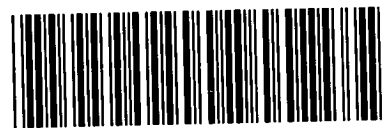


Registered Number: 09899454

RECEIPTCO MANUFACTURING (UK), LTD.

**ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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RECEIPTCO MANUFACTURING (UK), LTD.

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for the year ended 31 December 2021

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RECEIPTCO MANUFACTURING (UK), LTD.

COMPANY INFORMATION
for the year ended 31 December 2021

DIRECTORS:

I J Genser
M S Caines
Receiptco (UK) Holdings, Ltd.

REGISTERED NUMBER:

09899454 (England and Wales)

REGISTERED OFFICE:

c/o TMF Group 8th Floor
20 Farringdon Street
London
EC4A 4AB

RECEIPTCO MANUFACTURING (UK), LTD.

STRATEGIC REPORT for the year ended 31 December 2021

The directors present their Strategic Report of Receiptco Manufacturing (UK), Ltd. (the “Company”) for the year ended 31 December 2021.

Review of the business

The Company is one operating entity of the Receiptco (UK) Holdings, Ltd. Group (the “Group”) - the international enterprise of one of the world’s leading providers of receipt and innovative label solutions. It creates value for its customers by enhancing transaction recording, ensuring order accuracy and improving operational efficiency. The Company achieves this by providing highly differentiated label solutions and low-cost manufacturing of paper receipts. The Group, along with Iconex LLC, (a related company), together form the trading companies of “Iconex”.

The financial year ended 31 December 2021 was again heavily impacted by the COVID-19 pandemic. Key customers in the retail, leisure and hospitality sectors were closed for several months as a result of the UK lockdowns in winter 2021. These closures had a knock-on effect on demand for the Company’s paper receipt products, albeit this impact was partially offset by increased ordering from certain customers – for example large supermarket chains. As a result, the Company’s turnover for the year ended 31 December 2021 was down 17% at £14.1 million (2020: £17.0 million). As a result of just-in-time ordering, the impact of the reduced trade on gross margins was largely mitigated.

Operating profit for the year was £0.4 million (2020: £0.1 million) and total comprehensive income for the financial year was £0.3 million (2020: total comprehensive loss of £0.2 million).

During the first quarter of 2021, the Company enjoyed several customer wins for its labels business. Following these successes and with a view to positioning the business in a prime position to gain further market share, the Company, via bank funding secured by the Group’s parent entity, committed to major investments in new machinery and equipment worth £1.7 million for its production facility in Peterborough. After some delays, the new equipment is expected to become fully operational during Q3 2022.

It is expected that this new equipment will transform the production capacity of the Company’s labels business. This should enable the Company to meet its objectives of increasing revenue and profit margins in future years. The Company’s success in achieving this will be primarily impacted by its ability to successfully implement planned process improvements, to achieve its targeted levels of operational efficiency, as well as factors such as economic growth in its key markets of Retail, Financial, Hospitality, and Manufacturing & Warehousing.

At 31 December 2021, the Company had net assets of £2.5 million (2020: £2.3 million).

Environmental matters

The Company is committed to a policy of environmental protection and actively ensures its obligations under UK legislation, Waste Electrical and Electronic Equipment Directive (WEEE Directive) and UK Packaging Waste regulations are met. The Company recognizes that responsible product stewardship begins with product design. From product conception to final disposition, the Company strives to improve the environmental design of its products, with a goal of maximizing opportunities for recycling and/or reuse.

RECEIPTCO MANUFACTURING (UK), LTD.

STRATEGIC REPORT

for the year ended 31 December 2021 (continued)

Employee matters

Details of the number of employees and related costs can be found in note 5 to the financial statements. The Company strives to create a healthy, positive and productive environment in which all employees have the opportunity to contribute and succeed. The Company is also part of SEDEX and have complied and passed SMETA audits as part of this organisation. SMETA is one of the most widely used social audit procedures in the world. It provides a globally-recognised way to assess responsible supply chain activities, including labour rights, health & safety, the environment and business ethics.

Key performance indicators (“KPIs”)

In the financial year ended 31 December 2021 the following financial performance indicators were used in managing the business.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Turnover	14,064	17,037
Operating profit before interest and tax	438	110

The Company's turnover principally represents the sale of products.

The efficiency and profitability of the operating business are measured by reference to operating income (EBIT). Operating income excludes taxes and financing costs.

Please refer to the “Review of the business” section above for management's assessment of financial performance in the year.

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 business risks and uncertainties affecting the Company are considered to be related to the following areas:

- The commodity nature of our business is such that customers can easily move between suppliers and therefore price is seen a key retention factor. As a result, competitor activity could impact the market and have a material effect on our financial performance.
- As a low-cost manufacturer of paper rolls we need to achieve targeted levels of operational efficiency to maintain our profitability and competitive advantage. Significant adverse operating performance in purchasing, manufacturing or distribution activities can have a material impact on our financial performance.
- Our customers require timely delivery of products to meet forecast demand within their businesses. If, due to failures within our business infrastructure and/or outsource service organizations, we were unable to deliver product to meet customer demand this could have a material effect on our financial performance.
- Recruitment and retention of high performing employees, to enable the Company to deliver the business strategy.

RECEIPTCO MANUFACTURING (UK), LTD.

STRATEGIC REPORT

for the year ended 31 December 2021 (continued)

Principal risks and uncertainties (continued)

Measures taken by the Company and within the Group to respond include monitoring of competitor activity to maintain competitive pricing, review of operational and financial performance using KPIs, monitoring of key outsource partner performance and established employee development programmes.

The UK's exit from the European Union on 31 January 2020, and subsequent departure from the European Union Single Market and Customs Union on 31 December 2020 has not had a significant impact on the business. During 2020, management moved production for EU customers to the Company's fellow subsidiary in France, Iconex (France) SAS. At the same time, the Company assumed production responsibilities in for UK customers previously fulfilled by the French business. From a supply side, the Company has increasingly sourced non-EU produced raw material in order to avoid additional import delays and costs.

Specific risk relating to business disruption including COVID-19

Business disruptions may occur where the Company is unable to open to trade at full capacity because of pandemics such as COVID-19. There is a risk that the reduction in trade could result in the Company no longer being able to trade as a going concern.

To mitigate this risk, the directors will take a proactive approach to minimising business disruption and will take mitigating actions as required. This could include, but is not limited to, accessing any Government reliefs when available, preserving cash through its working capital cycle, and if necessary seeking debt financing from third parties.

The directors have carried out a detailed assessment of the potential risks and ways the COVID-19 outbreak could impact the business. These COVID-19 risk assessments have guided the Company and its subsidiaries to introduce new operating plans which include social distancing measures, additional cleaning procedures, revised operating procedures and staff training at all levels. The Company has modelled the impact of these measures on the business and has forecast different trading situations including a worst-case scenario and are confident that the impact on the Company of the COVID-19 pandemic can be mitigated to ensure its ability to continue to trade as a going concern.

Financial risk management

The Company's activities expose it to a number of financial risks including cash flow risk, price risk, credit risk and liquidity risk. The Company does not use derivative financial instruments to manage these risks.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company's primary foreign exchange exposure is in relation to sales to and purchases from other Group companies which are denominated in USD and purchases of some raw materials in Euro. Foreign exchange hedging is managed at a Group level and no hedging is undertaken at a Company level. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Price risk

The Company manages price risk by monitoring paper supplier prices and seeks to pass on paper cost increases to customers when necessary, in line with general market practice. No commodity price hedging is undertaken at a Company level.

RECEIPTCO MANUFACTURING (UK), LTD.

STRATEGIC REPORT

for the year ended 31 December 2021 (continued)

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company has no significant concentration of credit risk as the majority of the Company's trade receivables are subject to factoring arrangements.

Liquidity risk

All funding is provided by other Group companies and therefore liquidity risk is considered minimal.

Future Outlook

With the new label equipment becoming operational in the UK during FY22, manufacturing capacity is expected to expand significantly over the coming year. This should allow the Group to maximise revenue from existing customers and position the business to win further new customers during the coming year.

The ongoing war in Ukraine has had a limited impact on the Group's operations as it has no significant customers outside the EU and does not have supply chain links with either Russia or Ukraine.

Inflationary pressures on raw materials and overheads are expected to continue for the foreseeable future. Wherever reasonable to do so, the business seeks to mitigate the impact of these costs increases by increasing prices.

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



.....
I J Genser

Director

23 September 2022

RECEIPTCO MANUFACTURING (UK), LTD.

DIRECTORS' REPORT

for the year ended 31 December 2021

The directors present their report and the unaudited financial statements of the Company for the year ended 31 December 2021.

Principal activities

The principal activities of the Company in the year under review was the manufacture, sale and distribution of paper receipt and label products. Paper receipt products include printed, non-printed and two-sided thermal paper rolls. Label products include pressure-sensitive, laser and direct thermal labels, thermal transfer ribbons and receipt/label combinations. The Company also sells consumable imaging products (including toner cartridges, inking ribbons, cut sheet paper, thermal transfer ribbons and printer supplies) and other related consumable products. The Company does not engage in any significant research and development activities.

Review of the business, financial risk management and future outlook

Please refer to the Strategic Report on pages 2-5.

Dividends

No dividends will be distributed for the year ended 31 December 2021 (2020: £Nil).

Directors

The directors who served during the financial year and up to the date of signing the financial statements, unless otherwise stated, were:

I J Genser
M S Caines
Receiptco (UK) Holdings, Ltd.

The directors who are eligible offer themselves for election at the forthcoming first Annual General Meeting.

Going Concern

The directors and management of the business have reviewed the detailed forecast cash flows of the Company and the Group for the forthcoming 12 months from the date of the approval of the financial statements. These cash flow forecasts and re-forecasts are prepared regularly as part of the business planning process.

During 2021 and in 2022 to date, the Company has diversified its product offering and customer base by expanding its labels business. In addition:

- The Group had cash at bank of €1.4m (\$1.4m) as at the end of August 2022.
- The Group's contracts with new customers are expected to add significant additional revenue in FY22 and beyond.
- The Group's \$23.3m loan payable to Atlas Receiptco Holdings (International) LP is not repayable until November 2030.
- The Group has factoring arrangements in place over a significant proportion of its trade receivables in the UK, France and Spain. This means cash collection from sales has remained strong.

The directors therefore consider that the Company will have sufficient cash resources available to meet its liabilities as they fall due, and that it will meet its day-to-day working capital requirements from the cash flows generated by its trading activities. Accordingly, these financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realise its assets and discharge its liabilities in the normal course of business over the coming twelve months.

RECEIPTCO MANUFACTURING (UK), LTD.

DIRECTORS' REPORT

for the year ended 31 December 2021 (continued)

Events after the Balance Sheet date

On 31 August 2022 the Group agreed an extension to its \$6m loan facility with Silicon Valley Bank. This facility is now repayable on 31 October 2024.

Employee matters

The Company's policy is that all recruitment and subsequent development and promotion is carried out solely on the basis of aptitude and ability. Further, the Company is committed to employment policies based on equal opportunities for all employees irrespective of sex, race, colour, disability or marital status. Appropriate arrangements are made for the continued employment and development of disabled persons employed within the Company. If employees become disabled, the Company continues employment, either in the same or an alternative position, with appropriate retraining as necessary

The Company systematically provides employees with information on matters that concern them, consulting with them or appropriate worker representatives, when making decisions likely to affect their interests. The Company encourages involvement of employees through one on one conversations as well as internal communications and "town hall" style meetings, covering a wide variety of topics including financial performance and economic factors being faced.

The safety of employees, particularly during the current pandemic, is of paramount importance. In the wake of the COVID-19 pandemic, safeguarding measures such as social distancing, enhanced cleaning and home working have been introduced.

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is in force at the time of signing these financial statements. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

RECEIPTCO MANUFACTURING (UK), LTD.

DIRECTORS' REPORT

for the year ended 31 December 2021 (continued)

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.

This report was approved by the board on 23 September 2022 and signed on its behalf.



.....
I J Genser
Director

RECEIPTCO MANUFACTURING (UK), LTD.**STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2021**

		<i>Unaudited</i> Year ended 31 December 2021 £'000	<i>Audited</i> Year ended 31 December 2020 £'000
	<i>Note</i>		
Turnover	4	14,064	17,037
Cost of sales		(12,445)	(15,424)
Gross profit		1,619	1,613
Administrative expenses		(1,217)	(1,623)
UK government furlough income	5	36	120
Operating profit	6	438	110
Interest payable and similar expenses	7	(160)	(286)
Profit/(loss) before income tax		278	(176)
Tax on profit/(loss)	8	-	-
Profit/(loss) for the financial year		278	(176)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		278	(176)

The notes on pages 12-26 are an integral part of these financial statements.

RECEIPTCO MANUFACTURING (UK), LTD. (REGISTERED NUMBER: 09899454)**STATEMENT OF FINANCIAL POSITION****As at 31 December 2021**

		<i>Unaudited</i>	<i>Audited</i>
		At 31	At 31
		December	December
		2021	2020
	<i>Note</i>	£'000	£'000
FIXED ASSETS			
Tangible assets	9	<u>2,379</u>	<u>1,961</u>
		2,379	1,961
CURRENT ASSETS			
Stocks	11	1,948	1,733
Debtors	12	7,813	10,756
Cash and cash equivalents		<u>381</u>	<u>727</u>
		10,142	13,216
CREDITORS:			
Amounts falling due within one year	13	<u>(7,363)</u>	<u>(10,283)</u>
NET CURRENT ASSETS		<u>2,779</u>	<u>2,933</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,158</u>	<u>4,894</u>
CREDITORS:			
Amounts falling due after more than one year	14	<u>(2,617)</u>	<u>(2,631)</u>
NET ASSETS		<u>2,541</u>	<u>2,263</u>
CAPITAL AND RESERVES			
Called up share capital	15	1	1
Share premium account	16	4,279	4,279
Accumulated losses	16	<u>(1,739)</u>	<u>(2,017)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>2,541</u>	<u>2,263</u>

The notes on pages 12-26 are an integral part of these financial statements.

The Company is entitled to exemption from audit under section 477 of the Companies Act 2006 for the year ended 31 December 2021. The members have not required the Company to obtain an audit of its financial statements for the year ended 31 December 2021 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the Company keeps accounting records which comply with sections 386 and 387 of the Companies Act 2006 and
- (b) preparing the financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the Company.

The financial statements on pages 9 to 26 were approved by the board of directors on 23 September 2022 and were signed on its behalf by:



I J Genser
Director

RECEIPTCO MANUFACTURING (UK), LTD.**STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021**

	Called up share capital £'000	Share premium account £'000	Accumulated losses £'000	Total shareholders' equity £'000
As at 1 January 2020 (<i>audited</i>)	1	4,279	(1,841)	2,439
Loss and total comprehensive loss for the year	-	-	(176)	(176)
As at 31 December 2020 (<i>audited</i>)	1	4,279	(2,017)	2,263
Profit and total comprehensive income for the year	-	-	278	278
As at 31 December 2021 (<i>unaudited</i>)	1	4,279	(1,739)	2,541

The notes on pages 12-26 are an integral part of these financial statements.

RECEIPTCO MANUFACTURING (UK), LTD.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2021

1. GENERAL INFORMATION

Receiptco Manufacturing (UK), Ltd. (the "Company") is a private company, limited by shares, incorporated and domiciled in the UK and registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page (page 1).

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company 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.

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 3.

The financial statements and notes for the year ended 31 December 2021 are unaudited. The financial statements and notes for the year ended 31 December 2020 are audited.

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 58, 90, 91 and 93 of IFRS 16 Leases.
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

RECEIPTCO MANUFACTURING (UK), LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2021

2. ACCOUNTING POLICIES (continued)

2.1.1 New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the company's financial statements.

2.1.2 Going Concern

The directors and management of the business have reviewed the detailed forecast cash flows of the Company and the Group for the forthcoming 12 months from the date of the approval of the financial statements. These cash flow forecasts and re-forecasts are prepared regularly as part of the business planning process.

During 2021 and in 2022 to date, the Company has diversified its product offering and customer base by expanding its labels business. In addition:

- The Group had cash at bank of €1.4m (\$1.4m) as at the end of August 2022.
- The Group's contracts with new customers are expected to add significant additional revenue in FY22 and beyond.
- The Group's \$23.3m loan payable to Atlas Receiptco Holdings (International) LP is not repayable until November 2030.
- The Group has factoring arrangements in place over a significant proportion of its trade receivables in the UK, France and Spain. This means cash collection from sales has remained strong.

The directors therefore consider that the Company will have sufficient cash resources available to meet its liabilities as they fall due, and that it will meet its day-to-day working capital requirements from the cash flows generated by its trading activities. Accordingly, these financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will realise its assets and discharge its liabilities in the normal course of business over the coming twelve months.

2.1.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of its ultimate parent undertaking established under UK law and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006. The address of the ultimate parent's registered office is c/o TMF Group 8th Floor, 20 Farringdon Street, London EC4A 4AB. These financial statements are separate financial statements.

RECEIPTCO MANUFACTURING (UK), LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2021

2. ACCOUNTING POLICIES (continued)

2.1.4 Foreign currency translation

The Company's functional and presentational currency is Pound Sterling. All amounts in the financial statements and notes have been rounded off to the nearest thousand Pound Sterling, unless otherwise stated.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when settlement of such transactions occurs. Foreign currency monetary items are re-measured at year-end exchange rates.

Foreign exchange gains and losses resulting from the settlement of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'interest payable and similar charges'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'Administrative expenses'.

2.2 Turnover

The Company's only material turnover stream is generated from the sale of print related products under contracts with customers. In all cases, turnover is recognised to depict the transfer of promised goods to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services and is recognised when the customer obtains control of the good. Turnover is stated at the transaction price excluding VAT, which includes allowance for anticipated discounts, rebates and returns as well as freight, shipping and handling costs.

Turnover is recognised when control of the product is transferred from the Company, which is usually on shipment. In addition, the Company estimates and records rebates as a reduction of revenue in the period related to the sale. Amounts billed to customers for freight, shipping and handling are included in revenue. Amounts incurred for freight, shipping and handling are included in cost of sales in the financial statements.

Where the goods promised within a contract are distinct, they are identified as separate performance obligations and are accounted for separately. Where separate performance obligations are identified, total turnover is allocated on the basis of relative stand-alone selling prices or management's best estimate of relative value where stand-alone selling prices do not exist. Management estimates may include a cost-plus method or comparable product approach but must be supported by objective evidence.

2.3 Employee benefit costs

The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the Statement of Comprehensive Income in the period to which they relate.

RECEIPTCO MANUFACTURING (UK), LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2021

2. ACCOUNTING POLICIES (continued)

2.4 Finance costs

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

2.5 Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.6 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Land and assets under construction are not depreciated. Depreciation is provided on the following basis:

- Freehold property – 15-25 years
- Fixtures and fittings - 5 years
- Plant and machinery - 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.7 Investments

Investments in subsidiaries are held at cost less accumulated impairment losses.

2.8 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date.

RECEIPTCO MANUFACTURING (UK), LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2021

2. ACCOUNTING POLICIES (continued)

2.9 Financial instruments

Financial instruments comprise deferred consideration receivable, amounts owed by and to Group undertakings, cash and cash equivalents, trade creditors, accruals and borrowings.

The Company classifies all of its financial assets and financial liabilities as held at amortised cost.

The classification depends on the purpose for which the financial assets were acquired i.e. the entity's business model for managing the financial assets and/or the contractual cash flow characteristics of the financial asset.

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

a). Financial assets at amortised cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met (and are not designated as FVTPL):

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

Subsequent to initial recognition these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in administrative expenses together with foreign exchange gains and losses and impairment losses.

Amounts owed by Group undertakings that relate to trading are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Lifetime expected credit losses are estimated based on the ageing of debtor, experience and known circumstances of the counterparty.

Loans receivable from Group undertakings are initially recorded at fair value. The recoverability of each loan receivable is assessed every 12 months, with any expected credit losses taken immediately to the Statement of Comprehensive Income. Expected credit losses are assessed by calculating the probability weighted average recovered amount as modelled in various recoverability scenarios.

RECEIPTCO MANUFACTURING (UK), LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2021

2. ACCOUNTING POLICIES (continued)

2.9 Financial instruments (continued)

b). Financial liabilities at amortised cost

Trade creditors, accruals and borrowings are recorded initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

2.10 Impairment of financial instruments

The Company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables – see note 2.12.

2.11 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Inventory is valued on a first in first out basis. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

2.12 Debtors

Debtors are measured at transaction price, less an allowance for expected credit losses. Loans receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.14 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

2.15 Borrowing costs

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

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

RECEIPTCO MANUFACTURING (UK), LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2021

2. ACCOUNTING POLICIES (continued)

2.17 Leases

The Company leases various items of office equipment and plant and machinery. Rental contracts are typically made for fixed periods of 3 months to 5 years but may have extension options. Contracts may contain both lease and non-lease components.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities primarily include the net present value of fixed lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is rarely the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company's right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

RECEIPTCO MANUFACTURING (UK), LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2021

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The critical accounting estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Stock provisioning

It is necessary to consider the recoverability of the cost of stock and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 11 for the net carrying amount of stocks and associated provision.

(b) Recoverability of financial assets

Management estimates when assessing the recoverability of financial assets such as trade debtors and loans due from other Group undertakings. Expected credit losses are calculated based on an assessment of the most likely recoverable amount for either a Group of receivables or (where appropriate) individual owed balances. When assessing expected credit losses, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 12 for the net carrying amount of the receivables and associated expected credit loss allowance. The carrying amounts of financial assets are not materially sensitive to small to moderate changes in the assumptions detailed above.

RECEIPTCO MANUFACTURING (UK), LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2021

4. TURNOVER

An analysis of turnover by geographical location of the Company's sales is given below:

	2021	2020
	£'000	£'000
UK	10,739	9,263
Rest of Europe	3,278	7,769
Rest of World	47	5
Total	<u>14,064</u>	<u>17,037</u>

All turnover arose on the sale of goods to third parties and other Group companies. The split between sales to third parties and sales to other Group companies was as follows:

	2021	2020
	£'000	£'000
Third parties	10,799	10,749
Other Group companies	3,265	6,288
Total	<u>14,064</u>	<u>17,037</u>

2021 turnover includes £38,000 that was recognised as a contract liability balance in the prior year (2020: £48,000). The Company has recognised contract liabilities of £nil as at 31 December, 2021 (2020: £38,000). See note 13.

5. EMPLOYEES AND DIRECTORS

	2021	2020
	£'000	£'000
Wages and salaries	1,784	1,506
UK government furlough income	(36)	(120)
Social security costs	221	165
Other pension costs	94	182
	<u>2,063</u>	<u>1,733</u>

Wages and salaries expense is shown gross of government furlough income of £36,000 (2020: £120,000). The average monthly number of persons (including executive directors) employed by the Company during the year was as follows:

Split between:

	2021	2020
	No.	No.
Sales and Marketing	2	2
Operations	30	30
General and Administrative	14	13
	<u>46</u>	<u>45</u>

RECEIPTCO MANUFACTURING (UK), LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2021

5. EMPLOYEES AND DIRECTORS (continued)

None of the directors received any remuneration in respect of their services to the Company (2020: £Nil). Directors remuneration was borne by Iconex (France) SAS, a fellow Group company and Iconex LLC, a related party.

6. OPERATING PROFIT

The profit before income tax is stated after charging/(crediting):

	2021 £'000	2020 £'000
Cost of inventories recognised as expense	10,525	13,454
Depreciation – owned assets (see note 9)	73	81
Depreciation – right-of-use assets (see note 9)	11	9
Foreign exchange losses	54	255
Operating lease expenses	3	5
Staff costs (see note 5)	2,063	1,733
(Write back)/impairment of inventory	(2)	14
Impairment/(write back) of receivables	30	(66)

The Company is entitled to exemption from audit under section 477 of the Companies Act 2006 for the year ended 31 December 2021. The members have not required the Company to obtain an audit of its financial statements for the year ended 31 December 2021 in accordance with Section 476 of the Companies Act 2006.

The amount payable for the audit of the Company is £nil (2020: £48,366). During the prior year, when the Company's financial statements were audited, auditors' remuneration is borne by the parent Company without recharge. The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Group financial statements of the ultimate parent company.

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £'000	2020 £'000
Interest expense	154	274
Bank charges	6	12
	<u>160</u>	<u>286</u>

RECEIPTCO MANUFACTURING (UK), LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2021

8. TAX ON LOSS/(PROFIT)

No liability to UK corporation tax arose for the year ended 31 December 2021 or 31 December 2020.

The tax assessed for the year is lower (2020: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2021 £'000	2020 £'000
Profit/(loss) before income tax	278	(176)
Tax on profit/(loss) before income tax at standard UK tax rate of 19% (2020: 19%)	53	(33)
Effects of:		
- Amounts not recognised/(change in losses not recognised)	(53)	33
Total tax charge for the year	-	-

No deferred tax assets have been recognised in the financial statements (2020: £Nil) as the directors do not consider it probable that such assets will be realised in the foreseeable future. Unrecognised deferred tax related to tax losses of £756,452 (2020: £532,756), temporary trading differences of £4,327 (2020: £2,943) and fixed asset differences of £123,844 (2020: £1,248).

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This new law was substantively enacted on 24 May 2021. Unrecognised deferred taxes at the Statement of Financial Position date have been measured using these enacted tax rates and reflected in these financial statements. No deferred tax assets have been recognised in the financial statements (2020: \$Nil) as the director does not consider it probable that such assets will be realised in the foreseeable future.

RECEIPTCO MANUFACTURING (UK), LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 December 2021**9. TANGIBLE ASSETS**

	Freehold Property	Plant and machinery	Fixtures and fittings	Assets under construction	Right-of- use assets	Totals
	£'000	£'000	£'000	£'000	£'000	£'000
Cost:						
At 1 January 2021	1,944	259	26	-	49	2,278
Additions	-	104	-	398	-	502
At 31 December 2021	1,944	363	26	398	49	2,780
Accumulated depreciation:						
At 1 January 2021	136	146	15	-	20	317
Charge for the year	25	45	3	-	11	84
At 31 December 2021	161	191	18	-	31	401
Net book value:						
At 31 December 2020	1,808	113	11	-	29	1,961
At 31 December 2021	1,783	172	8	398	18	2,379

Included within freehold property is land with a book value of £1,298,327 (2020: £1,298,327).

Right-of-use assets relate to certain items of plant and machinery held under finance leases.

During the year ended 31 December 2021, payments in respect of lease liabilities were £16,000 (2020: £14,000). Finance costs recognised in relation to lease liabilities were £5,000 (2020: £4,000). Outstanding lease liabilities as at 31 December 2021 are detailed in notes 13 and 14. Expenses of £3,000 relating to short term and low value leases are included within administrative expenses (2020: £5,000).

Total cash outflow for leases during 2021 was £19,000 (2020: £18,000).

RECEIPTCO MANUFACTURING (UK), LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 December 2021**10. INVESTMENTS**

	2021	2020
	£'000	£'000
Shares in Group undertakings	-	-

As at 31 December 2021 and 31 December 2020, investments solely comprise equity shares held in Iconex (Germany) GmbH, a fellow Group company incorporated in Germany with its registered office at Nextower, Thurn-und-Taxis-Platz 6, 60313 Frankfurt. Its principal activity is the sale and distribution of OEM laser toner cartridges within Europe. The Company owns 100% of the issued share capital, which is not publicly traded.

11. STOCKS

	2021	2020
	£'000	£'000
Finished goods	672	641
Raw materials	1,275	1,076
Work-in-progress	1	16
	<u>1,948</u>	<u>1,733</u>

Stocks are stated net of provisions for obsolescence amounting to £82,322 (2020: £84,275). Charges to the stock obsolescence provision are included within cost of sales in the statement of comprehensive income.

12. DEBTORS

	2021	2020
	£'000	£'000
Trade debtors	1,507	1,576
Amounts owed by Group undertakings:		
Debtors due to trading	-	2,872
Loans receivable	6,208	6,208
Prepayments and accrued income	98	100
	<u>7,813</u>	<u>10,756</u>

Trade debtors are shown net of allowances for expected credit losses amounting to £51,777 (2020: £21,742). Charges and credits to expected credit losses are included within administrative expenses in the statement of comprehensive income.

Trading balances owed by Group undertakings are unsecured, interest free and repayable on demand.

Loans receivable from other Group undertakings are repayable on demand and bear interest at a per annum rate equal to the 1 month LIBOR. See note 13 for further details on the Company's continued use of LIBOR.

RECEIPTCO MANUFACTURING (UK), LTD.**NOTES TO THE FINANCIAL STATEMENTS (continued)**
for the year ended 31 December 2021**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2021	2020
	£'000	£'000
Trade creditors	1,420	149
Amounts owed to Group undertakings:		
Trade creditors	3,904	8,646
Other creditors	711	571
Loans payable to related parties	478	-
Other tax and social security	405	648
Lease liabilities (see note 9)	13	12
Accruals	432	219
Contract liabilities	-	38
	<u>7,363</u>	<u>10,283</u>

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand. Trade creditors represent amounts due to Group undertakings for purchases of goods and other creditors represent all other amounts due to Group undertakings.

Loans payable to related parties consist of amounts payable to Iconex LLC and its subsidiaries. These balances are unsecured and bear interest at LIBOR plus 0.5%. The loan agreement expires on 25 January 2029, however as the agreement is cancellable by Iconex LLC with 30 days written notice outstanding a balance has been classed as a current liability.

Both the Company and Iconex LLC intend to continue to use LIBOR rates as an interest rate benchmark until USD LIBOR ceases to be published on 30 June 2023, after which the Company will transition to an alternative benchmark. Management do not expect this to have a material impact on the Company.

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

	2021	2020
	£'000	£'000
Amounts owed to Group undertakings	2,611	2,611
Lease liabilities	6	20
	<u>2,617</u>	<u>2,631</u>

The intercompany loan notes fall due in June 2024 are unsecured and accrue interest at 4.3% per annum. Accrued interest is included within amounts owed to Group undertakings within Creditors: Amounts falling due within one year.

15. CALLED UP SHARE CAPITAL

	2021	2020
	£'000	£'000
Allotted, issued and fully paid:		
1,301 ordinary £1 shares (2020: 1,301 ordinary £1 shares)	<u>1</u>	<u>1</u>

All shares rank pari passu in all respects.

RECEIPTCO MANUFACTURING (UK), LTD.

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2021

16. SHARE PREMIUM ACCOUNT

Movements in share premium during the year ended 31 December 2021 were as follows:

	£'000
At 1 January 2021	4,279
Movement in the year	-
At 31 December 2021	4,279

17. CONTINGENT LIABILITIES AND COMMITMENTS

The Company has no contingent liabilities as at 31 December 2021 (£Nil).

18. POST EMPLOYMENT BENEFITS

The Company provides a defined contribution scheme for its employees. The amount recognised as an expense for the defined contribution scheme in the year ended 31 December 2021 was £94,000 (2020: £182,115), of which £17,307 remains unpaid at year end (2020: £15,487).

19. CONTROLLING PARTIES

The immediate parent undertaking is Receiptco (UK), Ltd.

The ultimate parent undertaking and the smallest and largest Group to consolidate these financial statements is Receiptco (UK) Holdings, Ltd. Copies of the Receiptco (UK) Holdings, Ltd. consolidated financial statements can be obtained from the c/o TMF Group 8th Floor, 20 Farringdon Street, London, EC4A 4AB.

The Company's ultimate controlling party at the balance sheet date was Atlas Capital Resources GP II (International) LLC, 100 Northfield Street, Greenwich, CT 06830, which is a limited liability company in the United States of America.

20. TRANSACTIONS WITH RELATED PARTIES

The Company has taken advantage of the disclosure exemption requirement in IAS 24 Related Party Disclosures and is therefore not required to disclose related party transactions entered into between two or more members of a Group.

21. EVENTS AFTER THE BALANCE SHEET DATE

On 31 August 2022 the Group agreed an extension to its \$6m loan facility with Silicon Valley Bank. This facility is now repayable on 31 October 2024.