in spite of this the results of the Company for 2020 have demonstrated that with sound business planning and effective delivery such volatility can be overcome. The Company remains well placed to benefit from further commercial opportunities as they arise in 2021 and beyond.

The accounts for the year ended 31 December 2020 show a profit of £5,646,000 (2019: £4,461,000).

MARKET

Market conditions remained volatile in 2020 with continued Brexit speculation up to the last month of 2020 and the presence of the Covid-19 pandemic during the whole year there has been more customer store consolidation especially with regard to the acquisition of companies with a more sustainable and ecological footprint. Covid-19 also ravaged retail and many familiar names and brands disappeared from the High Street during extended periods of lockdown. The continued move towards digital and online and the increased need for products to be traceable also added to the general uncertainty in the market in which the Company operates. Despite these challenges the Company sales performance during the year were extraordinary. As in 2019 the Company invested in extra stock during the year to service the extra sales and counter Covid-19 and Brexit which finally happened in December. Those extra stocks have been an advantage to the Company during 2020 and into 2021. The Company did benefit from currency fluctuations that it was exposed to during 2020 although these were not significant.

KEY PERFORMANCE INDICATORS

In keeping with Company's objectives of continued business improvement and financial stability the Company operates a number of KPIs to monitor and control the business which are measured either on a daily, weekly or monthly basis as appropriate against agreed budgets and forecasts. The KPIs include, but are not limited to:

Revenue
Gross profit
Operating profit
Debtor days
Creditor days
Inventory days

Revenue increased by 24.3% year on year to £54,138,000 (2019: £43,543,000).

Gross profit has increased by 25.3% to £15,365,000 (2019: £12,266,000).

In the year to 31 December 2020 the Company made an operating profit of £7,164,000 (2019: £5,698,000).

Inventory days in 2020 were lower when compared to 2019. Average inventory days in 2020 were 62 (2019: 67). This reflected increased stock purchased to cover possible Brexit supply problems from Europe and the Far East and also Covid-19. This increased stock level was however reduced by the unprecedented sales that also occurred during 2020.

Average debtor days in 2020 were 53 (2019: 49). A slight increase. This was influenced jointly by Brexit, Covid-19 and much higher sales.

The creditor balance includes accruals for customer based promotional activity and retrospective rebate payments. Promotional activity increased during the year as did rebate payments during 2020, this coupled with different timings of events has resulted in lower accruals in 2020 when compared to 2019. This has reduced the days outstanding. Overall the average creditor days in 2020 were 122 (2019: 129).

FRS 101

The company accounts are prepared using FRS101.

**STRATEGIC REPORT
FOR THE YEAR ENDING 31 DECEMBER 2020**

STRATEGIC REPORT continued

FUTURE STRATEGY

The Company will continue to focus on the sale and distribution of cigarette papers and filters for the Roll Your Own category together with other smoker's accessories including matches, lighters and requisites.

PRINCIPAL RISKS AND UNCERTAINTIES

In line with our internal control policy and procedures any key risk factors are reviewed frequently and detailed analysis undertaken where there is a requirement to do so. Mitigating controls or plans are implemented where necessary. Currency related cost price fluctuation could pose a risk with any devaluation of GBP. Customer credit risk is mitigated mainly by credit insurance. Effective screening and monitoring of key customer accounts is also undertaken to reduce risk. The Brexit and Covid-19 risk has been managed successfully during 2020 although both risks are still present in 2021 with Brexit making international shipping of goods more expensive and administratively burdensome.

COVID-19 Risks

Management continues to monitor the Coronavirus pandemic and the impact this has on the Company following the lockdowns in 2020 and 2021. The pandemic has not impacted the ability of personnel to work as appropriate measures have been put into place. Similarly, no significant supply chain issues have been identified or experienced. There have been positive impacts on sales, results and related cashflows from the pandemic for the Company as consumers have stockpiled the Company's products. As a result, management believes there are no negative or material risks to the Company.

Brexit

The United Kingdom left the European Union at the end of January 2020 and formally exited the European Union at the end of December 2020. A trade agreement was reached between the United Kingdom and the European Union during December 2020. This averted many of the feared repercussions of a no deal Brexit however subsequent to this deal the cost of business with the European Union has increased due to extra paperwork requirements and administration processes. The Management of the Company continue to analyse the effectiveness and cost of its supply chain and have where possible increased stock holdings and changed supply routes when required. The Company completed all necessary documentation to allow it to trade with its suppliers in the European Union post 31 December 2020 and there have been no problems in this regard.

SECTION S172 STATEMENT

The Directors are fully apprised of their responsibilities under section 172(1) of the Companies Act 2006. This section acts as the Company's Section 172(1) statement in accordance with the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies Miscellaneous Reporting Regulation 2018). This section also constitutes the Company's statement on engagement with and having due consideration in the interest of our customers, suppliers, shareholders, employees and other stakeholders such as local communities and the environment.

Republic Group of Companies

The Republic Group of Companies of which Republic Technologies (UK) Ltd is a part and Republic Technologies (International) SAS is the parent seeks to meet the expectations of its customers, suppliers, shareholders, employees and other stakeholders in accordance with the following principles, behaviours and policies:

- Professionalism, to develop quality products and services.
- Team spirit, to undertake, innovate, create and reinforce solidarity and synergies.
- Partnership, to encourage balanced, open relationships with all stakeholders.
- A sense of social and environmental responsibility.
- Strict compliance with all applicable law.

**STRATEGIC REPORT
FOR THE YEAR ENDING 31 DECEMBER 2020**

STRATEGIC REPORT continued

Section 172 Statement continued

- Compliance with the Group Business Code of Conduct. This code sets out principles and standards of behaviour that are expected in a modern working environment and a copy of this policy can be found at : <https://republic-technologies.com/wp-content/uploads/2019/05/RTI-Business-Code-of-Conduct-230519.pdf>
- Ensure the protection of personal data. This data is processed at the group and local level in accordance with Regulation (EU) 2016/679 (General Data Protection Regulation) of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

Republic Technologies (UK) Ltd

Stakeholders

The key stakeholder is Republic Technologies International and the Company strives to deliver the group vision to be best in class whilst maintaining strong focus on our customers and employees. The Company's employees remain paramount in the thinking of the Directors and their safety and wellbeing is constantly reviewed to ensure equality for all. The Company continues to work towards maintaining industry leading delivery performance which the Directors understand is paramount to customer's needs whilst providing the finest quality products through strong and reliable relationships with suppliers. All of this is set alongside the need to ensure that all other stakeholders are not impacted adversely.

Decision Making by the Directors

Decisions made by the Directors are presented at board meetings, these meetings are held in person or remotely using video conferencing. Directors are briefed on any potential risks and impacts for the Company, its customers, suppliers, employees, shareholders and other stakeholders. All decision making will take in all available information, comply with group values and be in the best interest of the Company and its employees, such decisions will also be in keeping with the Company ethical and environmental responsibilities.

Long-Term Sustainability

The Company aim to make enough profit to sustain its commercial viability. This is balanced with the needs and requirements of our customers, suppliers, shareholders, employees and other stakeholders. The long-term sustainability of the Company is at the forefront of all key decision making particularly considering the challenging environment in which the Company trades. This has been exacerbated in 2020 and into 2021 by the Covid-19 pandemic.

Employees

The Company is keen to promote employee diversity, which is a key factor in its success. The Company's policy is to recruit, train and promote its employees, in all positions, each according to their knowledge, skills and experience. On an ongoing basis it is committed to the avoidance of all forms of discrimination, this covers but is not limited to gender, age, origin, religion, sexual orientation, physical appearance, state of health, disability or membership of a union. Furthermore, the Company prohibits all forms of behaviour that may undermine the dignity of employees and in particular any form of harassment or bullying and undertakes to promote a healthy working environment in which its employees can develop. To support its employees' efforts to develop their skills and to fight against social exclusion the Company seeks to help them adapt their skills and provide the ongoing training required to perform their tasks and activities and to develop new skills. It pays attention to the integration and career development of disabled employees. The Company seeks to maintain job security for its employees and where possible, supports retraining and redeployment in the event of a company reorganization. The Company also seeks to protect the health and safety of its employees at all times. It therefore undertakes to promote and maintain safe, healthy working conditions. Employees are asked to contribute towards the Company's efforts in this area and to understand and apply the health, safety and security rules in force. Employees are also asked to report any hazardous or worrying situation to their line manager and if this is not appropriate a Director of the Company or Group.

**STRATEGIC REPORT
FOR THE YEAR ENDING 31 DECEMBER 2020**

STRATEGIC REPORT continued

Section 172 Statement continued

Community and environment

The Company takes its environmental responsibilities very seriously and complies with environmental laws, regulations and best international practices in its area. The Company has aligned itself with the values of the United Nations Global Compact, which is a strategic policy initiative for businesses that are committed to align their operations and strategies with the following universal principles:

- To support a precautionary approach when facing issues that might have an environmental impact.
- To undertake initiatives to promote greater environmental responsibility and:
- To encourage the development and diffusion of environmentally friendly technologies
- The Company is aware of its products potential impact on the environment and continues to strive to find alternative means of packaging, production and transport flow which ultimately reduce its carbon footprint along with its packaging waste impact on the environment.

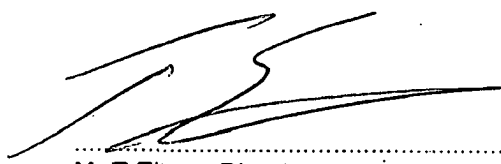
Suppliers

The Company always works closely with all suppliers to ensure reliable supply whilst maintaining the highest quality. The Company demands all suppliers take measures to prevent modern slavery and human trafficking impacting on its supply chain. Regular meetings are held both face to face and virtually with suppliers to maintain combined efforts in all aspects of production, transportation, warehousing and delivery

Business Conduct

The Company supports the Universal Declaration of Human Rights adopted by the United Nations General Assembly in 1948 and the values of the Global Compact adopted by the United Nations on 26 July 2000 and complies with the international conventions of the International Labour Organisation. The Company also supports and applies the essential principles relating to human rights, work, the environment and the fight against corruption. The Company complies with the Group Business Code of Conduct that defines the principles and values to which all employees and stakeholders must adhere in their everyday behaviour and professional attitude. It is particularly focused on professionalism, producing work to the highest possible quality, team spirit and solidarity, partnership and transparency, a sense of social and environmental responsibility and a strict adherence to the law.

BY ORDER OF THE BOARD:



Mr T Elton - Director

Date: 9 September 2021

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

RESULTS

The accounts for the year ended 31 December 2020 show a profit of £5,646,000 (2019: £4,461,000).

DIVIDENDS

The directors proposed and paid a dividend of £2,500,000 in 2020 (2019: £2,000,000).

DIRECTORS

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

Mr J Catania – resigned 31 March 2020

Mr S S Vila

Mr T Elton – appointed 16 June 2020

POLITICAL AND CHARITABLE DONATIONS

The Company made no political contributions during the year. Donations to UK charities amounted to £11,250. This was made under the following category;

Trade Charities Nil

Local NHS £5,000

National Charities £6,250

2019 charitable donations amounted to £571.

POST BALANCE SHEET EVENTS

The directors are not aware of any significant events after the balance sheet date.

GOING CONCERN

The Company's business activities, together with some key factors likely to affect its future development and position, are set out in the Strategic Report.

The Company has net current assets of £8,605,000 (2019: £5,276,000).

The Directors have considered the continued consequences of Covid-19 and other events and conditions, and they have determined that the Company continues to generate positive cashflows and will continue to do so for a period of 12 months from the approval of these financial statements by carrying out a detailed review of its cash flow forecasts covering a period of 12 months from the approval of these financial statements.

The latest projections show that the performance in 2021 is currently exceeding expectation.

After making enquires, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020**

REPORT OF THE DIRECTORS continued

STREAMLINED ENERGY AND CARBON REPORTING

The UK Government's Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1 April 2019, this is the Company's first-time adoption of disclosures on energy and carbon. The table below represents Republic Technologies UK Ltd energy use and associated greenhouse gas (GHG) emissions from electricity and fuel in the United Kingdom for the year ended 31 December 2020. The data covers the Head Office, Distribution Centre and Fleet.

| Energy consumption used to calculate emissions | (kWh) |
|---|-------------------|
| Energy consumption break down (kWh) | |
| Natural Gas | 241,136.94 |
| Electricity | 187,777.00 |
| Transport | 47,765.11 |
| Diesel | 8,280.35 |
| Total Energy Consumption (kWh) | 484,959.40 |

Emissions in Tonnes CO2e

| | |
|--|---------------|
| Scope 1 emissions in metric tonnes CO2e | |
| Natural Gas | 44.34 |
| Diesel | 2.26 |
| Company owned/leased cars | 20.74 |
| | 67.34 |
| Scope 2 emissions in metric tonnes CO2e | |
| Purchase of electricity | 43.77 |
| Private vehicles on company business | 7.38 |
| | 51.15 |
| Total gross emissions in metric tonnes | 118.49 |
| Intensity ratio tones CO2e per employee | 3.5 |

Republic Technologies (UK) Limited has calculated the intensity ratio of emissions by using the average number of its full-time employees for the year.

Emission factors are based on Government published 2020 GHG Protocol Standard conversion factors.

Republic Technologies UK Limited – SECR Methodology Statement 2020

The SECR has been compiled using the 2020 HM Government Environmental Reporting Guidelines. Emissions have been grouped according to the GHG Protocol Corporate Standard.

We have used the following data sources for the report.

- Energy and Fuel Data – Energy supplier billing data.
- Transport Data – Company mileage records.

CO2 emissions have been calculated using the 2020 UK Government Conversion Factors for Company Reporting.

Emissions have been calculated for the financial year 1 January 2020 to 31 December 2020

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2020**

REPORT OF THE DIRECTORS continued

Energy efficiency action taken

An Energy Audit was undertaken at the head office during the year. The following was within the scope of the audit

- Overall site energy consumption
- Monthly energy consumption breakdown
- Daily electricity consumption breakdown during the year
- Overall demand profile
- Weekday demand profile
- Weekend demand profile

This base information can now be used to investigate energy usage patterns, identify waste consumption and find opportunity for change. Monitoring at monthly intervals will allow for excess / unexpected consumption to be quickly identified.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable United Kingdom 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 laws), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 profits or loss of the Company for that period.

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

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- in respect of the Company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

Under applicable law and regulations, the directors are responsible for preparing a strategic report, directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and

integrity of the corporate and financial information included on the company's website.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2020

REPORT OF THE DIRECTORS continued

STATEMENT BY THE DIRECTORS ON PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172 (1) COMPANIES ACT 2006

The Directors are fully appraised of their responsibilities under section 172 of the Companies Act 2006. In line with their duties under s172 (1) Companies Act 2006, they act in a way they consider, in good faith would most likely promote the success of the Company for the benefit of its members as a whole and in doing so, have regard to a range of matters when making decisions for the long term. How s172 has been applied by the directors is outlined in the Strategic Report.

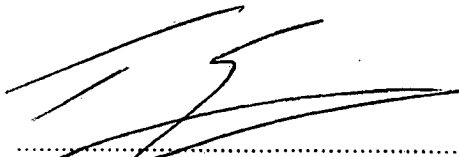
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual Board Meeting for reappointment of Ernst & Young LLP as auditors of the Company.

ON BEHALF OF THE BOARD:



Mr T Elton - Director
Date: 9 September 2021

**THE INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
REPUBLIC TECHNOLOGIES (UK) LIMITED**

Opinion

We have audited the financial statements of Republic Technologies (UK) Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework". (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to the going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other Information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in the 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 there is a material misstatement in the financial statements themselves. If based on work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter 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.

**THE INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
REPUBLIC TECHNOLOGIES (UK) LIMITED**

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and the environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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 set out on page 8, 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 objective is to obtain reasonable assurances 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. Misstatement 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.

Explanation as to what extent 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, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant to be those relating to United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006. And United Kingdom direct and indirect tax regulations. In addition, the Company must comply with operational and employment laws and regulations including health and safety regulations; environmental regulations and GDPR.
- We understood how the Company is complying with those frameworks by making enquiries of senior finance personnel and those charged with governance and gaining an understanding of the entity level controls of the Company in respect of these areas and the controls in place to reduce opportunity for fraudulent transactions.

**THE INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
REPUBLIC TECHNOLOGIES (UK) LIMITED**

- We assessed the susceptibility of the Company's financial statements to material misstatement including how fraud might occur by meeting with management, and those charged with governance to understand where it considered there was susceptibility to fraud. We considered the procedures and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud and gained an understanding as to how those procedures and controls are implemented and monitored. We determined there to be a risk of management override in relation to the posting of non-standard manual journals in respect of revenue. To address the risk of management override, we have used data analytics and obtained the entire population of journals for the year and identified specific transactions for further investigation based on certain criteria. We understood the transactions identified for testing and agreed them to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included obtaining and reading board and management meeting minutes and relevant approval documents, enquiries of senior finance personnel and those charged with governance and agreement of samples of transactions throughout the audit to supporting source documentation.

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

Use of our report

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

Ernst & Young LLP

Mandip Dosanjh (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

Date: -- 10 September 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

| | Notes | 2020 £'000 | 2019 £'000 |
|--|-------|-----------------|-----------------|
| REVENUE | 4 | 54,138 | 43,543 |
| Cost of sales | | <u>(38,773)</u> | <u>(31,277)</u> |
| GROSS PROFIT | | 15,365 | 12,266 |
| Distribution costs | | (5,522) | (5,013) |
| Administrative expenses | | <u>(2,679)</u> | <u>(1,555)</u> |
| | | <u>(8,201)</u> | <u>(6,568)</u> |
| OPERATING PROFIT | 8 | 7,164 | 5,698 |
| Interest receivable and similar income | 6 | 7 | 9 |
| Interest payable and similar expenses | 7 | (182) | (186) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 6,989 | 5,521 |
| Tax on profit on ordinary activities | 9 | (1,343) | (1,060) |
| PROFIT FOR THE FINANCIAL YEAR | | 5,646 | 4,461 |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>5,646</u> | <u>4,461</u> |

All items above relate to continuing operations.

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|--|-------|-----------------|-----------------|
| FIXED ASSETS | | | |
| Property, plant and equipment | 11 | 1,399 | 1,538 |
| ROU assets | 11 | 3,140 | 3,228 |
| Investments | 12 | - | - |
| | | <u>4,539</u> | <u>4,766</u> |
| CURRENT ASSETS | | | |
| Inventories | 13 | 6,607 | 5,745 |
| Debtors | 14 | 7,814 | 6,218 |
| Cash at bank | | <u>8,602</u> | <u>4,376</u> |
| | | 23,023 | 16,339 |
| CREDITORS | | | |
| Amounts falling due within one year | 15 | <u>(14,420)</u> | <u>(11,063)</u> |
| NET CURRENT ASSETS | | <u>8,603</u> | <u>5,276</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 13,142 | 10,042 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 17 | (3,966) | (3,995) |
| PROVISIONS FOR ASSET/ LIABILITIES | 18 | <u>2</u> | <u>(15)</u> |
| NET ASSETS | | <u>9,178</u> | <u>6,032</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 1 | 1 |
| Retained earnings | 20 | <u>9,177</u> | <u>6,031</u> |
| SHAREHOLDERS' FUNDS | | <u>9,178</u> | <u>6,032</u> |

The financial statements were approved by the Board of Directors on 9 September 2021 and were signed on its behalf by:


.....
Mr T Elton - Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

| | Called up share capital £'000 | Retained earnings £'000 | Total Equity £'000 |
|------------------------------------|---|---------------------------------------|----------------------------------|
| Balance at 1 January 2019 | 1 | 3,570 | 3,571 |
| Changes in equity | | | |
| Dividends | - | (2,000) | (2,000) |
| Total comprehensive income | - | 4,461 | 4,461 |
| Balance at 31 December 2019 | 1 | 6,031 | 6,032 |
| Changes in equity | | | |
| Dividends | - | (2,500) | (2,500) |
| Total comprehensive income | - | 5,646 | 5,646 |
| Balance at 31 December 2020 | 1 | 9,177 | 9,178 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Republic Technologies (UK) Limited for the year ended 31 December 2020 were authorised for issue by the board of directors on the 9 September 2021 and the Statement of Financial Position was signed on the board's behalf by Mr T Elton on 9 September 2021.

Republic Technologies (UK) Limited ('the Company') is a Company incorporated in England and Wales. The address of the registered office is Sword House, Totteridge Road, High Wycombe, Buckinghamshire, HP13 6DG. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with Companies Act 2006.

The functional and presentational currency of the financial statements has been determined to be in Sterling as the directors consider this to be the currency of the primary economic environment in which the company operates. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

2. GOING CONCERN

The Company's business activities, together with some key factors likely to affect its future development and position, are set out in the Strategic Report.

The Company has net current assets of £8,605,000 (2019: £5,276,000).

The Directors have considered the continued consequences of Covid-19 and other events and conditions, and they have determined that the Company continues to generate positive cashflows and will continue to do so for a period of 12 months from the approval of these financial statements by carrying out a detailed review of its cash flow forecasts covering a period of 12 months from the approval of these financial statements.

The latest projections show that the performance in 2021 is currently exceeding expectation.

After making enquires, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

3. ACCOUNTING POLICIES

The principal accounting policies adopted by the Company are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Group Financial Statements

These financial statements are separate financial statements. The Company is exempt under section 400 of the Companies Act 2006 from the preparation of consolidated financial statements, because it is included in the group accounts of Republic Technologies International SAS. The group accounts of Republic Technologies International SAS are available to the public and can be obtained as set out in note 24.

Basis of preparation

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and the Companies Act 2006 ('The Act').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. ACCOUNTING POLICIES continued

Basis of preparation continued

FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of the qualifying entities that otherwise apply the recognition, measurement disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The Company is a qualifying entity for the purposes of FRS 101. The group accounts of Republic Technologies International SAS are available to the public and can be obtained as set out in note 23. The group accounts are prepared in accordance with IFRS.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- the requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairments of Assets.

the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements:

Stock provisioning

Stocks are carried at the lower of cost and net realisable value. Management review stock lines for evidence of impairment and make due allowance in respect of items identified as being obsolete or slow moving.

Depreciation of tangible fixed assets

Depreciation is provided in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Management reassess the depreciation methods, useful lives and residual values where there is an indication of a significant change in the pattern by which the Company expects to consume the asset's future economic benefits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. ACCOUNTING POLICIES continued

Bad debt provision

A provision for impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments are considered indicators that the trade debtor is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income within 'administrative expenses'. When a trade debtor is uncollectable, it is written off against the allowance account for trade debtors. Subsequent recoveries of amount are written off against the allowance account for trade debtors. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the Statement of Comprehensive Income.

Leases

The Company transitioned to IFRS 16 'Leases' with effect from 1 January 2019. As part of the process where there is no interest rate inherent in the lease agreement management have estimated the incremental borrowing rates to use for the purposes of discounting the lease liability recognised in respect of the right-of-use assets.

The Company continues to apply the following practical expedients available when applying IFRS 16:

- Exemption available for low-value leases
- Exemption available for short-term leases

Provision

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions made in respect of industrial claims by former employees are charged against profits on the settlement of the claim.

Management assess the industrial claims provision required by estimating the future claims by ex-employees.

Right of Use Asset Impairment

Right of use assets are considered for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indication of impairment is identified the estimation of the recoverable value requires estimation of recoverable value of cash generating units (CGV's). This requires estimation of future cash flows from the CGU's and also selection of appropriate discount rates in order to calculate the net present values of those cash flows.

Revenue recognition

Recognition

The Company earns revenue from the sale of cigarette rolling papers and filters, matches, lighters and smoker's requisites to customers. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS15 are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. ACCOUNTING POLICIES continued

Revenue recognition continued

Fee arrangements

Below are details of fee arrangement and how these are measured and recognised, for revenue from the sale of products.

Revenue is recognised when we transfer control and performance obligations are met, usually on delivery of product to customer. Terms of the fee arrangement are detailed in the terms and conditions attached to the invoice.

Performance obligations

Revenue from the sale of goods is recognised when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the trade customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

Transaction Price

The transaction price is the fair value of the consideration received for the product less discounts/rebates and value added taxes. Payment of the transaction price is due in line with the agreed credit terms in each customer's contract. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract assets and receivables

Where goods or services are transferred to the customer before the customer pays consideration, or before payment is due, Contract assets are recognised. Contract assets are included in the Balance Sheet and represents the right to consideration for products delivered.

Contract receivables (loans and advances) are recognised in the Balance Sheet when the Company's right to consideration becomes unconditional.

Contract assets & receivables (loans and advances) are classified as current or non-current based on the Company's normal operating cycle and are assessed for impairment at each reporting date.

Contract liabilities

Contract liabilities and customer deposits are recognised in the Balance sheet when the Company has received consideration but still has an obligation to deliver products that meet performance obligations for that consideration.

Net basis of measurement of contract balances

Contract asset and contract liability positions are determined for each contract on a net basis. This is because the rights and obligations within each contract are considered inter-dependent. Where two contracts are with the same or related entities, an assessment is made of whether contract assets and liabilities are inter-dependent and if so, contract balances are reported net.

Impairment of contract related balances

At each reporting date, the Company determines whether or not such assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. ACCOUNTING POLICIES continued

Interest income

Interest income is recognised as income accrues using the effective interest method. The effective interest rate is the rate which exactly discounts estimated future cash receipts through the expected life of the financial instruments to its net carrying amount.

Rental income

Rental income arising from operating leases is accounted for on a straight line basis over the lease term.

Tangible fixed assets

Tangible assets except land are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Land is held at cost.

Depreciation is provided on all tangible assets to write-off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight-line basis over its expected useful life as follows:

| | |
|---------------------|----------------|
| Buildings | 50 - 100 years |
| Plant and machinery | 3 - 10 years |

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Residual values, useful lives and methods of depreciation are reviewed each financial year and adjusted prospectively if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the statement of comprehensive income in the year that the asset is derecognised.

Leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Right of use asset

At the commencement of a new lease, the Company recognises a right-of-use asset and a lease liability. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

Lease liabilities

At the lease commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease and if that is not available the company's incremental borrowing rate (IBR).

After the commencement date, the amount of the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. ACCOUNTING POLICIES continued

Leases continued

In the statement of financial position, right of use assets have been included in tangible fixed assets and lease liabilities have been included in both current and non-current liabilities.

The Company has also separately recognised the interest expense on the lease liability, and the depreciation expense on the right-of-use asset in profit and loss account.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Financial instruments

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial asset – recognition and measurement

Financial assets are recognised when the entity becomes party to the contract and, as a consequence, has a legal right to receive cash.

All financial assets are initially measured at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date the Company commits to purchase or sell the asset. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

- (a) Financial assets at fair value through profit or loss or at fair value through other comprehensive income

There are no instruments which have been classified under this category

- (b) Financial assets at amortised cost

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

This category is the most relevant to the Company. After initial measurement, such financial assets subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. ACCOUNTING POLICIES continued

Impairment of financial assets

In accordance with IFRS9 the Company applies expected credit loss (ECL) model for measurement and the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance.
- b) Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15.

For trade and other receivables, the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Financial liabilities – recognition and measurement

Financial liabilities are classified, at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities comprise of trade creditors, amounts owed to group undertakings and bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- a) Financial liabilities at fair value through profit or loss
- b) Loans and borrowings

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

The Company does not have any financial liabilities which are subsequently re-measured at fair value through profit or loss.

Financial liabilities – recognition and measurement continued

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. ACCOUNTING POLICIES continued

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset to the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Inventories

Finished goods are stated at the lower of cost and net realisable value in accordance with the principles of IAS 2 - Inventories. Cost is determined on a first in first out. Where necessary, provision is made for obsolete, slow moving and defective stocks on a systematic basis. Net realisable value represents the estimates selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the year end date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the yearend date.

The carrying amount of deferred income tax assets is reviewed at each year end date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the statement of comprehensive income.

Foreign currencies

Transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each year end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

3. ACCOUNTING POLICIES continued

Employee benefit costs

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the director's best estimate of the expenditure required to settle the Company's obligation.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

4. REVENUE

The revenue and profit before taxation are attributable to the principal activities of the company.

Class of business:

| | 2020 | 2019 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Smokers requisites and associated products | <u>54,138</u> | <u>43,543</u> |

Revenue is primarily derived from UK sales.

5. EMPLOYEES AND DIRECTORS

- a. The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

| | 2020 | 2019 |
|----------------|-----------|-----------|
| | No. | No. |
| Distribution | 28 | 26 |
| Administration | <u>6</u> | <u>6</u> |
| | <u>34</u> | <u>32</u> |

- b. The aggregate payroll costs of these persons were as follows:

| | 2020 | 2019 |
|-------------------------|--------------|--------------|
| | £'000 | £'000 |
| Wages and salaries | 2,015 | 1,677 |
| Social security costs | 211 | 182 |
| Pension costs (note 21) | <u>159</u> | <u>160</u> |
| | <u>2,385</u> | <u>2,019</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. EMPLOYEES AND DIRECTORS continued

c. Remuneration of directors

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Directors' emoluments | 322 | 201 |
| Company contributions to money purchase pension schemes | 19 | 27 |
| | <u>341</u> | <u>228</u> |

Remuneration for certain directors has been borne by a related company. Certain directors are also directors of other companies within the Republic Technologies Group. These directors' services to the Company do not occupy a significant amount of time. As such these directors do not consider that they have received remuneration for incidental services to the company for the year.

d. Highest paid director

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Directors' emoluments | 245 | 201 |
| Company contributions to money purchase pension schemes | 7 | 27 |
| | <u>252</u> | <u>228</u> |

6. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2020 £'000 | 2019 £'000 |
|-----------------------|---------------|---------------|
| Bank account interest | <u>7</u> | <u>9</u> |

7. INTEREST PAYABLE AND SIMILAR EXPENSES

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Interest expense for leasing arrangements | <u>182</u> | <u>186</u> |

8. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Depreciation - owned assets (Note 11) | 139 | 163 |
| Depreciation - leased assets (Note 11) | 104 | 136 |
| Property income | (93) | (149) |
| Auditors' remuneration: - audit of financial statements | 34 | 48 |
| Foreign exchange differences | 546 | (271) |
| Bad debt write-off | 3 | 1 |
| Cost of stock recognised as expense in cost of sales | <u>38,773</u> | <u>31,277</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

9. TAXATION

Analysis of tax expense

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Current tax: | | |
| Corporation tax | <u>1,360</u> | <u>1,074</u> |
| Total current tax | 1,360 | 1,074 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | <u>(17)</u> | <u>(14)</u> |
| Total tax expense in statement of comprehensive income | <u>1,343</u> | <u>1,060</u> |

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Profit on ordinary activities before income tax | <u>6,989</u> | <u>5,521</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2019 – 19.00%) | 1,328 | 1,049 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 11 | 4 |
| Depreciation for period in excess of capital allowances | 4 | 4 |
| Other timing differences – deferred tax | <u>-</u> | <u>3</u> |
| Tax expense for the year | <u>1,343</u> | <u>1,060</u> |

The weighted average applicable tax rate was 19.00% (2019 - 19.00%).

The main rate of corporation tax in the UK has remained at 19%. In the March 2021 Budget the Chancellor announced plans to increase the main UK tax rate to 25% from April 2023 onwards. This change was not substantially enacted at the balance sheet date and no adjustments have been made on these financial statements. Deferred tax balances are calculated using the current rate of 19%.

10. DIVIDENDS

| | 2020 £'000 | 2019 £'000 |
|----------------------------|---------------|---------------|
| Ordinary shares of £1 each | | |
| Interim | <u>2,500</u> | <u>2,000</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. FIXED ASSETS

| PROPERTY, PLANT AND EQUIPMENT | Land and buildings £'000 | Plant and machinery £'000 | Totals £'000 |
|-------------------------------|--------------------------------|---------------------------------|-----------------|
| COST | | | |
| At 1 January 2020 | 1,495 | 1,727 | 3,222 |
| Disposals | - | (117) | (117) |
| At 31 December 2020 | 1,495 | 1,610 | 3,105 |
| DEPRECIATION | | | |
| At 1 January 2020 | 186 | 1,498 | 1,684 |
| Charge for year | 23 | 116 | 139 |
| Disposals | - | (117) | (117) |
| At 31 December 2020 | 209 | 1,497 | 1,706 |
| NET BOOK VALUE | | | |
| At 31 December 2020 | 1,286 | 113 | 1,399 |
| At 31 December 2019 | 1,309 | 229 | 1,538 |

Included in land and buildings above is land valued at £500,000 (2019 - £500,000) which was acquired in the year ended 31 December 2011 at the same value. The directors consider this to represent its market value.

| ROU ASSETS | Land and buildings £'000 | Plant and machinery £'000 | Totals £'000 |
|-----------------------|--------------------------------|---------------------------------|-----------------|
| COST | | | |
| At 1 January 2020 | 3,169 | 195 | 3,364 |
| Additions | - | 38 | 38 |
| Disposals | - | (117) | (117) |
| At 31 December 2020 | 3,169 | 116 | 3,285 |
| DEPRECIATION | | | |
| At 1 January 2020 | 49 | 87 | 136 |
| Charge for year | 49 | 55 | 104 |
| Disposals | - | (95) | (95) |
| At 31 December 2020 | 98 | 47 | 145 |
| NET BOOK VALUE | | | |
| At 31 December 2020 | 3,071 | 69 | 3,140 |
| At 31 December 2019 | 3,120 | 108 | 3,228 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. INVESTMENTS

As at 31 December 2020 the Company owned the beneficial interest in the entire issued share capital of Optinett (UK) Limited, OCB Papers (UK) Limited and Zig Zag (GB) Limited, all non-trading companies.

The companies in which the Company's interest at the year end is more than 20% are as follows:

| Subsidiary undertaking | Country of incorporation | Principal activity | Class and percentage of shares held |
|-------------------------------|---------------------------------|---------------------------|--|
| Optinett (UK) Limited | United Kingdom | Dormant | Ordinary Shares 100% |
| Zig Zag (GB) Limited | United Kingdom | Dormant | Ordinary Shares 100% |
| OCB Papers (UK) Limited | United Kingdom | Dormant | Ordinary Shares 100% |

13. INVENTORIES

| | 2020 | 2019 |
|----------------|--------------|--------------|
| | £'000 | £'000 |
| Finished goods | <u>6,607</u> | <u>5,745</u> |

The difference between the carrying value of inventories and its replacement cost is not material.

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2020 | 2019 |
|--------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Trade debtors | 7,181 | 5,948 |
| Prepayments and accrued income | <u>633</u> | <u>270</u> |
| | <u>7,814</u> | <u>6,218</u> |

Ageing of trade debtors

| | 1 - 30 days | 31 - 60 days | 61 - 90 days | 91 - 120 days | >120 days |
|----------------------------|--------------------|---------------------|---------------------|----------------------|---------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Year End: 31 December 2020 | <u>3,474</u> | <u>2,331</u> | <u>1,187</u> | <u>134</u> | <u>55</u> |
| Year End: 31 December 2019 | <u>3,398</u> | <u>1,645</u> | <u>779</u> | <u>108</u> | <u>18</u> |

Bad debts totalling £3,498 were written off in the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2020 | 2019 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Lease liabilities | 47 | 57 |
| Trade creditors | 2,897 | 2,810 |
| Amounts owed to group undertakings | 4,980 | 3,171 |
| Corporation tax | 416 | 308 |
| Social security and other taxes | 1,986 | 404 |
| Accruals and deferred income | 4,094 | 4,313 |
| | <u>14,420</u> | <u>11,063</u> |

16. LEASING AGREEMENTS

The Company leases an office building, some motor vehicles and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 11).

Leases of motor vehicles and IT equipment range from 1 to 4 years. Leases of property have a remaining lease of 79 years. Lease payments are generally fixed however, the Company has several IT equipment leases and motor vehicle leases where rentals are linked to output and the number of miles covered.

Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. For the lease over the office building the company must keep it in a good state of repair and return it to its original condition at the end of the lease.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognised on the statement of financial position

| | Office building | Motor vehicles | IT equipment |
|--|-----------------|----------------|--------------|
| Number of right-of-use assets leased | 1 | 20 | 14 |
| Number of leases ended in the period | - | 17 | - |
| Range of remaining term | 79.5 years | 0 – 3 years | 1 - 2 years |
| Average remaining lease term | 79.5 years | 2.66 years | 1.75 years |
| Number of leases with extension options | - | - | - |
| Number of leases with options to purchase | - | - | - |
| Number of leases with variable payments linked to an index | - | - | - |
| Number of leases with termination options | - | 20 | 14 |

Additional information on the right of use assets by class of assets is as follows:

| | Cost | Carrying amount | Additions | Depreciation | Impairment |
|-----------------|--------------|-----------------|-----------|--------------|------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Office building | 3,169 | 3,071 | - | 49 | - |
| Motor vehicles | 46 | 35 | 38 | 37 | - |
| IT equipment | 70 | 34 | - | 18 | - |
| | <u>3,285</u> | <u>3,140</u> | <u>38</u> | <u>104</u> | <u>-</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

LEASING AGREEMENTS continued.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 December 2020 is as follows:

| | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | 5-10 years | 10-25 years | Over 25 years | Total |
|--------------------------|------------------|--------------|--------------|--------------|--------------|---------------|----------------|------------------|--------------|
| 31 December 2020 | | | | | | | | | |
| Lease payments | 229 | 206 | 188 | 182 | 182 | 911 | 2,732 | 9,745 | 14,375 |
| Finance charges | 182 | 179 | 177 | 176 | 176 | 873 | 2,553 | 6,046 | 10,362 |
| Net present value | 47 | 27 | 11 | 6 | 6 | 38 | 179 | 3,699 | 4,013 |
| 31 December 2019 | | | | | | | | | |
| Lease payments | 237 | 202 | 198 | 182 | 182 | 911 | 2,732 | 9,972 | 14,616 |
| Finance charges | 180 | 178 | 176 | 176 | 176 | 875 | 2,561 | 6,242 | 10,564 |
| Net present value | 57 | 24 | 22 | 6 | 6 | 36 | 171 | 3,730 | 4,052 |

The Company has generated property rental income of £93,000 (2019 - £149,000) via subletting part of an office included above under a non-cancellable finance lease.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2020 £'000 | 2019 £'000 |
|--------------------------------|---------------|---------------|
| Lease liabilities under IFRS16 | 3,966 | 3,995 |
| | 3,966 | 3,995 |

18. PROVISIONS FOR LIABILITIES

| | 2020 £'000 | 2019 £'000 |
|--|---------------------|---------------|
| Deferred tax | - | 15 |
| | Deferred tax | |
| | £'000 | |
| Balance at 1 January 2020 | 15 | |
| Profit and loss account movement during the year | (17) | |
| Balance at 31 December 2020 | (2) | |

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2020 £ | 2019 £ |
|---------|----------|-------------------|-----------|-----------|
| 1,200 | Ordinary | £1 | 1,200 | 1,200 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

20. RESERVES

| | Retained earnings £'000 |
|---------------------|-------------------------------|
| At 1 January 2020 | 6,031 |
| Profit for the year | 5,646 |
| Dividends | <u>(2,500)</u> |
| At 31 December 2020 | <u>9,177</u> |

21. PENSION COMMITMENTS

Defined contribution pension scheme

The Company operates a defined contribution pension scheme for qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the company are reduced by the amount of forfeited contributions. The total pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £159,000 (2019 - £160,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

22. CONTINGENT LIABILITIES

The bank has issued a VAT bond in favour of HM Revenue and Customs, which amounted to £100,000 (2019 - £100,000) with full recourse to the Company.

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Republic Technologies (International) SAS, a company incorporated in France. This is also the parent undertaking of the smallest group of which the Company is a member. Copies of the consolidated accounts of Republic Technologies International SAS are available upon request from

Republic Technologies International SAS
3750 Avenue Julien Panchot
BP 424, 66004 Perpignan
CEDEX
France

The directors consider that the Company's ultimate parent undertaking and controlling party is Republic Group INC. incorporated in the United States of America which is also the largest group in which the results of Republic Technologies (UK) Limited are consolidated.