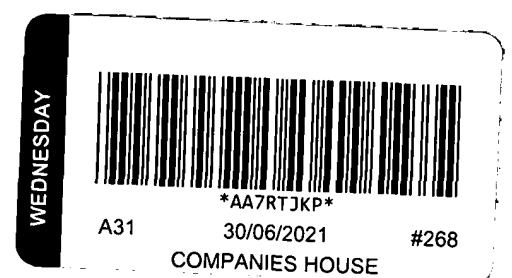


Registered number: 08116148

NEXTGEN360 LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



NEXTGEN360 LIMITED
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NEXTGEN360 LIMITED
COMPANY INFORMATION

DIRECTORS

E Blythe
R Scarlett-Smith (appointed 1 January 2021)

COMPANY SECRETARY

E Blythe

REGISTERED NUMBER

08116148

REGISTERED OFFICE

Unit 5-6 Castle Hill
Horsfield Way
Bredbury Park Industrial Estate
Bredbury
Stockport
Cheshire
SK6 2SU

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Central Square
29 Wellington Street
Leeds
LS1 4DL

NEXTGEN360 LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report, together with the audited Financial Statements and auditors' report for the year ended 31 December 2019. Certain information required by the Companies Act 2006 relating to the information to be provided in the Directors' Report is set out in the Strategic Report and includes a review of the business, details of the impact of the coronavirus pandemic and principal risks and uncertainties.

PRINCIPAL ACTIVITIES

The principal activity of the Company continued to be the production and distribution of liquids for use in electronic cigarettes and the sale of related products including electronic vaping devices.

DIVIDENDS

No dividends were paid during the year (2018 - £1,157,438). The Directors do not recommend the payment of a final dividend (2018 - £Nil).

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

E Blythe
A Brierley (resigned 31 December 2020)

R Scarlett-Smith was appointed a director of the Company on 1 January 2021.

DIRECTORS' INDEMNITIES

The Company has made qualifying third-party indemnity provisions for the benefit of its directors, which were made during the year and remain in place at the date of this report.

FINANCIAL RISK MANAGEMENT

This has been disclosed within the Strategic Report.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

INDEPENDENT AUDITORS

All subsidiary undertakings (including NextGen360 Limited) are bound by the decision of the Supervisory Board of STADA Arzneimittel AG to appoint PricewaterhouseCoopers LLP as Group auditors and requested to appoint PricewaterhouseCoopers LLP as statutory auditor for 2020.

This report was approved by the board on 30 June 2021 and signed on its behalf.



E Blythe
Director

NEXTGEN360 LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their Strategic Report for the year ended 31 December 2019.

BUSINESS REVIEW

The profit for the year after taxation amounted to £862,521 (2018 - £1,892,607).

The Company's key financial and other performance indicators during the year were as follows:

	2019	2018
	£	£
Revenue	14,590,672	12,704,160
Gross profit	8,391,679	7,391,541
Profit for the year	862,521	1,892,607
Net Assets	4,881,120	4,018,599

Revenues increased by 15% to £14.6m in 2019 as a result of the continued growth in sales of EDGE® branded e-liquid to convenience stores, reflecting the development of a larger sales team and marketing support to secure greater distribution. Gross profit increased by 14% to £8.4m, broadly in line with the increase in revenues.

The profit for the year was £0.9m, a decrease of £1.0m on the previous year (2018: £1.9m) reflecting an increase in both direct costs and overheads. Direct costs included an increase in employee costs to drive the sales growth, both in the UK and internationally, as well as additional expenditure connected to the original purchase of the company in 2016. These were partly offset by an interim payment of £1.1m in relation to a loss of profit claim following a fire in October 2017.

Net Assets increased by 21% to £4.9m in 2019, the increase primarily due to investment in fixed assets. The investment to support the growth of the business was in physical plant and office equipment along with the development of software as the company migrated to a new ERP system.

The Company is part of the STADA Group (STADA Arzneimittel AG), a successful global pharmaceutical business with headquarters in Germany. STADA's commitment to quality and compliance resonates with the Company's approach to the production of e-liquid. The Company has established a world-class manufacturing facility which incorporates clean room environments for all blending and filling operations. In addition, all compressed air used in the production facility is filtered and controlled to pharmaceutical grade standards. The Directors are extremely proud of the world leading production facility the company owns, as well as of the high standards of production to which the business now adheres.

In August 2019, the Company introduced a new ERP system to reinforce the control environment and improve process efficiencies. Unfortunately, whilst additional specialist resource was brought into the business to assist the incumbent team, the implementation faced a number of challenges, including those presented by the coronavirus pandemic, which ultimately resulted in a short period of serious control environment failings and therefore loss of reliable reported financial information and supporting documentation to support transactions. This is covered on page 5. During 2020, further specialist advice and corrective actions, including replacement and upskill of the key members of the implementation team, were taken to establish a robust, transparent operational system, in line with the initial project expectations. The business has continued to refine the ERP system and is well placed to implement the wider functionality in the coming months. Further details are included in the Statement of Directors' Responsibilities on page 5.

STADA remain supportive of the Company and STADA Arzneimittel AG have provided a letter of support to confirm their willingness to advance further amounts as required by the Company for a period of at least 12 months from the date of these financial statements.

NEXTGEN360 LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

IMPACT OF COVID-19 AND BREXIT

The coronavirus pandemic arrived in the UK in early 2020 and has presented significant challenges to the business, colleagues and customers.

To ensure the safety of all employees and to maintain product supply, access to the Bredbury manufacturing site has been largely restricted to the production and supply chain team, with sales and support functions working from home. Increased site protective measures, including frequent touchpoint cleaning and social distancing, has ensured that production has continued uninterrupted throughout the pandemic. For those staff working from home, frequent communication has been encouraged and mental health related services have been made available, including a confidential counselling service. Additional measures were introduced for our field-based sales team to ensure they could continue to visit convenience stores in a safe and secure way with any vulnerable colleagues placed on furlough if they were unable to perform their role. The UK lockdowns in 2020 and 2021 resulted in the temporary closure of non-essential retail stores, including vape stores. Customer demand for vaping products has nevertheless continued throughout the pandemic with a shift in buying patterns away from specialist vape stores to convenience stores and supermarket outlets that have been able to continue to trade uninterrupted throughout the pandemic. The reopening of the UK high street in April 2021 was a huge relief and we look forward to supporting our trade customers as they reopen their stores.

Our international business, which accounted for less than 5% of sales in 2019, has been impacted by both the coronavirus pandemic and the conclusion of Brexit, which saw the UK leave the European Union on 1 January 2021. Whilst travel restrictions have limited in-person meetings, locally based sales representatives and the increase in online meetings have ensured that quality of service to international customers was maintained throughout 2020. As with many businesses, the timing of the Brexit negotiations meant that continuity of supply into the EU in early 2021 was challenging but the business is now fully adjusted and operational within the new regulatory environment.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key commercial and regulatory risks in the Company's activities include:

- Competitive environment, including new entrants, products and developments, coupled with changing customer demands
- The regulatory environment in both the UK and overseas regarding the use of vaping devices and e-liquids and related activities, including product labelling and advertising restrictions
- Compliance activities to ensure the highest standards of production and quality are maintained

The above risks are managed by operating within clearly defined procedures, by adhering to good manufacturing practice and by closely monitoring technical and regulatory developments.

In mid-2019 there were negative media reports about the effects of vaping. These arose on the back of a condition, mainly from the US, called EVALI, which refers to vaping-associated pulmonary injury caused by the addition of tetrahydrocannabinol and vitamin E acetate to the vaping liquid, which produces Hydrogen Cyanide on being heated, a chemical which causes the respiratory system to be rapidly impaired or shut down. In the United Kingdom, vapers and those considering switching from tobacco to vaping can be reassured that licit products available on the UK market, including all products produced by our company, do not contain tetrahydrocannabinol or vitamin E acetate. This safety message is supported up by Public Health England, which continues to state that vaping is at least 95% safer than smoking cigarettes.

In addition, the following specific risk factors are covered below.

Credit Risk

Credit terms are provided to a small number of customers, typically wholesale and key accounts, with credit checks performed.

NEXTGEN360 LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Cash Flow Risk

The Company's policy is to finance working capital requirements and capital investment through retained earnings. If required, additional funds are provided by STADA at prevailing market rates. The treasury function is managed for STADA Arzneimittel AG as a whole by the parent company in Germany.

Foreign Exchange Risk

The Company makes a relatively small level of sales and purchases in foreign currencies. No hedging arrangements are in place given the small scale. Foreign currency requirements are managed through STADA's treasury function who provide a foreign currency exchange facility at market rates.

This report was approved by the board on 30 June 2021 and signed on its behalf.



E Blythe
Director

NEXTGEN360 LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Directors' confirmations

As outlined in the Business Review on page 2, the Company introduced a new ERP system in August 2019 to reinforce the control environment and improve process efficiencies. There were a number of challenges faced during and after the system implementation which led to a period of control environment failings, inadequate maintenance of accounting records and supporting documentation and accounting entries that could not be supported. Furthermore, management team changes (including key members of the finance team) post-implementation through to the accounts signing date resulted in knowledge and understanding in the company of transactions entered into in the year being limited.

As a result, the directors are unable to confirm the completeness, accuracy and cut-off of the financial information including the inability to extract a complete journal listing from the previous and new ERP systems that reconciles to the opening and closing positions at the year end dates.

Corrective actions were taken from August 2020 including the replacement and upskilling of key personnel and refinement of the ERP system. The ERP system is now well placed to implement the wider functionality in the coming months.

Notwithstanding the issues noted above around the system and controls in the reporting period, the directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This report was approved by the board on 30 June 2021 and signed on its behalf.



E Blythe
Director

Independent auditors' report to the members of NextGEN360 Limited

Report on the audit of the financial statements

Disclaimer of opinion

Because of the significance of the matters described in the Basis for disclaimer of opinion paragraph below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on NextGEN360 Limited's financial statements.

We were engaged to audit the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Basis for disclaimer of opinion

The company introduced a new ERP system in August 2019 and a number of challenges were faced during and after the system implementation which led to a period of control environment failings, inadequate maintenance of accounting records and supporting documents and accounting entries that could not be supported. Furthermore the management team (including key members of the finance team) changed following the implementation of the new ERP system meaning that knowledge and understanding within the company of transactions entered into in the year was limited. As a result we have been unable to obtain sufficient appropriate audit evidence to support the completeness, accuracy and cut-off of the financial information including, but not limited to, obtaining a complete population of journals. We have therefore been unable to audit substantially all of the balances included in the statement of financial position as at 31 December 2019 and the transactions in the statement of comprehensive income for the year ended 31 December 2019. The scope of our work has therefore been limited and a disclaimer of opinion has been issued.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Reporting on the Strategic Report and Directors' Report

Notwithstanding our disclaimer of an opinion on the financial statements, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements.

Because of the significance of the matter described in the Basis of disclaimer paragraph above we have been unable to form an opinion whether, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 has been prepared in accordance with applicable legal requirements.

Notwithstanding our disclaimer of an opinion on the financial statements, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit and performed subject to the pervasive limitation described above, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with ISAs (UK) and to issue an auditors' report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Arising from the limitation of our work referred to in the Basis for disclaimer of opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- in our opinion adequate accounting records have not been kept by the company.

Under the Companies Act 2006 we are also required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
30 June 2021

NEXTGEN360 LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Revenue	3	14,590,672	12,704,160
Cost of sales		<u>(6,198,993)</u>	<u>(5,312,619)</u>
Gross profit		8,391,679	7,391,541
Direct costs of sale		(3,330,209)	(2,645,291)
General & Administrative expenses		(5,423,957)	(2,231,920)
Impairment of Financial Assets		<u>-</u>	<u>(33,548)</u>
Operating (loss)/profit	4	(362,487)	2,480,782
Proceeds from insurance claim	5	1,083,000	-
Finance costs		<u>(2,526)</u>	<u>-</u>
Profit before tax		717,987	2,480,782
Corporation Tax charge	9	<u>144,534</u>	<u>(588,175)</u>
Profit for the financial year		862,521	1,892,607
Total comprehensive income for the financial year		862,521	1,892,607

The notes on pages 12 to 24 form part of these Financial Statements.

NEXTGEN360 LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		2019	2018
		£	As restated *
	Note		£
Fixed assets			
Intangible assets	10	165,755	-
Tangible assets	11	2,662,320	2,252,143
Right of Use assets	12	36,151	-
		2,864,226	2,252,143
Current assets			
Inventories	13	2,000,550	780,413
Trade and other receivables	14	2,427,135	2,985,560
Deferred income tax assets	16	24,792	-
Cash & cash equivalents		1,257,146	1,829,014
		5,709,623	5,594,987
Trade and other payables	15	(3,692,729)	(3,826,893)
Net current assets		2,016,894	1,768,094
Total assets less current liabilities		4,881,120	4,020,237
Provisions for liabilities			
Deferred income tax liabilities	16	-	(1,638)
Net assets		4,881,120	4,018,599
Total Equity			
Called up Share capital	17	100	100
Retained earnings		4,881,020	4,018,499
Total equity		4,881,120	4,018,599

* Refer to note 19 for further details of the restatement

The Financial Statements on pages 9 to 24 were approved and authorised for issue by the board and were signed on its behalf on 30 June 2021



E Blythe
Director

The notes on pages 12 to 24 form part of these Financial Statements.

NEXTGEN360 LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2018	100	3,283,330	3,283,430
Comprehensive income for the year			
Profit for the year	-	1,892,607	1,892,607
Total comprehensive income for the year	-	1,892,607	1,892,607
Dividends paid in the year	-	(1,157,438)	(1,157,438)
At 31 December 2018	100	4,018,499	4,018,599
 At 1 January 2019	 100	 4,018,499	 4,018,599
Comprehensive income for the year			
Profit for the year	-	862,521	862,521
Total comprehensive income for the year	-	862,521	862,521
At 31 December 2019	100	4,881,020	4,881,120

The notes on pages 12 to 24 form part of these Financial Statements.

NEXTGEN360 LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

The Company is a limited company incorporated and domiciled in England, United Kingdom. The Company is involved in the production and distribution of liquids for use in electronic cigarettes and the sale of related products including electronic vaping devices. Registered number: 08116148.

2. Accounting Policies

2.1 Basis of preparation

These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Financial Statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006, as applicable to companies using FRS 101.

The following exemptions from the requirements of IFRS have been applied in the preparation of these Financial Statements, in accordance with FRS 101:

- The requirements of IFRS 7 Financial Instruments: Disclosures;
- Paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures; and the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The preparation of Financial Statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in note 2.20.

Accounting policies have been consistently applied to all accounting periods, unless otherwise stated.

As outlined in the Business Review on page 2, the Company introduced a new ERP system in August 2019 to reinforce the control environment and improve process efficiencies. There were a number of challenges faced during and after the system implementation which led to a period of control environment failings, inadequate maintenance of accounting records and supporting documentation and accounting entries that could not be supported. Furthermore, management team changes (including key members of the finance team) post-implementation through to the accounts signing date resulted in knowledge and understanding in the company of transactions entered into in the year being limited.

As a result, the directors are unable to confirm the completeness, accuracy and cut-off of the financial information including the inability to extract a complete journal listing from the previous and new ERP systems that reconciles to the opening and closing positions at the year end dates.

Corrective actions were taken from August 2020 including the replacement and upskilling of key personnel and refinement of the ERP system. The ERP system is now well placed to implement the wider functionality in the coming months.

2.2 Going concern

After making appropriate enquiries the Directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, this being 12 months from the date of these financial statements.

In order to validate this judgement the Directors reviewed detailed forecast cashflows based on the current business forecast with likely downside scenarios performed. In addition, STADA Arzneimittel AG have provided a letter of support for the business in the event that there is an additional cash requirement in the 12 months from the date of these financial statements.

Accordingly, the Directors continue to adopt the going concern basis in preparation of the Financial Statements.

2.3 New and amended standards

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019. This has not had a material impact on the company's financial statements although the impact is tabulated in Note 11.

There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency').

The Financial Statements are presented in Pound Sterling (£), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.5 Tangible assets

Tangible assets are recorded at cost less depreciation and any impairment losses. Depreciation begins when the asset is ready for use (in condition for operating). Subsequent costs are capitalised only if future economic benefit will flow from the improvement to the asset and can be reliably measured. Repairs and maintenance to tangible assets are expensed during the year incurred.

Items of tangible assets are depreciated over their estimated useful lives, using both the straight-line method and reducing balance method.

The estimated useful lives range as follows:

Land and buildings	-	6 years straight line
Plant and equipment	-	25% reducing balance
Fixtures and fittings	-	25% reducing balance
Office equipment	-	4 years straight line
Computer software	-	4 years straight line

NEXTGEN360 LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2.6 Intangible assets

Purchased and internally generated intangible assets with specific useful lives are recognised at cost and amortised on a straight-line basis over the period of useful life. Amortisation shall begin when the asset is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the intended manner.

Product Development Costs

Development expenses that are directly attributable to new product development are recognised in intangible assets.

As a rule, the objective of a development process at the Company is to obtain national or multinational regulatory drug approval. Development costs relative to obtaining approvals for existing drugs in new territories or with new delivery pathways by the Company result in capitalisation as intangible assets if all the following pre-conditions are met:

- It is technically possible to complete the asset (generally, achieve regulatory approval),
- enabling it to become available for use or sale.
- The intention and ability exist as well as the necessary resources to complete the asset and to use or sell it in the future.
- The intangible asset provides the Company with probable future economic benefits.
- It must be possible to reliably calculate the development costs of the intangible asset.

Trademarks

Legal and other expenses associated with the acquisition and register trademarks are recognised in intangible assets.

Purchased and internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

The Company immediately recognises development costs not eligible for capitalisation as an expense in the periods in which they are incurred.

Capitalised development costs are amortised on a straight-line basis over the useful economic life which is estimated to be 5 years.

2.7 Impairment of non-financial assets

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets or a group of financial assets is impaired. Impairment losses are only incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and has an impact on the estimated cash flows of the financial asset or group of financial assets that can be reliably estimated.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2.8 Financial Instruments

Classification

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial instruments at initial recognition. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Recognition and Measurement

At initial recognition, the Company classified its financial instruments in the following categories:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'Trade and other receivables' and 'Cash and cash equivalents' in the Balance Sheet.

Loans and receivables are initially recognised at the amount expected to be received, less, when material, a discount to reduce the loans receivable to fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method less a provision for impairment.

Financial liabilities at amortised cost

Financial liabilities at amortised cost include trade and other payables and amounts due to related parties. The financial liabilities are initially recognised at the amount to be required to be paid, less, when material, a discount to reduce the payables to fair value. Financial liabilities are subsequently measured at amortised cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

2.9 Inventory

Inventory is stated at the lower of cost and net realisable value with liquid vaping products valued on a standard cost basis. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

2.10 Trade & other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

NEXTGEN360 LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2.11 Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

2.12 Cash & other equivalents

Cash and cash equivalents include cash at bank and in hand.

2.13 Share capital

Ordinary shares are classed as equity.

2.14 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, net of discounts, returns and value added taxes.

Revenue is generated from the sale of vaping liquids and associated devices and accessories. In accordance with the realisation principle, product sales are recognised when performance obligations have been satisfied.

This is when goods have been dispatched and provided that it is reasonably probable that measurable economic benefits will flow to the entity and that the substantial risks and rewards of ownership have been transferred to the buyer.

2.15 Leases

The company leases three industrial units with office space. The rental contracts for two of these units are held by Thorton and Ross Limited on behalf of NextGen360 Limited. These are for fixed periods of between 2-5 years in duration, these leases are classified as operating leases and costs are expensed in the Income statement as incurred.

There is an additional lease, Units 3-4, Gorsey Brow, Stockport. Until the year ended 31 December 2018, this lease was classified within operating leases. From 1 January 2019 the costs have been re-classified and are recognised in these statements as a right of use asset and corresponding liability at the date at which the leased assets became available for use within the company.

The company has adopted IFRS16 retrospectively from 1 January 2019 but has not restated its comparatives as permitted by the standard. As such, the adjustments are recognised in the opening balance sheet and within additions in the case of one of the leases which began during the accounting period.

2.16 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.17 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.17 Current and deferred taxation (continued)

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.
- Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2.18 Pension costs

Defined contribution pension plan

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

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

2.19 Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Board of Directors.

2.20 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Financial Statements requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the reporting date. Actual results may vary from the estimates used. The most significant judgement made is as follows:

Valuation of tangible fixed assets

The annual depreciation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. These values are re-assessed annually. They are amended when necessary to reflect current estimates based on technological advancement, future investments and economic utilisation of the assets. See note 10 for the carrying amount of the tangible assets,

During the year, the Directors considered the recoverability of the tangible assets and whether any impairment to the carrying value was required. The Directors consider that the assets will generate future economic benefits in excess of their carrying value and that no impairment was required.]

Valuation of inventory

The valuation of inventory is based on:

- vaping liquid inventory - standard cost
- non-liquid inventory (devices and accessories bought as finished goods) - actual, invoiced cost

NEXTGEN360 LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019****CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

Management provided against the cost of both liquid and non-liquid stock on the basis that the NRV of these items was lower than the standard cost. This judgement was made through analysis of specific stock items that were written off after the year end and through a general provision to effectively reduce the standard cost of liquid stock

FINANCIAL RISK MANAGEMENT**Financial Risk Factors**

The Company's activities expose it to a variety of financial risks, including market risk, liquidity risk and credit risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance. The Board determines principles for overall risk management and there are written policies covering specific areas such as credit risk.

(a) Liquidity Risk

In keeping with similar sized companies, the Company's continued future operations depend on the ability to maintain sufficient working capital. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed. The Company has no external borrowings.

(b) Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to customers.

For banks and financial institutions, only independent parties with a minimum rating of 'A' are accepted. Credit risk relating to accounts receivable balances are managed on a case-by-case basis. New clients are analysed before standard payment and delivery terms and conditions are offered. The credit quality of the customer is assessed taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Management does not expect any material losses from non-performance by these counterparties.

(c) Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure. The Company has no externally imposed capital requirements and monitors future planned activities against resources available.

NEXTGEN360 LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

3. REVENUE

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	13,997,370	12,068,952
Rest of world	593,302	635,208
	<hr/>	<hr/>
	14,590,672	12,704,160

4. OPERATING PROFIT

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

	2019 £	2018 £
Depreciation of tangible fixed assets	806,265	498,124
Staff costs	4,576,648	1,984,200
Amortisation of intangible assets	41,989	1,536
Bad debt provision	-	33,548
Inventory provision	902,000	30,000
Inventory recognised as expense in year	4,307,640	3,837,512
Lease expense	408,898	197,169
Gain/(loss) on disposal of PPE	755	(4,703)
PY Forex gains	(14,604)	(5,423)

5. PROCEEDS FROM INSURANCE CLAIM

In 2019, the Company received an interim payment of £1,083,000 (2018: £nil) in relation to a loss of profit claim following a fire at its premises in October 2017.

6. AUDITORS' REMUNERATION

During the year the Company obtained the following services from the Company's auditors:

	2019 £	2018 £
Fees payable to the Company's auditors for:		
The audit of the Company's financial statements	150,000	8,750

7. EMPLOYEES

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

	2019 £	2018 £
Wages and salaries	4,041,568	1,832,792
Social security costs	486,009	151,408
Other pension costs	49,071	-
	<hr/>	<hr/>
	4,576,648	1,984,200

The average monthly number of employees, including the Directors, during the year was 153 (2018: 106)

NEXTGEN360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. DIRECTORS' REMUNERATION

The Directors did not receive emoluments for their services in 2019 or 2018 as they serve a number of companies in the Group. Directors' remuneration is disclosed within the financial statements of Thornton & Ross Limited.

9. INCOME TAX EXPENSE

The analysis below is in reference to the total tax (credit)/charge included in the Statement of Comprehensive Income:

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	-	595,398
Adjustments in respect of prior periods	(118,104)	1,273
Total current tax	(118,104)	596,671
Deferred tax (Note 16)		
Origination and reversal of timing differences	(26,623)	(11,228)
Adjustments in respect of prior periods	-	2,732
Effect of tax rate on opening balance	193	-
Total deferred tax credit	(26,430)	(8,496)
Total income tax (credit)/charge	(144,534)	588,175

FACTORS AFFECTING TAX (CREDIT)/CHARGE FOR THE YEAR

The tax assessed for the year is lower (2018: 19%) to the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019 £	2018 £
Profit before tax	717,988	2,480,782
Profit multiplied by standard rate of corporation tax in the UK of (2018: 19%)	136,418	471,349
Effects of:		
Expenses not deductible for tax purposes, other than amortisation and impairment	213,324	108,112
Adjustments in respect of prior periods	(118,104)	4,005
Rate change differences	192	1,321
R&D expenditure credits	-	3,388
Group relief surrendered/(claimed)	(376,364)	-
Total tax (credit)/charge for the year	(144,534)	588,175

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the Statement of Financial Position date.

NEXTGEN360 LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. INTANGIBLE ASSETS

	Product development £	Total £
Cost		
At 1 January 2019	80,360	80,360
Additions	136,728	136,728
At 31 December 2019	217,088	217,088
Accumulated Amortisation		
At 1 January 2019	9,345	9,345
Charge for the year	41,988	41,988
At 31 December 2019	51,333	51,333
Net book value		
At 31 December 2019	165,755	165,755
At 31 December 2018	-	-

11. TANGIBLE ASSETS

	Leasehold improvements £	Plant and machinery £	Fixtures & Fittings £	Office equipment £	Software £	Total £
Cost						
At 1 January 2019 (as restated)	559,605	1,966,832	321,726	391,214	207,970	3,447,347
Additions	95,734	294,007	138,096	115,511	270,813	914,161
Disposals	(184,807)	(11,491)	(8,855)	-	-	(205,153)
At 31 December 2019	470,532	2,249,348	450,967	506,725	478,783	4,156,355
Accumulated Depreciation						
At 1 January 2019	95,456	454,857	109,155	94,258	42,830	796,556
Charge for the year	93,362	409,789	77,630	106,739	70,543	758,063
Disposals	(53,480)	(5,069)	(2,035)	-	-	(60,584)
At 31 December 2019	135,338	859,577	184,750	200,997	113,373	1,494,035
Net book value						
At 31 December 2018	464,149	1,511,975	212,571	296,956	165,140	2,650,791
At 31 December 2019	335,194	1,389,771	266,217	305,728	365,410	2,662,320

Details of the restatement included in note 19

NEXTGEN360 LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

12. RIGHT OF USE ASSETS

	£
Cost	
At 1 January 2019	84,353
Additions	-
Disposals	-
At 31 December 2019	84,353
Accumulated Depreciation	
At 1 January 2019	-
Charge for the year	48,202
Disposals	-
	48,202
Net book value	
At 31 December 2018	-
At 31 December 2019	36,151

13. INVENTORIES

	2019 £	2018 £
Raw materials	651,745	337,324
Work in progress	80,000	22,935
Finished goods	1,268,805	420,154
	2,000,550	780,413

Inventories are stated after provisions for impairment of £932,000 (2018: £30,000). The provision has increased significantly due to uncertainty in respect of the existence and valuation of stock at the 2019 year end.

NEXTGEN360 LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

14. TRADE AND OTHER RECEIVABLES

	2019	2018
	£	As restated £
Trade and other debtors	1,039,394	1,991,730
Prepayments and accrued income	396,438	355,603
Corporation tax	449,668	-
Amounts owed by group undertakings	541,635	168,854
	2,427,135	2,516,187

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. All trade and other receivables are due within one year from the end of the reporting period.

Movement on the provision for the impairment of receivables are as follows:

	2019	2018
	£	£
At start of the year	33,558	-
Charge / (release) for receivable impairment	-	33,558
Amounts written off as uncollectable	-	-
	33,358	33,558

15. TRADE AND OTHER PAYABLES

	2019	2018
	£	£
Trade payables	597,452	435,470
Corporation tax	-	275,783
Accruals and deferred income	1,617,280	1,051,922
Amounts owed to group undertakings	823,573	1,773,379
Lease liability from right of use asset	36,879	-
Social Security and other taxes	617,545	290,339
	3,692,729	3,826,893

Amounts owed to group undertakings are unsecured with no fixed repayment date and are interest free.

NEXTGEN360 LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. DEFERRED TAXATION

	2019 £	2018 £
At 1 January	1,638	10,134
Credited during the year (P&L)	(26,430)	(8,496)
At 31 December	(24,792)	1,638

The deferred tax (asset) / liability is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	(24,792)	1,638
	(24,792)	1,638

17. CALLED UP SHARE CAPITAL

	2019 £	2018 £
Allotted, called up and fully paid		
Ordinary A shares of £1 each	100	100
	100	100

	2019 Number	2018 Number
Allotted, called up and fully paid		
Ordinary A shares of £1 each	100	100
	100	100

18. PENSION COMMITMENTS

The cost of contributions to money purchase pension arrangements amounted to £49,071 (2018 - £37,596). As at 31 December 2019 there were no outstanding or prepaid contributions (2018 - £nil).

19. PRIOR YEAR ADJUSTMENT

Tangible assets at 31 December 2018 have been adjusted for amounts previously included in prepayments and accrued income relating to the capitalisation of prepaid construction in progress items. The impact of the restatement results in a reduction of prepayments and accrued income of £469,373 and an increase in tangible assets as follows:

	2018 As previously stated £	Restatement £	2018 As restated £
Leasehold improvements	495,178	64,427	559,605
Plant and machinery	1,562,463	404,369	1,966,832
Office equipment	390,637	577	391,214

NEXTGEN360 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. CONTROLLING PARTY

The Company's immediate parent undertaking is Stada UK Holdings Limited, a company incorporated in the United Kingdom.

The ultimate parent and controlling party is NIDDA German Topco GmbH, a company incorporated in Germany. The Company is included within their consolidated financial statements which are publicly available from NIDDA German Topco GmbH Stadastrasse 2-18, 61118 Bad Vilbel, Germany. This is the only company to consolidate the results of the company.