

Company Registration No. 06781419 (England and Wales)

**PILLBOX38 (UK) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2021**

# PILLBOX38 (UK) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr F B N Cropper Mr M J Saxton
<b>Company number</b>	06781419
<b>Registered office</b>	Stancliffe Street Blackburn Lancashire BB2 2QR
<b>Auditor</b>	Pierce C A Limited Mentor House Ainsworth Street Blackburn Lancashire BB1 6AY
<b>Business address</b>	Stancliffe Street Blackburn Lancashire BB2 2QR
<b>Bankers</b>	HSBC Bank plc 60 Church Street Blackburn Lancashire BB1 5AS

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# **PILLBOX38 (UK) LIMITED**

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# **PILLBOX38 (UK) LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2021**

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The directors present the strategic report for the year ended 31 March 2021.

#### **Review of the business**

The vaping sector like many other industries has seen significant disruption caused by the Covid-19 pandemic. However, important to note is that whilst there were structural changes to where consumers could purchase their products of choice due to the forced store closures, the business has delivered a resilient financial performance which has been underpinned by a combination of our strong and established omni-channel proposition, and enduring consumer demand for our brand.

English vape stores were required to close between 24 March and 15 June 2020 with similar restrictions in Scotland, Wales and Germany. During this period the business saw significant growth in revenues through its principal e-commerce site; [totallywicked.co.uk](http://totallywicked.co.uk) and also through convenience partners such as Euro Garages who were able to remain open during this period.

Further lockdowns during November 2020 and January to March 2021 meant that the retail stores were only able to operate a limited call and collect service to customers during these periods.

This significant channel shift along with the government requirements to ensure the Business had a safe operating environment created many challenges for our business, however, our colleagues across the business have performed admirably throughout this period to ensure that we were able to meet all of our customers needs and requirements, whilst still providing an excellent level of customer service and operating under "Covid Secure" protocols.

As restrictions continue to ease, footfall and revenues in retail stores continue to improve and whilst understandably below pre-pandemic levels this has been offset by the strong and enduring growth seen across our e-commerce platforms and through our convenience and grocer partners.

The direction of the UK government to close all of our retail stores required us to place at its peak, 170 of our colleagues on furlough, utilising the Coronavirus Job Retention Scheme.

Whilst Covid-19 has almost certainly accelerated the shift from bricks and mortar retail to online in all sectors, Totally Wicked remains absolutely committed to its retail store portfolio which consisted of 152 dedicated vaping stores at the year-end (71 corporate and 81 dedicated resellers). Retail is critical to enabling Totally Wicked to offer the advice and expertise that has and will continue to enable many thousands of successful quit attempts of smokers, and deliver on our purpose of "empowering smokers to transform their lives".

Throughout this turbulent period, the main advocates of vaping in the UK have remained steadfastly supportive of the positive benefits of smokers switching to vaping, including Public Health England, Department of Health, NHS, Cancer Research UK and the Royal College of Physicians.

The business completed the final phase of its head office refurbishment at Stancliffe Street during the period to reorganise its production and office facilities and complete the development of the Blackburn based site.

#### **Principal risks and uncertainties**

Clarity arising from agreement on the terms of the United Kingdom leaving the European Union has seen sterling strengthen during the year which benefits the business. However, currency fluctuations continue to remain a risk.

The Group is exposed to the risk of exchange rate movements (primarily US\$) and from time to time uses exchange rate hedging products to reduce some of this risk. The company does not actively use any other financial instruments as part of its financial risk management.

The Group has a fixed 4 year credit facility (expiring September 2022) with HSBC Bank Plc that is repayable on a straight line amortising basis. Other credit facilities are provided in the form of various vendor loan notes provided by existing and former shareholders.

The UK government is currently carrying out a consultation to see what regulatory changes could potentially be made to further enable vaping as the most effective smoking cessation method in the UK.

## **PILLBOX38 (UK) LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 MARCH 2021***

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#### **Key performance indicators**

The company monitors its performance by reference to a number of indicators including:

- Turnover
- Gross Profit %
- Operating profit %

Turnover rose 1.4% during the year to £33.7million. Turnover growth was principally driven by e-commerce and growth in convenience partners.

Gross profit remained static at 58.1%, this was due to marginally more favourable USD exchange rates during the latter part of the financial year and more of a bias of revenues being in e-commerce which operates at higher gross margins than other parts of the group.

Operating profit margins fell slightly to 22.2% from 23.2% in the prior year. There was an increase in overheads during the year driven by significant investment in both new retail stores and head office people to position the business for continuing future growth.

On behalf of the board

Mr M J Saxton  
**Director**

18 August 2021

# **PILLBOX38 (UK) LIMITED**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 31 MARCH 2021***

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

### **Principal activities**

The principal activity of the company continued to be that of the manufacture, wholesale and retail of vaping devices and fluids.

### **Results and dividends**

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £6,500,000. The directors do not recommend payment of a final dividend.

### **Directors**

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

Mr F B N Cropper  
Mr M J Saxton

### **Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### **Employee involvement**

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

### **Auditor**

The auditor, Pierce C A Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

**PILLBOX38 (UK) LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 MARCH 2021***

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On behalf of the board

Mr M J Saxton

**Director**

18 August 2021

## **PILLBOX38 (UK) LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 MARCH 2021***

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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



# PILLBOX38 (UK) LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBER OF PILLBOX38 (UK) LIMITED

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#### Opinion

We have audited the financial statements of Pillbox38 (UK) Limited (the 'company') for the year ended 31 March 2021 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 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 a period of at least twelve months from when the financial statements are authorised for issue.

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

#### Other information

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

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

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

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

## **PILLBOX38 (UK) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBER OF PILLBOX38 (UK) LIMITED**

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

##### **Auditor's responsibilities for the audit of the financial statements**

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

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

In identifying and assessing risks of material misstatement in respect of irregularities we considered the following:

- The nature of the industry and the company's control environment.
- Results of our enquiries of management.
- The company's procedures and controls on compliance with laws and regulations and the risks of fraud.
- Discussions among the audit engagement team concerning potential indicators of fraud.

We are also required to perform specific procedures to respond to the risk of management override.

As a result of our audit procedures we did not identify a material risk of fraud or other non-compliance with laws and regulations.

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

## **PILLBOX38 (UK) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF PILLBOX38 (UK) LIMITED**

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#### **Use of our report**

This report is made solely to the company's member 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 member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member for our audit work, for this report, or for the opinions we have formed.

**Simon Diggle (Senior Statutory Auditor)**  
**For and on behalf of Pierce C A Limited**

20 August 2021

**Statutory Auditor**

Mentor House  
Ainsworth Street  
Blackburn  
Lancashire  
BB1 6AY

## PILLBOX38 (UK) LIMITED

### STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Turnover	3	33,686,479	33,216,732
Cost of sales		(14,131,430)	(13,919,509)
<b>Gross profit</b>		<b>19,555,049</b>	<b>19,297,223</b>
Administrative expenses		(13,457,892)	(12,009,843)
Other operating income		1,391,625	431,171
<b>Operating profit</b>	<b>4</b>	<b>7,488,782</b>	<b>7,718,551</b>
Interest receivable and similar income	6	10,542	2,522
<b>Profit before taxation</b>		<b>7,499,324</b>	<b>7,721,073</b>
Tax on profit	7	(1,355,907)	(1,351,491)
<b>Profit for the financial year</b>		<b>6,143,417</b>	<b>6,369,582</b>

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

# PILLBOX38 (UK) LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021 £	£	2020 £	£
<b>Fixed assets</b>					
Goodwill	9		4		4
Tangible assets	10		1,343,464		1,398,644
			<u>1,343,468</u>		<u>1,398,648</u>
<b>Current assets</b>					
Stocks	11	3,608,549		3,081,324	
Debtors	12	1,730,246		1,626,436	
Cash at bank and in hand		2,473,669		3,687,929	
		<u>7,812,464</u>		<u>8,395,689</u>	
<b>Creditors: amounts falling due within one year</b>	13	(2,019,434)		(2,303,230)	
<b>Net current assets</b>			<u>5,793,030</u>		<u>6,092,459</u>
<b>Total assets less current liabilities</b>			<u>7,136,498</u>		<u>7,491,107</u>
<b>Provisions for liabilities</b>					
Deferred tax liability	14	103,432		101,458	
		<u>(103,432)</u>		<u>(101,458)</u>	
<b>Net assets</b>			<u>7,033,066</u>		<u>7,389,649</u>
<b>Capital and reserves</b>					
Called up share capital	16		100		100
Profit and loss reserves			7,032,966		7,389,549
<b>Total equity</b>			<u>7,033,066</u>		<u>7,389,649</u>

The financial statements were approved by the board of directors and authorised for issue on 18 August 2021 and are signed on its behalf by:

Mr M J Saxton  
Director

Company Registration No. 06781419

# PILLBOX38 (UK) LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
<b>Balance at 1 April 2019</b>		100	5,519,967	5,520,067
<b>Year ended 31 March 2020:</b>				
Profit and total comprehensive income for the year		-	6,369,582	6,369,582
Dividends	8	-	(4,500,000)	(4,500,000)
<b>Balance at 31 March 2020</b>		100	7,389,549	7,389,649
<b>Year ended 31 March 2021:</b>				
Profit and total comprehensive income for the year		-	6,143,417	6,143,417
Dividends	8	-	(6,500,000)	(6,500,000)
<b>Balance at 31 March 2021</b>		100	7,032,966	7,033,066

# **PILLBOX38 (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2021**

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### **1 Accounting policies**

#### **Company information**

Pillbox38 (UK) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Stancliffe Street, Blackburn, Lancashire, BB2 2QR.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption in FRS 102 paragraph 1.12 from the requirement to produce a cash flow statement and to disclose certain related party transactions.

The immediate parent company is Totally Wicked Limited, a company incorporated in England and Wales. The ultimate parent company is Totally Wicked Holdings Limited, a company registered in England and Wales. Totally Wicked Holdings Limited prepare group financial statements and these can be obtained from the company's registered office.

#### **1.2 Going concern**

The directors are not aware of any material uncertainties affecting the company and consider that the company will have sufficient resources to continue trading for the foreseeable future. As a result the directors have continued to adopt the going concern basis in preparing the financial statements.

Whilst the directors have adopted the going concern basis set out above, the impact of the worldwide Coronavirus pandemic, Covid-19, on all businesses represents an uncertainty and the true impact of this pandemic will only become apparent over time.

The directors have given due consideration to the impact of the pandemic on the company and consider that it will have adequate resources to manage that impact.

#### **1.3 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

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

#### **1.4 Intangible fixed assets - goodwill**

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

#### **1.5 Tangible fixed assets**

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

# PILLBOX38 (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 1 Accounting policies

(Continued)

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

Land and buildings Leasehold	25% on cost
Plant and machinery	25% on cost
Fixtures, fittings & equipment	25% on cost
Computer equipment	25% on cost
Motor vehicles	25% on cost

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

#### 1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### 1.7 Stocks

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

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

#### 1.8 Cash and cash equivalents

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

#### 1.9 Financial instruments

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

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

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

##### **Basic financial assets**

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



# PILLBOX38 (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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### 1 Accounting policies

(Continued)

#### **Other financial assets**

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

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

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

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

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

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

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

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

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

#### **Basic financial liabilities**

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

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

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

# PILLBOX38 (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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### 1 Accounting policies

(Continued)

#### **Other financial liabilities**

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

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

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

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

#### **1.10 Equity instruments**

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

#### **1.11 Taxation**

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

##### **Current tax**

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

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax assets and liabilities are not discounted.

#### **1.12 Employee benefits**

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

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

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

# PILLBOX38 (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 1 Accounting policies

(Continued)

#### 1.13 Retirement benefits

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

#### 1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

#### 1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

#### 1.16 Foreign exchange

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

### 2 Judgements and key sources of estimation uncertainty

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

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

### 3 Turnover and other revenue

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

	2021 £	2020 £
<b>Turnover</b>		
Web and phone	16,304,253	9,101,841
Retail	5,726,702	9,028,906
Wholesale	11,655,524	15,085,985
	<u>33,686,479</u>	<u>33,216,732</u>

# PILLBOX38 (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

3	Turnover and other revenue	(Continued)	
		2021	2020
		£	£

### Other significant revenue

Interest income	10,542	2,522
Grants received	1,043,688	51,001
Small Business Grant Fund received	188,996	380,000
	<u>33,686,479</u>	<u>33,216,732</u>

### Turnover analysed by geographical market

	2021	2020
	£	£
United Kingdom	32,919,518	31,969,651
Europe	246,014	403,402
Rest of World	520,947	843,679
	<u>33,686,479</u>	<u>33,216,732</u>

## 4 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	61,045	(21,157)
Government grants	(1,043,688)	(51,001)
Small Business Grant Fund	(188,996)	(380,000)
Fees payable to the company's auditor for the audit of the company's financial statements	9,500	9,000
Depreciation of owned tangible fixed assets	645,401	580,837
Loss on disposal of tangible fixed assets	3,501	-
Cost of stocks recognised as an expense	10,467,918	11,236,250
Operating lease charges	1,346,792	1,112,186
	<u>33,686,479</u>	<u>33,216,732</u>

## 5 Employees

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

	2021	2020
	Number	Number
Directors	2	2
Management and sales	301	233
Total	<u>303</u>	<u>235</u>

# PILLBOX38 (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

5 Employees		(Continued)	
Their aggregate remuneration comprised:			
		2021	2020
		£	£
Wages and salaries		7,070,794	6,330,538
Social security costs		518,050	452,193
Pension costs		152,434	126,240
		<u>7,741,278</u>	<u>6,908,971</u>
6 Interest receivable and similar income			
		2021	2020
		£	£
Interest income			
Interest on bank deposits		10,542	2,522
		<u>10,542</u>	<u>2,522</u>
7 Taxation			
		2021	2020
		£	£
Current tax			
UK corporation tax on profits for the current period		1,353,933	1,354,398
Adjustments in respect of prior periods		-	(3,813)
		<u>1,353,933</u>	<u>1,350,585</u>
Total current tax		<u>1,353,933</u>	<u>1,350,585</u>
Deferred tax			
Origination and reversal of timing differences		1,974	906
		<u>1,974</u>	<u>906</u>
Total tax charge		<u>1,355,907</u>	<u>1,351,491</u>

# PILLBOX38 (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 7 Taxation

(Continued)

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

	2021 £	2020 £
Profit before taxation	7,499,324	7,721,073
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	1,424,872	1,467,004
Tax effect of expenses that are not deductible in determining taxable profit	48,639	35,266
Group relief	(45,513)	(82,062)
Permanent capital allowances in excess of depreciation	-	741
Research and development tax credit	(65,314)	(66,552)
Other permanent differences	-	907
Under/(over) provided in prior years	-	(3,813)
Deferred tax adjustments in respect of prior years	(6,777)	-
Taxation charge for the year	1,355,907	1,351,491

### 8 Dividends

	2021 £	2020 £
Interim paid	6,500,000	4,500,000

### 9 Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 April 2020 and 31 March 2021	4
<b>Amortisation and impairment</b>	
At 1 April 2020 and 31 March 2021	-
<b>Carrying amount</b>	
At 31 March 2021	4
At 31 March 2020	4

# PILLBOX38 (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 10 Tangible fixed assets

	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Computer equipment £	Motor vehicles £	Total £
<b>Cost</b>						
At 1 April 2020	1,106,456	797,493	1,029,788	410,204	45,903	3,389,844
Additions	131,116	22,893	341,755	105,887	-	601,651
Disposals	(23,902)	-	(14,074)	(7,929)	-	(45,905)
At 31 March 2021	1,213,670	820,386	1,357,469	508,162	45,903	3,945,590
<b>Depreciation and impairment</b>						
At 1 April 2020	582,781	586,294	510,202	277,839	34,084	1,991,200
Depreciation charged in the year	229,503	107,063	238,202	65,389	5,244	645,401
Eliminated in respect of disposals	(21,777)	-	(12,698)	-	-	(34,475)
At 31 March 2021	790,507	693,357	735,706	343,228	39,328	2,602,126
<b>Carrying amount</b>						
At 31 March 2021	423,163	127,029	621,763	164,934	6,575	1,343,464
At 31 March 2020	523,675	211,199	519,586	132,365	11,819	1,398,644

### 11 Stocks

	2021 £	2020 £
Finished goods and goods for resale	3,608,549	3,081,324

### 12 Debtors

	2021 £	2020 £
<b>Amounts falling due within one year:</b>		
Trade debtors	1,136,834	586,879
Corporation tax recoverable	205,516	348,907
Amounts owed by group undertakings	17,282	67,146
Other debtors	21,335	380,000
Prepayments and accrued income	349,279	243,504
	1,730,246	1,626,436

## PILLBOX38 (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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

	2021 £	2020 £
Trade creditors	929,462	1,075,997
Amounts due to fellow group undertakings	143,063	102,854
Other taxation and social security	717,388	948,177
Other creditors	481	7,744
Accruals and deferred income	229,040	168,458
	<u>2,019,434</u>	<u>2,303,230</u>

#### 14 Deferred taxation

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

	Liabilities 2021 £	Liabilities 2020 £
<b>Balances:</b>		
Accelerated capital allowances	<u>103,432</u>	<u>101,458</u>
<b>Movements in the year:</b>		2021 £
Liability at 1 April 2020		101,458
Charge to profit or loss		<u>1,974</u>
Liability at 31 March 2021		<u>103,432</u>

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

#### 15 Retirement benefit schemes

	2021 £	2020 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>152,434</u>	<u>126,240</u>

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



## PILLBOX38 (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

#### 16 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	100	100	100	100

#### 17 Financial commitments, guarantees and contingent liabilities

This company, together with fellow group companies, has provided its bankers with a multilateral guarantee. At the balance sheet date an amount of £5,625,000 (2020 - £10,312,500) was outstanding in respect of this guarantee.

This company, together with fellow group companies, has provided a guarantee in favour of Mr F B N Cropper as Security Trustee which is secured over the assets of this and fellow group companies. At the balance sheet date the outstanding amount in respect of this guarantee was £102,805,334 (2020 - £103,805,334).

#### 18 Operating lease commitments

##### Lessee

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

	2021 £	2020 £
Within one year	937,266	836,490
Between two and five years	978,963	1,156,918
In over five years	54,600	54,600
	<u>1,970,829</u>	<u>2,048,008</u>

The company also has non-contractual commitments for rental payments for two properties out of which it trades, being Stancliffe Street, Blackburn and the retail premises in Wigan. During the year the company paid rentals for the occupation of these premises amounting to £135,000 (2020 - £135,000).

The company is party to a Licence Agreement which can only be terminated by the Licensor. The annual commitment under this Licence Agreement is £825,000 (2020 - £825,000).

## PILLBOX38 (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

#### 19 Related party transactions

##### Transactions with related parties

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

	Sale of goods		Purchase of goods	
	2021	2020	2021	2020
	£	£	£	£
Other related parties	258,648	263,614	-	6,688
	<u>258,648</u>	<u>263,614</u>	<u>-</u>	<u>6,688</u>

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties	
	2021	2020
	£	£
Other related parties	122,762	-
	<u>122,762</u>	<u>-</u>

The following amounts were recognised as an expense in the period in respect of bad and doubtful debts due from related parties:

	2021	2020
	£	£
Other related parties	63,384	263,628
	<u>63,384</u>	<u>263,628</u>

The company has taken advantage of the provisions of FRS 102 to not disclose transactions and balances with companies which are within the same wholly owned group of companies, and which are therefore eliminated on consolidation.

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.