

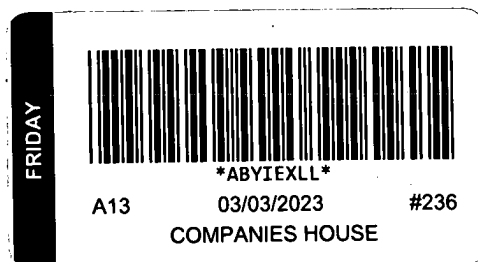
Hilco Europe

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 01551254



Hilco Europe

Company Information

| | |
|----------------------------|---|
| Directors | J R Brownlee D J Sutherby F U J Thiel |
| Company secretary | M Peacock |
| Registered number | 01551254 |
| Registered office | Brunt Acres Road Industrial Estate Hawes North Yorkshire DL8 3UZ |
| Independent auditor | BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL |

Hilco Europe

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Hilco Europe

Group Strategic Report For the Year Ended 31 December 2021

Introduction

Hilco Vision is an industry leading global eyewear and eye care company that delivers comprehensive solutions to customers. Built on a platform of innovation and operational excellence, our goal is to take pain points away from our customers' lives, increase simplicity, and enable shared success. Hilco Europe operates primarily in Germany, Netherlands-Benelux, and the United Kingdom.

The Breitfeld & Schliekert GmbH in Germany supplies a vast range of goods to cover the precision engineering and ophthalmic needs. The main market of the company is Germany, but it has customers throughout Europe and worldwide.

The principal activity of LEXXOO International GmbH ("Lexxoo") is the procurement and selling of sunglasses, reading aids, contact lenses and contact lens care products to non-optical retail businesses. Most of the sales are carried out in Germany.

For Hilco UK, the core business relates to the distribution of eyewear products including sports and safety items, plus associated lens care consumables and accessories. In addition, the UK supplies repair tools and parts to opticians for glasses repairs. Sales are predominantly made in the UK, but are also shipped into mainland Europe, predominantly via distributor partners in other EU countries.

The group has two trading subsidiaries incorporated in the Netherlands, Optiplus BV ("Optiplus") and Proteye Veilingheidsbrillen BV ("Proteye"), whose principal activities are also that of the manufacture and sale of optical products and accessories.

Hilco Europe

Group Strategic Report (continued) For the Year Ended 31 December 2021

Business review

The performance of the Hilco Europe in 2021 was expected to deliver sales, gross profit, and EBITDA growth. However, the effects of the Covid-19 global pandemic continued to affect all our European companies into 2021, but to a far lesser extent than experienced in 2020.

Government support mechanisms in each country has been provided to the Hilco Europe businesses during the pandemic. This support has run parallel alongside tight cost controls, part-time working, and a limited number of redundancies.

The group saw turnover increase by 15.8% to £42.1m for the year ending 31 December 2021, as the restrictions & effects related to the covid pandemic receded in EU countries across all group companies. As a result, group's gross profit increased in total by 21.3% which resulted in a net profit of £1.7m for the year ending 31 December 2021 against a net loss of £1.3m for the year ending 31 December 2020. However, products costs and costs of procurement, in particular freight inwards have increased on prior years due to covid, adverse FX and the effect of Brexit on the UK operation.

In Germany, the turnover in 2021 improved in all entities. At B&S the turnover increased by €2.3m (11.3%) to €23.1m. This is not relating to a specified business area. Instead, the revenue-growth happened in all areas (optical chains, CNC-machinery, individual opticians). Lexxoo turnover increased from €13.7m to €14.7m (6.8%). With effect of 1 November 2020, Hilco Germany GmbH acquired the company 'I Need You GmbH' (INY), whose first full year now contributed turnover of €3.0m in 2021. This strategic acquisition has complemented the existing core business, by adding high end ready readers and associated markets to the Hilco product and customer portfolios.

The turnover of the UK operation overall during 2021 increased from £2.7m to £3.6m (31.8%) compared to the prior year as footfalls into opticians began to rise again.

The operations in the Netherlands saw Optiplus turnover for the 12 months to December 2021 increase from €4.0m to €4.2m (4.7%) compared to 2020, resulting also from increased demand as covid restrictions and effects eased. Similarly, Proteye experienced an overall turnover increase of 3.9% in 2021 over the prior year as offices & swimming pools started to reopen enhancing sales of office & safety glasses, and swimming and diving products. During the year ending 31 December 2021, Hilco Vision has acquired Belgium and Netherlands-based Simovision BV in November 2021 which contributed turnover of €2.0m in 2021. This strategic acquisition fits and complements the existing core business, as Simovision is a leading distributor of ophthalmic products, with dedicated divisions providing consumables and equipment for refractive, cataract and retina surgery and dry eye patients throughout Belgium and the Netherlands.

The group has net current liabilities arising as a result of a loan from a fellow group company which is technically payable on demand and has therefore been presented as due within one year. The Directors are satisfied that The Hilsinger Company Parent LLC will provide the support required to be able to meet all external liabilities as they fall due and have therefore prepared the financial statements on a going concern basis.

Hilco Europe

Group Strategic Report (continued) For the Year Ended 31 December 2021

Principal risks and uncertainties

The opportunities for Breitfeld & Schliekert relate mainly to the further development of the CNC industrial business. In 2022 also the trading goods business is further expanding especially around glazed sport glasses, reading aids and accessories.

At Lexxoo, business expansion opportunities relate to the growing business with existing customers, the acquisition of new customers and optimisation of the supply chain.

The customer base of Breitfeld & Schliekert focuses on opticians in retailing as well as on the industrial sector. The customer base of Lexxoo mainly focuses on large retail groups. This strong market position of existing customers and potential new customers involves a certain risk regarding the pricing and generation of sales revenues. Risks for Breitfeld & Schliekert exist in customer creditworthiness, in addition to delivery capacity and product quality. Risks for Lexxoo exist in customer concentration, product quality and supply reliability.

The company addresses these risks through its many years of expertise in the optical sector. In addition to providing a balanced portfolio of high-quality products, the preparation of placement concepts at the "point of sale" that promote sales and are easy to handle is another important success factor. The group is also subject to exchange rate risks arising from the US dollar and the Japanese yen. Further exchange rate risks relate to the loan and corresponding interest payments to be made to The Hilsinger Company Inc., Plainville, MA, USA, since the loan was taken out in US dollars.

The customer base of Hilco UK also mainly includes opticians in the retail field as well as major chains. Following the UK decision to leave the EU, risks and uncertainties include the effects on foreign exchange rates movements, and the associated effects on cost of goods and trading. Post-Brexit supplies to & from the EU countries initially proved to be operationally & financially more difficult. Hilco-UK in the first half of 2021 experienced delays at the ports especially with imports. Courier shipping rates have increased to cover the additional documentation and import costs. In addition, goods for resale imports from non-EU countries have also become more costly and with longer delivery times, following the effects on shippers' operations of the pandemic, due to changes in global supply & demand chains.

The Netherlands-Benelux markets include new product development opportunities, e-commerce, & synergistic opportunities with the wider Hilco Group, and also now following the acquisition of Simovision BV. Risks include strong market competition in the Netherlands.

Financial key performance indicators

Financial Key Performance indicators include Sales, EBITDA, Debt levels compared to EBITDA, and Operating Cash Flow. Non-financial key performance indicators used by management include logistics statistics and employee annual reviews and feedback.

Hilco Europe

Group Strategic Report (continued) For the Year Ended 31 December 2021

Director's statement of compliance with duty to promote the success of the Group (Section 172 statement)

The Board of Directors confirms that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006, being:

- a. the likely consequences of any decision in the long term,
- b. the interests of the company's employees,
- c. the need to foster the company's business relationships with suppliers, customers and others,
- d. the impact of the company's operations on the community and the environment,
- e. the desirability of the company maintaining a reputation for high standards of business conduct, and
- f. the need to act fairly as between members of the company.

The Directors are mindful of their duties under section 172 (s172) to run the Company for the benefit of its shareholders, and in doing so, consider the long-term impact of any decisions on stakeholder relationships and the impact of its activities on its reputation for high standards of business conduct. We can only grow and prosper sustainably if we conduct ourselves in a responsible manner and have positive relationships with all our stakeholders.

The Board sets the Company's purpose and performs annual strategy reviews to deliver sustained future success and to be cognisant of the impact on key stakeholders. Risk management procedures identify principal risks and assess the mitigations in place to manage and minimise any potential impact of such risks, with reference to how these relate specifically to our stakeholders.

We have taken s172 requirements into consideration for many years. However, the Code now requires provision of more specific information about how the Group and the Directors have done so. Most of the day-to-day decision making and stakeholder engagement is carried out by the Board of Directors and the senior leadership team members at the business level. The Board interacts with these stakeholders using various methods, which include direct Board member engagement, by receiving updates and reports from members of management who engage with such groups.

The Directors consider that the following groups are key stakeholders of the company.

Shareholders & Investors

As a Board of Directors, our intention is to treat our shareholders in a responsible, fair, and equitable manner. The goal is to return to shareholders & investors the benefits of our strategic focus to deliver sustainable growth and create long-term value.

The Board interacts with these stakeholders using various methods, which include direct Board member engagement, and by receiving updates and reports from members of management who engage with such groups.

Employees

Being fundamental to the delivery of our strategy and plans, Hilco aims to be a responsible employer to its staff in recognition that the strength of our business is built upon the dedication and expertise of our teams.

Engagement: Employment in a long-term growth business, with opportunities to develop and progress in a diverse and inclusive working environment.

Welfare: Commitment to providing a safe workplace, promoting physical, emotional, and financial wellbeing.

Remuneration: Fair pay rates, above National Minimum / Living Wage levels, plus additional employee benefits.

Hilco Europe

Group Strategic Report (continued) For the Year Ended 31 December 2021

Customers

Continual focus on our customers and customer offering to build brand value and loyalty through solid and long-standing relationships.

Quality: Commitment to providing our customers with an innovative and comprehensive range of products of the highest quality, and excellence in standards of customer care, service, and delivery levels.

Customer Experience: Dedicated telesales and customer services teams, web-ordering platforms, plus online and hard-copy brochures and catalogues for customer convenience and access to expert advice..

Suppliers

We rely on our suppliers to manufacture & distribute into all our operations.

Relationships: Ongoing development of long-term supplier relationships based on honesty, transparency, and fairness, and meeting agreed payment terms.

Ethical trading: We have implemented our Vendor Code of Business Conduct and Ethics which requires all vendors to conduct their employment practices in compliance with all applicable labour laws and regulations. External verification of ethical and human rights standards, throughout the supply chain & product sourcing.

Modern slavery: Policy and risk-based auditing in place for all suppliers. To this end, in addition to reviewing and updating all policies that touch on identified areas of risk, we have a clear statement in our Vendor Code of Business Conduct and Ethics confirming our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure that no modern slavery, human trafficking or forced labour is taking place anywhere in our supply chains.

Community and Environment

Over recent years there has been a significant increase in expectations related to Corporate Social Responsibility, from communities and the wider public, that companies act in a responsible manner.

Community: Increasing focus on community engagement, communication, and local charity support.

Environment: Reducing any potential adverse impacts on the environment by introducing environmentally friendly products to our product ranges where appropriate.

Decision-making and risk management

The Board engages in monthly directors and senior management meetings. These include reviews of territory and company reporting packs, customer and competitor analysis, forecasts, and performance of these versus annual targets and budget, as well as HR and H&S related reporting. In turn, these inform timely and appropriate decision-making and actions to minimise company and employee risk exposure.

Governance and performance

As Directors, our intention is to operate responsibly to ensure the highest standards of business conduct and good governance, and to ensure compliance with all relevant laws and regulations in the territories in which we operate.

Regulators: Our aim is to have cooperative and constructive relationships with professional and government bodies that regulate business activities. In so doing, we intend to maintain and develop our reputation and hence contribute to the delivery of our plans.

Hilco Europe

Group Strategic Report (continued) For the Year Ended 31 December 2021

Culture, values, and standards

The Hilsinger Company, Inc. group of companies is dedicated to conducting its business consistent with the highest standards of business ethics and takes its social responsibilities very seriously. We conduct our business in accordance with our core values.

This report was approved by the board on 01 March 2023 and signed on its behalf.


F U J Thiel
Director

Hilco Europe

Directors' Report For the Year Ended 31 December 2021

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

Results and dividends

The profit for the year, after taxation, amounted to £1,657,013 (2020 - loss £1,339,899).

The Directors do not recommend the payment of a dividend for the year (2020 - £Nil).

Director

The Director who served during the year was:

J R Brownlee

D J Sutherby and F U J Thiel were appointed as directors on 1 March 2022.

Future developments

The Directors are not aware of any other potential future events which should be brought to the attention of users of these financial statements.

Matters covered in the Strategic Report

In accordance with section 414C(11) of the Companies Act, certain matters, including engagement with suppliers, customers and others, required to be detailed in the Directors' Report are detailed in the Strategic Report where the Director considers them to be of strategic importance to the Group.

Disclosure of information to auditor

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

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

Post year end events

During 2022 there have been additional challenges to many businesses across Europe. These have arisen firstly from the ongoing restrictions in place from the Covid pandemic especially during the first half of 2022 which affected Hilco EU entities more than the UK operation, due to the UK being further ahead in vaccination programs and social restrictions being lifted much earlier by the UK government than its EU counterparts. This resulted in lower footfall and hence customer spends in EU optical stores than had been anticipated.

In addition, due to high inflationary pressures globally, in the main arising following the Russia-Ukraine conflict, the Hilco Group entities have been addressing several significant challenges as have most companies across Europe. These include significant rises in operating costs related to freight and energy, due to the huge rises in oil and gas costs, as well as increases in the costs of product raw materials, their procurement, subsequent manufacturing goods for resale, and finally in fees from other overheads suppliers generally due to the above.

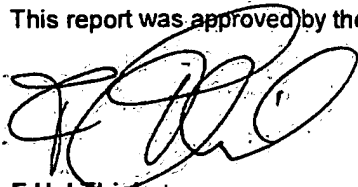
Hilco Europe

Directors' Report (continued) For the Year Ended 31 December 2021

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 01 March 2023 and signed on its behalf.



F U J Thiel
Director

Hilco Europe

Directors' Responsibilities Statement For the Year Ended 31 December 2021

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Hilco Europe

Independent Auditor's report to the members of Hilco Europe

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hilco Europe ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

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

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

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

Hilco Europe

Independent Auditor's report to the members of Hilco Europe (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Director's Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Hilco Europe

Independent Auditor's report to the members of Hilco Europe (continued)

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the Company and the industry in which it operates, and considered the risk of acts by the Group and the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK Company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Company's financial statements.

Based on our understanding, we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also addressed the risk of management override of internal controls, including testing journal entries processed and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:

Mark Langford

FO4CS3A81681495
Mark Langford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds
United Kingdom
01 March 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Hilco Europe

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2021

| | Note | 2021 £ | 2020 £ |
|---|------|-------------------|--------------------|
| Turnover | 4 | 42,147,899 | 36,381,882 |
| Cost of sales | | (21,101,907) | (19,028,727) |
| Gross profit | | 21,045,992 | 17,353,155 |
| Distribution costs | | (238,890) | (25,066) |
| Administrative expenses | | (17,828,140) | (17,562,147) |
| Other operating income | 5 | 26,346 | - |
| Operating profit/(loss) | 6 | 3,005,308 | (234,058) |
| Interest receivable and similar income | 8 | 43,152 | 215,797 |
| Interest payable and similar expenses | 9 | (1,075,793) | (955,856) |
| Profit/(loss) before taxation | | 1,972,667 | (974,117) |
| Tax on profit/(loss) | 10 | (315,654) | (365,782) |
| Profit/(loss) for the financial year | | 1,657,013 | (1,339,899) |
| Currency translation differences | | (144,996) | 162,765 |
| Other comprehensive (expense)/income for the year | | (144,996) | 162,765 |
| Total comprehensive income/(expense) for the year | | 1,512,017 | (1,177,134) |
| Profit/(loss) for the year attributable to: | | | |
| Owners of the parent Company | | 1,657,013 | (1,339,899) |
| Total comprehensive income/(expense) for the year attributable to: | | | |
| Owners of the parent Company | | 1,512,017 | (1,177,134) |

The notes on pages 21 to 42 form part of these financial statements.

Hilco Europe
Registered number:01551254

Consolidated Statement of Financial Position
As at 31 December 2021


| | Note | 2021 £ | 2021 £ | 2020 £ | 2020 £ |
|---|------|-------------------|-------------------------|-------------------|-------------------------|
| Fixed assets | | | | | |
| Intangible assets | 11 | | 19,949,374 | | 13,868,689 |
| Tangible fixed assets | 12 | | 1,134,869 | | 954,366 |
| | | | <u>21,084,243</u> | | <u>14,823,055</u> |
| Current assets | | | | | |
| Stocks | 14 | 14,180,437 | | 11,784,793 | |
| Debtors | 15 | 19,892,375 | | 8,799,491 | |
| Cash at bank and in hand | 16 | 1,289,550 | | 1,304,960 | |
| | | <u>35,362,362</u> | | <u>21,889,244</u> | |
| Current liabilities | | | | | |
| Creditors: amounts falling due within one year | 17 | (49,150,434) | | (33,758,762) | |
| Net current liabilities | | | <u>(13,788,072)</u> | | <u>(11,869,518)</u> |
| Total assets less current liabilities | | | <u>7,296,171</u> | | <u>2,953,537</u> |
| Creditors: amounts falling due after more than one year | 18 | | (2,828,110) | | - |
| Provisions for liabilities | | | | | |
| Deferred tax | 21 | | (1,040,860) | | (1,032,735) |
| Net assets excluding pension liability | | | <u>3,427,201</u> | | <u>1,920,802</u> |
| Pension liability | 25 | | (84,992) | | (90,610) |
| Net assets | | | <u><u>3,342,209</u></u> | | <u><u>1,830,192</u></u> |

Hilco Europe
Registered number:01551254

Consolidated Statement of Financial Position (continued)
As at 31 December 2021

| | Note | 2021 £ | 2021 £ | 2020 £ | 2020 £ |
|--|------|-----------|------------------|-----------|------------------|
| Capital and reserves | | | | | |
| Called up share capital | 22 | | 657 | | 657 |
| Share premium account | 23 | | 7,322 | | 7,322 |
| Capital redemption reserve | 23 | | 354 | | 354 |
| Foreign exchange reserve | 23 | | (1,737,657) | | (1,592,661) |
| Profit and loss account | 23 | | 5,071,533 | | 3,414,520 |
| Equity attributable to owners of the parent Company | | | 3,342,209 | | 1,830,192 |

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


F U J Thiel
Director

01 March 2023

The notes on pages 21 to 42 form part of these financial statements.

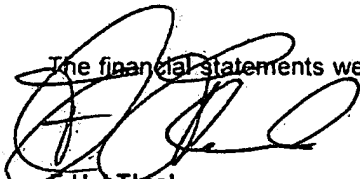
Hilco Europe
Registered number:01551254

Company Statement of Financial Position
As at 31 December 2021

| | Note | 2021 £ | 2021 £ | 2020 £ | 2020 £ |
|--|------|------------------|----------------|------------------|----------------|
| Fixed assets | | | | | |
| Tangible fixed assets | 12 | | 36,111 | | 45,159 |
| Fixed asset investments | 13 | | 38,535 | | 38,535 |
| | | | <u>74,646</u> | | <u>83,694</u> |
| Current assets | | | | | |
| Stocks | 14 | 812,730 | | 624,741 | |
| Debtors | 15 | 3,636,088 | | 2,393,822 | |
| Cash at bank and in hand | 16 | 196,581 | | 427,577 | |
| | | <u>4,645,399</u> | | <u>3,446,140</u> | |
| Current liabilities | | | | | |
| Creditors: amounts falling due within one year | 17 | (4,152,712) | | (3,111,335) | |
| Net current assets | | | <u>492,687</u> | | <u>334,805</u> |
| Total assets less current liabilities | | | <u>567,333</u> | | <u>418,499</u> |
| Net assets | | | <u>567,333</u> | | <u>418,499</u> |
| Capital and reserves | | | | | |
| Called up share capital | 22 | | 657 | | 657 |
| Share premium account | 23 | | 7,322 | | 7,322 |
| Capital redemption reserve | 23 | | 354 | | 354 |
| Profit and loss account brought forward | | 410,166 | | 642,094 | |
| Profit/(loss) for the year | | 148,834 | | (231,928) | |
| Profit and loss account carried forward | 23 | | 559,000 | | 410,166 |
| Total equity | | | <u>567,333</u> | | <u>418,499</u> |

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

01 March 2023


F U J Thiel
Director

The notes on pages 21 to 42 form part of these financial statements.

Hilco Europe

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2021

| | Called up share capital £ | Share premium account £ | Capital redemption reserve £ | Foreign exchange reserve £ | Profit and loss account £ | Total equity £ |
|--|------------------------------------|----------------------------------|---------------------------------------|-------------------------------------|------------------------------------|-------------------|
| At 1 January 2021 | 657 | 7,322 | 354 | (1,592,661) | 3,414,520 | 1,830,192 |
| Comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | - | 1,657,013 | 1,657,013 |
| Currency translation differences | - | - | - | (144,996) | - | (144,996) |
| Total comprehensive income/expense for the year | - | - | - | (144,996) | 1,657,013 | 1,512,017 |
| At 31 December 2021 | 657 | 7,322 | 354 | (1,737,657) | 5,071,533 | 3,342,209 |

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2020

| | Called up share capital £ | Share premium account £ | Capital redemption reserve £ | Foreign exchange reserve £ | Profit and loss account £ | Total equity £ |
|---|------------------------------------|----------------------------------|---------------------------------------|-------------------------------------|------------------------------------|-------------------|
| At 1 January 2020 | 657 | 7,322 | 354 | (1,755,426) | 4,754,419 | 3,007,326 |
| Comprehensive expense for the year | | | | | | |
| Loss for the year | - | - | - | - | (1,339,899) | (1,339,899) |
| Currency translation differences | - | - | - | 162,765 | - | 162,765 |
| Total comprehensive expense for the year | - | - | - | 162,765 | (1,339,899) | (1,177,134) |
| At 31 December 2020 | 657 | 7,322 | 354 | (1,592,661) | 3,414,520 | 1,830,192 |

The notes on pages 21 to 42 form part of these financial statements.

Hilco Europe

Company Statement of Changes in Equity For the Year Ended 31 December 2021

| | Called up share capital | Share premium account | Capital redemption reserve | Profit and loss account | Total equity |
|--|----------------------------|-----------------------------|----------------------------------|----------------------------|----------------|
| | £ | £ | £ | £ | £ |
| At 1 January 2021 | 657 | 7,322 | 354 | 410,166 | 418,499 |
| Comprehensive income for the year | | | | | |
| Profit for the year | - | - | - | 148,834 | 148,834 |
| At 31 December 2021 | 657 | 7,322 | 354 | 559,000 | 567,333 |

Company Statement of Changes in Equity For the Year Ended 31 December 2020

| | Called up share capital | Share premium account | Capital redemption reserve | Profit and loss account | Total equity |
|---|----------------------------|-----------------------------|----------------------------------|----------------------------|------------------|
| | £ | £ | £ | £ | £ |
| At 1 January 2020 | 657 | 7,322 | 354 | 642,094 | 650,427 |
| Comprehensive expense for the year | | | | | |
| Loss for the year | - | - | - | (231,928) | (231,928) |
| Total comprehensive expense for the year | - | - | - | (231,928) | (231,928) |
| At 31 December 2020 | 657 | 7,322 | 354 | 410,166 | 418,499 |

The notes on pages 21 to 42 form part of these financial statements.

Hilco Europe

Consolidated Statement of Cash Flows For the Year Ended 31 December 2021

| | 2021 £ | 2020 £ |
|---|------------------|--------------------|
| Cash flows from operating activities | | |
| Profit/(loss) for the financial year | 1,657,013 | (1,339,899) |
| Adjustments for: | | |
| Amortisation of intangible assets | 2,116,534 | 1,388,719 |
| Depreciation of tangible assets | 418,782 | 412,181 |
| Interest payable | 1,075,793 | 955,856 |
| Interest receivable | (43,152) | (215,797) |
| Taxation charge | 315,654 | 365,782 |
| (Increase) in stocks | (1,510,680) | (807,618) |
| (Increase)/decrease in debtors | (8,583,380) | 4,233,758 |
| Increase in creditors | 5,676,312 | 5,190,342 |
| Corporation tax (paid)/received | (786,113) | 127,187 |
| Net cash generated from operating activities | 336,763 | 10,310,511 |
| Cash flows from investing activities | | |
| Acquisition of subsidiary undertaking | - | (5,937,881) |
| Purchase of tangible fixed assets | (315,596) | (317,482) |
| Cash acquired on acquisition | 287,889 | - |
| Interest received | 43,152 | 188,103 |
| Net cash generated from/(used in) investing activities | 15,445 | (6,067,260) |
| Cash flows from financing activities | | |
| New secured loans | 164,603 | - |
| New finance leases | 43,463 | - |
| Interest paid | (1,075,793) | (955,856) |
| Net cash used in financing activities | (867,727) | (955,856) |

Hilco Europe

Consolidated Statement of Cash Flows (continued) For the Year Ended 31 December 2021

| | 2021 £ | 2020 £ |
|---|------------------|------------------|
| Net (decrease)/increase in cash and cash equivalents | (515,519) | 3,287,395 |
| Cash and cash equivalents at beginning of year | 1,304,961 | (1,764,985) |
| Foreign exchange gains and losses | (47,805) | (217,449) |
| Cash and cash equivalents at the end of year | 741,637 | 1,304,961 |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 1,289,550 | 1,304,961 |
| Bank overdrafts | (547,913) | - |
| | 741,637 | 1,304,961 |

The notes on pages 21 to 42 form part of these financial statements.

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

1. General information

Hilco Europe is a private unlimited company having share capital incorporated in England & Wales under the Companies Act 2006. The address of the registered office can be found on the Company Information Page. The nature of the Group's operations and its principal activities can be found in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

Detailed Going Concern analysis is included within the Strategic report and the Directors report. The directors have also considered within their assessment of Going Concern that The Hilsinger Company Parent LLC has provided a Letter of Support to provide comfort that Hilco Europe will be able to meet all external liabilities as they fall due, and have therefore prepared the financial statements on a going concern basis.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. This is considered to be on despatch of goods at which time the risks and rewards of ownership have transferred to the customer. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

2.4 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

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

2.5 Interest income

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

2.6 Finance costs

Finance costs are charged to the Consolidated 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.

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.7 Foreign currency translation

The Company's functional and presentational currency is GBP and amounts presented are rounded to the nearest pound.

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

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

On consolidation, the results of overseas operations are translated into sterling at a rate approximating to the average rate over the period. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.8 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

2.9 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life. The amortisation charged is shown with administrative expenses. The useful economic life of goodwill has been estimated at 10 years as this is considered to be in line with the life cycle of the business which was acquired.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

| | | | |
|---------------|---|----|-------|
| Goodwill | - | 10 | years |
| Customer list | - | 15 | years |

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.10 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.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to comprehensive during the period in which they are 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.

Depreciation is provided on the following basis:

| | |
|---------------------------------------|--------------------------------|
| Leasehold property | - In accordance with the lease |
| Plant, machinery and office equipment | - 3-15 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 profit or loss.

2.11 Leased assets: the Group as lessee

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

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Costs are based average cost for distributed and purchased parts. Manufactured parts are standard costed. Work in progress and finished goods include labour and attributable overheads.

The only exceptions to this relate to the new acquisition Simovision, which currently operates solely on standard costing, and Proteye which expenses purchases directly to COGS with stock balance confirmation at year-end count.

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

2.14 Debtors

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

2.15 Cash and cash equivalents

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

2.16 Financial instruments

The Group previously only entered into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

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

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

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

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.16 Financial instruments (continued)

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

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

2.17 Creditors

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

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

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in comprehensive income.

At each reporting date goodwill and other intangible assets are assessed for potential impairment. Where indicators of potential impairment are present a review is undertaken of forecasted future cash flows to assess whether impairment is required. Any impairment loss is recognised immediately in comprehensive income.

The Group has net current liabilities arising as a result of a loan from a fellow group company which is technically payable on demand and has therefore been presented as due within one year. Management are satisfied that the Group has provided the support required to be able to meet all external liabilities as they fall due and have therefore prepared the financial statements on a going concern basis.

4. Turnover

All turnover relates to the principal activity of the Group.

Analysis of turnover by country of destination:

| | 2021 £ | 2020 £ |
|-------------------|-------------------|-------------------|
| United Kingdom | 3,717,264 | 2,872,822 |
| Rest of Europe | 36,352,160 | 30,615,245 |
| Rest of the world | 2,078,475 | 2,893,815 |
| | <u>42,147,899</u> | <u>36,381,882</u> |

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

5. Other operating income

| | 2021 £ | 2020 £ |
|------------------------|-----------|-----------|
| Other operating income | 26,346 | - |

6. Operating profit/(loss)

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

| | 2021 £ | 2020 £ |
|---|-----------|-----------|
| Depreciation of tangible fixed assets | 418,782 | 412,181 |
| Amortisation of intangible assets | 2,116,534 | 1,388,719 |
| Fees payable to the Group's auditor for the audit of the Company financial statements | 75,283 | 71,150 |
| Exchange differences | (132,907) | (71,591) |
| Operating lease rentals | 749,128 | 973,795 |

7. Employees

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

| | Group 2021 £ | Group 2020 £ | Company 2021 £ | Company 2020 £ |
|-----------------------|--------------------|--------------------|----------------------|----------------------|
| Wages and salaries | 7,970,094 | 6,176,231 | 412,264 | 392,998 |
| Social security costs | 1,444,535 | 1,289,753 | 34,245 | 35,875 |
| | 9,414,629 | 7,465,984 | 446,509 | 428,873 |

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

| | Group 2021 £ | Group 2020 £ | Company 2021 £ | Company 2020 £ |
|----------------|--------------------|--------------------|----------------------|----------------------|
| Administration | 24 | 18 | 3 | 3 |
| Sales | 79 | 116 | 6 | 9 |
| Warehouse | 48 | 25 | 7 | 8 |
| | 151 | 159 | 16 | 20 |

The Directors did not receive any remuneration in the year (2020 - £Nil).

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

8. Interest receivable and similar income

| | 2021 £ | 2020 £ |
|------------------------------------|---------------|----------------|
| Gain on foreign exchange contracts | - | 27,694 |
| Other interest receivable | 43,152 | 188,103 |
| | <u>43,152</u> | <u>215,797</u> |

9. Interest payable and similar expenses

| | 2021 £ | 2020 £ |
|---|------------------|----------------|
| Bank interest payable | 197,003 | 20,973 |
| Interest on loans from group undertakings | 878,790 | 934,883 |
| | <u>1,075,793</u> | <u>955,856</u> |

10. Tax

| | 2021 £ | 2020 £ |
|--|----------------|-----------------|
| Foreign tax | | |
| Foreign tax on income for the year | 1,042,334 | 429,734 |
| Foreign tax in respect of prior periods | (734,805) | - |
| Total current tax | <u>307,529</u> | <u>429,734</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 11,991 | (67,062) |
| Changes to tax rates | (2,878) | (1,158) |
| Adjustments in respect of previous periods | (988) | 4,268 |
| Total deferred tax | <u>8,125</u> | <u>(63,952)</u> |
| Taxation on profit/(loss) | <u>315,654</u> | <u>365,782</u> |

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

10. Tax (continued)

Factors affecting tax charge for the year

In Germany, the Group is subject to both corporate income tax and trade tax. The corporate income tax rate amounts to 15.825% (2020 - 15.825%). The applicable trade tax rate used by the group amounts to 18.10% (2020 - 12.79%).

The tax assessed for the year is lower than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). There were no factors which may affect future tax charges.

| | 2021 £ | 2020 £ |
|--|------------------|------------------|
| Profit/(loss) before tax | <u>1,972,667</u> | <u>(974,117)</u> |
| Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%) | 374,807 | (185,082) |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | (31,923) | 115 |
| Adjustments in respect of previous periods | (735,793) | 4,268 |
| Differences due to overseas tax rates | 211,607 | 88,074 |
| Amortisation not deductible | 388,332 | 263,857 |
| Deferred tax not recognised | 11,641 | 229,604 |
| Other differences leading to an increase in the tax charge | 96,983 | (35,054) |
| Total tax charge for the year | <u>315,654</u> | <u>365,782</u> |

Factors that may affect future tax charges

The Finance Act 2021 was substantively enacted in May 2021 and has increased the corporation tax rate to from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

11. Intangible assets

Group

| | Customer list £ | Goodwill £ | Total £ |
|--------------------------------|-----------------------|---------------|-------------|
| Cost | | | |
| At 1 January 2021 | 8,549,870 | 12,150,279 | 20,700,149 |
| On acquisition of subsidiaries | 6,891 | 9,166,823 | 9,173,714 |
| Foreign exchange movement | (514,814) | (885,261) | (1,400,075) |
| At 31 December 2021 | 8,041,947 | 20,431,841 | 28,473,788 |
| Amortisation | | | |
| At 1 January 2021 | 3,046,635 | 3,784,825 | 6,831,460 |
| Charge for the year | 719,031 | 1,397,503 | 2,116,534 |
| Foreign exchange movement | (188,904) | (234,676) | (423,580) |
| At 31 December 2021 | 3,576,762 | 4,947,652 | 8,524,414 |
| Net book value | | | |
| At 31 December 2021 | 4,465,185 | 15,484,189 | 19,949,374 |
| At 31 December 2020 | 5,503,235 | 8,365,454 | 13,868,689 |

Details of the intangible assets acquired on acquisition of subsidiaries is given in note 24.

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Tangible fixed assets

Group

| | Long leasehold £ | Plant, machinery and office equipment £ | Total £ |
|---------------------------|------------------------|---|------------|
| Cost | | | |
| At 1 January 2021 | 64,931 | 2,590,468 | 2,655,399 |
| Additions | 60,707 | 254,889 | 315,596 |
| Acquisition of subsidiary | - | 352,004 | 352,004 |
| Exchange adjustments | (2,534) | (194,227) | (196,761) |
| At 31 December 2021 | 123,104 | 3,003,134 | 3,126,238 |
| Depreciation | | | |
| At 1 January 2021 | 42,204 | 1,658,829 | 1,701,033 |
| Charge for the year | 9,320 | 409,462 | 418,782 |
| Exchange adjustments | (2,167) | (126,279) | (128,446) |
| At 31 December 2021 | 49,357 | 1,942,012 | 1,991,369 |
| Net book value | | | |
| At 31 December 2021 | 73,747 | 1,061,122 | 1,134,869 |
| At 31 December 2020 | 22,727 | 931,639 | 954,366 |

Details of the tangible assets acquired on acquisition of subsidiaries is given in note 24.

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Tangible fixed assets (continued)

Company

| | Long leasehold £ | Plant, machinery and office equipment £ | Total £ |
|-----------------------|------------------------|---|------------|
| Cost | | | |
| At 1 January 2021 | 52,680 | 383,280 | 435,960 |
| Additions | - | 9,126 | 9,126 |
| At 31 December 2021 | 52,680 | 392,406 | 445,086 |
| Depreciation | | | |
| At 1 January 2021 | 36,789 | 354,012 | 390,801 |
| Charge for the year | 2,580 | 15,594 | 18,174 |
| At 31 December 2021 | 39,369 | 369,606 | 408,975 |
| Net book value | | | |
| At 31 December 2021 | 13,311 | 22,800 | 36,111 |
| At 31 December 2020 | 15,891 | 29,268 | 45,159 |

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Fixed asset investments

Company

| | Investments in subsidiary companies £ |
|---------------------|--|
| Cost | |
| At 1 January 2021 | 38,535 |
| At 31 December 2021 | <u>38,535</u> |

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

| Name | Registered office | Class of shares | Holding |
|----------------------------------|--|--------------------|---------|
| Nationwide Frame Repairs Limited | Brunt Acres Road Industrial Estate, Hawes, North Yorkshire, DL8 3UZ | Ordinary | 100% |
| Hilco Germany GMBH | Max-Planck-Straße 30, 61184 Karben, Germany | Ordinary | 100% |
| Hilco Netherland BV | Molenwieck 3a, 9351 ND Leek, Netherlands | Ordinary | 100% |

Indirect subsidiary undertakings

The following were indirect subsidiary undertakings of the Company:

| Name | Registered office | Class of shares | Holding |
|--|--|--------------------|---------|
| Breitfeld & Schliekert GmbH | Max-Planck-Straße 30, 61184 Karben, Germany | Ordinary | 100% |
| Lexxoo International GmbH | Fürther Straße 212A, 90429 Nürnberg, Germany | Ordinary | 100% |
| Optiplus BV | Molenwieck 3a, 9351 ND Leek, Netherlands | Ordinary | 100% |
| Proteye Veilingheidsbrillen BV | Burggang 26, 4331 AD Middelburg, Netherlands | Ordinary | 100% |
| Optical Essentials Limited Shanghai | Room 604, Rong Guang Building, No.11 Changshun Road, Chang Ning District Shanghai 200051 China | Ordinary | 51% |
| I Need You The Frame Company GmbH | Buchenring 57, D-22359 Hamburg | Ordinary | 100% |
| Simovision BV | Atoomweg 63, 3542 AA Utrecht, Netherlands | Ordinary | 100% |

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Notes to the Financial Statements For the Year Ended 31 December 2021

14. Stocks

| | Group 2021 £ | Group 2020 £ | Company 2021 £ | Company 2020 £ |
|-------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Raw materials and consumables | 116,494 | - | 116,494 | - |
| Finished goods and goods for resale | 14,063,943 | 11,784,793 | 696,236 | 624,741 |
| | <u>14,180,437</u> | <u>11,784,793</u> | <u>812,730</u> | <u>624,741</u> |

The difference between purchase price or production cost of stocks and their replacement cost is not material.

An impairment loss of £263,278 (2020 - £144,519) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

15. Debtors

| | Group 2021 £ | Group 2020 £ | Company 2021 £ | Company 2020 £ |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade debtors | 8,712,016 | 5,133,566 | 496,539 | 524,058 |
| Amounts owed by group undertakings | 9,590,290 | 2,742,216 | 3,084,627 | 1,839,930 |
| Other debtors | 854,925 | 425,509 | 30,219 | - |
| Prepayments and accrued income | 267,656 | 498,200 | 24,703 | 21,709 |
| Corporation tax recoverable | 467,488 | - | - | - |
| Deferred taxation | - | - | - | 8,125 |
| | <u>19,892,375</u> | <u>8,799,491</u> | <u>3,636,088</u> | <u>2,393,822</u> |

The impairment loss recognised in the Consolidated Statement of Comprehensive Income for the year in respect of bad and doubtful trade debtors was £63,011 (2020 - £18,409).

Amounts owed by group undertakings are interest free and repayable on demand.

16. Cash at bank and in hand

| | Group 2021 £ | Group 2020 £ | Company 2021 £ | Company 2020 £ |
|--------------------------|--------------------|--------------------|----------------------|----------------------|
| Cash at bank and in hand | 1,289,550 | 1,304,960 | 196,581 | 427,577 |
| Less: bank overdrafts | (547,913) | - | - | - |
| | <u>741,637</u> | <u>1,304,960</u> | <u>196,581</u> | <u>427,577</u> |

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

17. Creditors: Amounts falling due within one year

| | Group 2021 £ | Group 2020 £ | Company 2021 £ | Company 2020 £ |
|---|--------------------|--------------------|----------------------|----------------------|
| Bank overdrafts | 547,913 | - | - | - |
| Bank loans < 1 yr | 64,428 | - | - | - |
| Trade creditors | 7,780,223 | 5,349,565 | 58,141 | 84,139 |
| Amounts owed to group undertakings | 35,664,712 | 26,049,397 | 3,951,367 | 2,714,329 |
| Other taxation and social security | 41,105 | 107,274 | 22,934 | 58,131 |
| Obligations under finance lease and hire purchase contracts | 31,524 | - | - | - |
| Other creditors | 1,977,288 | 85,066 | 127 | 17,831 |
| Accruals and deferred income | 3,043,241 | 2,167,460 | 120,143 | 236,905 |
| | <u>49,150,434</u> | <u>33,758,762</u> | <u>4,152,712</u> | <u>3,111,335</u> |

Amounts owed to group undertakings includes an amount of £16,295,122 (2020 - £18,812,586) due to The Hilsinger Company Inc. This balance has no fixed repayment date but is technically due on demand. Interest is charged at 6%.

Other amounts owed to group undertakings are interest free and repayable on demand.

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

| | Group 2021 £ | Group 2020 £ |
|--|--------------------|--------------------|
| Bank loans | 96,359 | - |
| Net obligations under finance leases and hire purchase contracts | 10,932 | - |
| Other creditors | 2,720,819 | - |
| | <u>2,828,110</u> | <u>-</u> |

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

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Notes to the Financial Statements For the Year Ended 31 December 2021

19. Loans

The maturity of loans is as follows:

| | Group 2021 £ | Group 2020 £ |
|--|-----------------------------|-----------------------------|
| Amounts falling due within one year | | |
| Bank loans | 64,428 | - |
| Amounts falling due 1-2 years | | |
| Bank loans | 96,359 | - |

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

| | Group 2021 £ | Group 2020 £ |
|-------------------|-----------------------------|-----------------------------|
| Within one year | 31,524 | - |
| Between 1-5 years | 10,932 | - |
| | 42,456 | - |

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

21. Deferred taxation

Group

| | 2021 £ | 2020 £ |
|--|--------------------|--------------------|
| At beginning of year | (1,032,735) | (1,096,687) |
| (Charged)/credited to the Consolidated Statement of Comprehensive Income | (8,125) | 63,952 |
| At end of year | (1,040,860) | (1,032,735) |

Company

| | 2021 £ | 2020 £ |
|---|-----------|--------------|
| At beginning of year | 8,125 | 14,119 |
| (Charged)/credited to the Statement of Comprehensive Income | (8,125) | (5,994) |
| At end of year | - | 8,125 |

The provision for deferred taxation is made up as follows:

| | Group 2021 £ | Group 2020 £ | Company 2021 £ | Company 2020 £ |
|---|--------------------|--------------------|----------------------|----------------------|
| Accelerated capital allowances | (6,884) | (6,692) | (6,884) | (6,692) |
| Tax losses carried forward | 565 | - | 565 | - |
| Other short term differences | 6,319 | 14,817 | 6,319 | 14,817 |
| Deferred tax arising on acquisition of subsidiaries | (1,040,860) | (1,040,860) | - | - |
| | (1,040,860) | (1,032,735) | - | 8,125 |

22. Called up share capital

| | 2021 £ | 2020 £ |
|--|-----------|-----------|
| Allotted, called up and fully paid | | |
| 657 (2020 - 657) Ordinary shares of £1.00 each | 657 | 657 |

The shares have attached to them full voting, dividend and capital distribution rights.

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Notes to the Financial Statements For the Year Ended 31 December 2021

23. Reserves

The Group's and Company's capital and reserves are as follows:

Called up share capital

Called up share capital reserve represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Capital redemption reserve

Statutory reserve that a company must create when it buys back shares, and which it cannot pay to shareholders as dividends.

Foreign exchange reserve

Reserve created as a result of differences which arise on retranslating the financial information of subsidiary accounts prepared in a foreign currency.

Profit and loss account

Profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

24. Business combinations

On 10 November 2021 Hilco Netherland BV, a subsidiary undertaking of the Hilco Europe, acquired all the equity share capital of Simovision BV and Simovision B.V. (together referred to as "Simovision Entities"). Both the simovision entities were purchased as part of a single transaction through the "Share Sale and Purchase Agreement" dated 10 November 2021.

Recognised amounts of identifiable assets acquired and liabilities assumed on the Date of Acquisition of Simovision Entities are as follows:

Acquisition of Simovision BV

Recognised amounts of identifiable assets acquired and liabilities assumed

| | Book value £ | Fair value adjustments £ | Fair value £ |
|--------------------------------------|------------------|--------------------------------|-------------------|
| Fixed Assets | | | |
| Tangible | 352,004 | - | 352,004 |
| Intangible | 6,891 | - | 6,891 |
| | <u>358,895</u> | <u>-</u> | <u>358,895</u> |
| Current Assets | | | |
| Stocks | 1,931,823 | (294,954) | 1,636,869 |
| Debtors | 2,340,319 | (210,054) | 2,130,265 |
| Cash at bank and in hand | 287,889 | - | 287,889 |
| Total Assets | <u>4,918,926</u> | <u>(505,008)</u> | <u>4,413,918</u> |
| Creditors | | | |
| Due within one year | (2,589,864) | - | (2,589,864) |
| Total Identifiable net assets | <u>2,329,062</u> | <u>(505,008)</u> | <u>1,824,054</u> |
| Goodwill | | | 9,166,823 |
| Total purchase consideration | | | <u>10,990,877</u> |
| Consideration | | | |
| | | | £ |
| Settled by group loans | | | 6,510,747 |
| Contingent consideration | | | 4,480,130 |
| Total purchase consideration | | | <u>10,990,877</u> |

Contingent consideration is payable based on achievement of agreed EBITDA target for financial years 2021, 2022 and 2023.

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

24. Business combinations (continued)

Cash outflow on acquisition

Purchase consideration settled in cash

Less: Cash and cash equivalents acquired

Net cash inflow on acquisition

£

(287,889)

(287,889)

The results of Simovision BV since acquisition are as follows:

Current
period since
acquisition
£

Turnover

1,695,682

Loss for the period since acquisition

(63,664)

25. Pension commitments

The Group operates a defined benefit pension scheme for the benefit of a former shareholder of Breitfeld & Schliekert GmbH. An actuarial valuation was performed as at 31 December 2021 which resulted in a liability of £84,992 (2020 - £90,610). The movement since acquisition has been recognised within the Consolidated Statement of Comprehensive Income. The provision has been calculated based on an assumption that the sole beneficiary will draw this pension for 15 years, discounted using the Deutsche Bundesbank official rate of 4.01%.

26. Commitments under operating leases

At 31 December 2021 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

| | Group 2021 £ | Group 2020 £ | Company 2021 £ | Company 2020 £ |
|--|--------------------|--------------------|----------------------|----------------------|
| Not later than 1 year | 1,246,992 | 1,151,645 | 69,848 | 66,481 |
| Later than 1 year and not later than 5 years | 3,012,474 | 3,101,956 | 168,022 | 154,194 |
| Later than 5 years | 1,566,814 | 2,321,242 | 77,334 | 103,532 |
| | 5,826,280 | 6,574,843 | 315,204 | 324,207 |

Hilco Europe

Notes to the Financial Statements For the Year Ended 31 December 2021

27. Analysis of net debt

| | At 1 January 2021 £ | Cash flows £ | Foreign exchange movements £ | Acquisition £ | At 31 December 2021 £ |
|--------------------------|------------------------------|--------------------|---------------------------------------|------------------|--------------------------------|
| Cash at bank and in hand | 1,304,960 | (320,333) | 17,034 | 287,889 | 1,289,550 |
| Bank overdrafts | - | (578,684) | 30,771 | - | (547,913) |
| Debt due after 1 year | - | (98,646) | 2,287 | - | (96,359) |
| Debt due within 1 year | - | (65,957) | 1,529 | - | (64,428) |
| Finance leases | - | (43,463) | 1,007 | - | (42,456) |
| | <u>1,304,960</u> | <u>(1,107,083)</u> | <u>52,628</u> | <u>287,889</u> | <u>538,394</u> |

28. Related party transactions

The Company has taken advantage of the exemption in FRS 102 33.1 to disclose transactions entered into with wholly owned subsidiary undertakings.

29. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Hilsinger LLC, which is incorporated in the United States of America.

BP HH Holdings LLC (incorporated in Delaware, USA) is regarded by the Directors as being the Company's ultimate parent company and represents the largest group in which the results of the Company are consolidated.