

BILLIONS EUROPE LTD
Annual Report and Financial Statements
for the Year Ended 31 December 2022

Billions Europe Ltd

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Billions Europe Ltd

Company Information

Directors	R Xu Y Dong JM Reid Q Shen
Registered office	Winder House Kingfisher Way Stockton on Tees Cleveland TS18 3EX
Bankers	HSBC Bank plc Floor 3 Central Square South Orchard Street Newcastle upon Tyne NE1 3AZ
Auditor	Azets Audit Services Chartered Accountants & Statutory Auditor Bulman House Regent Centre Gosforth Newcastle upon Tyne NE3 3LS

Billions Europe Ltd

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activity

The principal activity of the company is the sale of titanium dioxide (TiO₂) pigment.

Fair review of the business

Billions Europe Ltd., is a wholly owned subsidiary of Billions (Hong Kong) Corporation Limited which is in turn a wholly owned subsidiary of LB Group Co., Ltd.

Billions Europe was formed on 6 November 2014 in order to receive the TR52 business divested by Huntsman. TR52 is a high performing specialty grade of titanium dioxide, a fine white pigment with exceptional opacity, dispersion and gloss, used primarily, but not exclusively, for the production of printing ink.

The strategy for the company in 2022 was as follows:

- 1) Maintain existing global inks business and develop sales of BILLIONS™ TR53, a new reverse printing ink TiO₂ pigment
- 2) Develop sales in Europe into other sectors (e.g., coatings, paper, plastics etc)
- 3) Extend enhanced local support to European customers in all sectors

This strategy has been implemented and will be continued into 2023.

Key performance indicators

The key performance indicators were:

- 1) Sales volume – Increased compared with 2021 and the highest since incorporation.
- 2) Profit: Lower than previous year, impacted by higher priced inventory holdings being sold at subdued market rate sales prices
- 3) Quality rate, including on time in full delivery: Targets met
- 4) Inventory: Expanded to meet growth in local supply

Principal risks and uncertainties

Macro-economic risk – Billions Europe is no different to any business in being exposed to the risks of the global economy. The main sales in 2022 were with Europe and South America, but the risk of a down-turn in a single country or region is balanced by the growing potential in other regions.

Global supply chain crisis – the unprecedented disruption in the supply chain experienced in 2021, resulting in the availability of shipping and containers being in short supply and pricing substantially increased continued into 2022 with pricing remaining significantly elevated.

Supply risk – Billions Europe Ltd maintains a safety stock in key regions to mitigate potential disruption in supply. Due to supply chain issues, Billions Europe, in conjunction with its Chinese HQ, made the decision to increase inventory levels in Europe to fulfil the increasing demand from customers amid strong demand and unit sales rates. Inventory levels increased significantly from FY2021 into H1 of FY2022. Market conditions, which were favourable in H1, dropped significantly in H2 resulting in inventory, which is allocated on a FIFO basis, being sold at rates lower than it's carrying value.

Billions Europe Ltd

Strategic Report for the Year Ended 31 December 2022 (continued)

Section 172(1) statement

The board of directors of Billions Europe Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1)(a-f) of the act) in the decisions taken during the year ended 31 December 2022.

Engagement with suppliers, customers and other relationships

The directors ensure that management operate the business in a responsible manner with high standards of conduct and governance as set out in the company's policies. The company recognises the benefit of building strong relationships with its suppliers to ensure a high level of service for our customers.

Approved and authorised for issue by the Board on 26 January 2024 and signed on its behalf by:

.....

JM Reid

Director

Billions Europe Ltd

Directors' Report for the Year Ended 31 December 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors of the company

The directors who held office during the year were as follows:

G Yao (resigned 10 February 2023)

R Xu

Y Dong

JM Reid

R Tan (resigned 30 August 2022)

Y Chen (appointed 16 March 2022 and resigned 10 February 2023)

D Liu (resigned 10 February 2023)

The following director was appointed after the year end:

Q Shen (appointed 16 February 2023)

Financial instruments

Objectives and policies

The company finances its activities with a combination of group borrowings, cash and short term deposits. Overdrafts are used to satisfy short term cash flow requirements. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Company's operating activities. The Company also enters into derivative transactions, including principally forward currency contracts. The purpose is to manage the currency risks arising from the Company's operations.

Price risk, credit risk, liquidity risk and cash flow risk

See disclosures in the Strategic Report in respect of the financial risk management of the company.

Environmental report

The company has taken the exemption from the Streamlined Energy and Carbon reporting requirement as it did not consume in excess of 40,000kWh of energy in the period.

Future developments

See disclosures within the Strategic Report regarding future developments of the company.

Billions Europe Ltd

Directors' Report for the Year Ended 31 December 2022 (continued)

Going concern

The financial statements have been prepared on a going concern basis. The company meets its day to day working capital requirements through cash generated from operations with the support of its parent undertaking. At the year end the company had net current liabilities of \$15.79m including cash at bank of \$21.57m. The company has no external borrowings having repaid the revolving credit facility in full during the year.

The company's forecasts and projections for the next twelve months show that the company should be able to continue in operational existence for that period, taking into account reasonable possible changes in trading performance and the potential impact on the business of forecast increases in inflation and unprecedented rises in energy prices over the next year. This also considers the effectiveness of available measures to assist in mitigating the impact. In the directors assessment of possible changes they have considered a fall in demand and potential cost savings.

Although the forecast prepared taking account of the matters above support the ability of the company to remain a going concern and to be able to trade and meets its debts as they fall due, the full impact of inflation increases on the economy and the underlying trading assumptions used in forecasting are extremely judgemental and difficult to predict and could be subject to significant variation.

However, based on the factors set out above, the directors believe that the company has adequate financial resources to continue in operational existence for at least twelve months from the date of signing of the financial statements and therefore the directors believe it remains appropriate to prepare the financial statements on a going concern basis.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Azets Audit Services as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved and authorised for issue by the Board on 26 January 2024 and signed on its behalf by:

.....
JM Reid
Director

Billions Europe Ltd

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 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.

Billions Europe Ltd

Independent Auditor's Report to the Members of Billions Europe Ltd

Opinion

We have audited the financial statements of Billions Europe Ltd (the 'company') for the year ended 31 December 2022, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Billions Europe Ltd

Independent Auditor's Report to the Members of Billions Europe Ltd (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor Responsibilities for the audit of the financial statements

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

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

- enquiries of management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- challenging assumptions and judgements made by management in their significant accounting estimates;

Billions Europe Ltd

Independent Auditor's Report to the Members of Billions Europe Ltd (continued)

- reviewing board minutes; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Because of the field in which the client operates, we identified the following areas as those most likely to have a material impact on the financial statements: Health and Safety; employment law; and compliance with the UK Companies Act and tax legislation.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

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

Use of our report

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

.....
Christopher Potter BA (Hons) ACA (Senior Statutory Auditor)

For and on behalf of Azets Audit Services

Statutory Auditor

Chartered Accountants

Bulman House

Regent Centre

Gosforth

Newcastle upon Tyne

NE3 3LS

6 February 2024

Azets Audit Services is a trading name of Azets Audit Services Limited.

Billions Europe Ltd

Income Statement for the Year Ended 31 December 2022

	Note	2022 \$	2021 \$
Turnover	<u>3</u>	308,951,706	217,489,921
Cost of sales		<u>(306,072,122)</u>	<u>(183,749,951)</u>
Gross profit		2,879,584	33,739,970
Distribution costs		(47,187,771)	(19,696,898)
Administrative expenses		(2,346,832)	(2,101,476)
Other operating income	<u>4</u>	<u>(2,864,661)</u>	<u>(1,150,399)</u>
Operating (loss)/profit	<u>5</u>	(49,519,680)	10,791,197
Other interest receivable and similar income	<u>6</u>	960,478	1,679,563
Interest payable and similar expenses	<u>7</u>	<u>(190,126)</u>	<u>(431,863)</u>
(Loss)/profit before tax		(48,749,328)	12,038,897
Taxation	<u>11</u>	<u>11,764,620</u>	<u>(2,232,948)</u>
(Loss)/profit for the financial year		<u><u>(36,984,708)</u></u>	<u><u>9,805,949</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 14 to 26 form an integral part of these financial statements.

Billions Europe Ltd

(Registration number: 09298775)

Statement of Financial Position as at 31 December 2022

	Note	2022 \$	2021 \$
Fixed assets			
Tangible assets	<u>12</u>	187,746	215,147
Current assets			
Stocks	<u>13</u>	134,648,224	135,258,357
Debtors	<u>14</u>	57,019,488	38,086,317
Cash at bank and in hand		21,566,104	5,491,441
		<u>213,233,816</u>	<u>178,836,115</u>
Creditors: Amounts falling due within one year	<u>16</u>	<u>(229,024,101)</u>	<u>(157,656,557)</u>
Net current (liabilities)/assets		<u>(15,790,285)</u>	<u>21,179,558</u>
Total assets less current liabilities		<u>(15,602,539)</u>	<u>21,394,705</u>
Provisions for liabilities	<u>18</u>	-	(12,536)
Net (liabilities)/assets		<u>(15,602,539)</u>	<u>21,382,169</u>
Capital and reserves			
Called up share capital	<u>20</u>	613,335	613,335
Profit and loss account		<u>(16,215,874)</u>	<u>20,768,834</u>
Total equity		<u>(15,602,539)</u>	<u>21,382,169</u>

Approved and authorised for issue by the Board on 26 January 2024 and signed on its behalf by:

.....
JM Reid
Director

The notes on pages 14 to 26 form an integral part of these financial statements.

Billions Europe Ltd

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital	Profit and loss account	Total
	\$	\$	\$
At 1 January 2021	613,335	10,962,885	11,576,220
Profit for the year	-	9,805,949	9,805,949
Total comprehensive income	-	9,805,949	9,805,949
At 31 December 2021	613,335	20,768,834	21,382,169

	Share capital	Profit and loss account	Total
	\$	\$	\$
At 1 January 2022	613,335	20,768,834	21,382,169
Loss for the year	-	(36,984,708)	(36,984,708)
Total comprehensive income	-	(36,984,708)	(36,984,708)
At 31 December 2022	613,335	(16,215,874)	(15,602,539)

The notes on pages 14 to 26 form an integral part of these financial statements.

Billions Europe Ltd

Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
(Loss)/profit for the year		(36,984,708)	9,805,949
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	34,587	33,073
Loss on disposal of tangible assets		-	653
Finance income	6	(960,478)	(1,679,563)
Finance costs	7	190,126	431,863
Income tax expense	11	(11,764,620)	2,232,948
Foreign exchange gains/losses		960,398	-
		(48,524,695)	10,824,923
Working capital adjustments			
Decrease/(increase) in stocks	13	610,133	(91,754,466)
(Increase)/decrease in trade debtors	14	(7,192,010)	419,470
Increase in trade creditors	16	91,712,400	85,953,787
Cash generated from operations		36,605,828	5,443,714
Income taxes paid	11	(1,123,230)	(2,224,767)
Net cash flow from operating activities		35,482,598	3,218,947
Cash flows from investing activities			
Interest received	6	80	-
Acquisitions of tangible assets		(7,186)	(10,742)
Proceeds from sale of tangible assets		-	862
Net cash flows from investing activities		(7,106)	(9,880)
Cash flows from financing activities			
Interest paid	7	(190,126)	(431,863)
Repayment of bank borrowings		(19,210,703)	(716,998)
Net cash flows from financing activities		(19,400,829)	(1,148,861)
Net increase in cash and cash equivalents		16,074,663	2,060,206
Cash and cash equivalents at 1 January		5,491,441	3,431,235
Cash and cash equivalents at 31 December		21,566,104	5,491,441

The notes on pages 14 to 26 form an integral part of these financial statements.

Billions Europe Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is Winder House, Kingfisher Way, Stockton on Tees, Cleveland, TS18 3EX.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are prepared in US Dollars which is the functional currency of the entity.

Summary of disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

(a) Disclosures in respect of each class of share capital have not been presented.

(b) Disclosures in respect of financial instruments have not been presented.

(c) No disclosure has been given for the aggregate remuneration of key management personnel.

The Company has taken advantage of the exemption available under paragraph 33.1A of FRS 102 and does not disclose related party transactions with members of the same group that are wholly owned.

**Notes to the Financial Statements for the Year Ended 31 December 2022
(continued)**

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis. The company meets its day to day working capital requirements through cash generated from operations with the support of its parent undertaking. At the year end the company had net current liabilities of \$15.79m including cash at bank of \$21.57m. The company has no external borrowings having repaid the revolving credit facility in full during the year.

The company's forecasts and projections for the next twelve months show that the company should be able to continue in operational existence for that period, taking into account reasonable possible changes in trading performance and the potential impact on the business of forecast increases in inflation and unprecedented rises in energy prices over the next year. This also considers the effectiveness of available measures to assist in mitigating the impact. In the directors assessment of possible changes they have considered a fall in demand and potential cost savings.

Although the forecast prepared taking account of the matters above support the ability of the company to remain a going concern and to be able to trade and meets its debts as they fall due, the full impact of inflation increases on the economy and the underlying trading assumptions used in forecasting are extremely judgemental and difficult to predict and could be subject to significant variation.

However, based on the factors set out above, the directors believe that the company has adequate financial resources to continue in operational existence for at least twelve months from the date of signing of the financial statements and therefore the directors believe it remains appropriate to prepare the financial statements on a going concern basis.

Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Assessing indicators of impairment - In assessing whether there have been indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

**Notes to the Financial Statements for the Year Ended 31 December 2022
(continued)**

2 Accounting policies (continued)

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Accruals - The company has made an assumption of the rebates and other costs that they expect to be due based upon sales made and goods and services received during the year.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

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

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

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

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 operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Billions Europe Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Fixtures and fittings	20% straight line
Office equipment	20% straight line

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

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

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

**Notes to the Financial Statements for the Year Ended 31 December 2022
(continued)**

2 Accounting policies (continued)

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

**Notes to the Financial Statements for the Year Ended 31 December 2022
(continued)**

2 Accounting policies (continued)

Financial instruments

Recognition and measurement

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Impairment

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2022	2021
	\$	\$
Sale of goods	<u>308,951,706</u>	<u>217,489,921</u>

Billions Europe Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

3 Turnover (continued)

The analysis of the company's turnover for the year by market is as follows:

	2022	2021
	\$	\$
UK	33,741,023	21,567,913
Europe	185,340,925	138,575,464
Rest of world	89,869,758	57,346,544
	<u>308,951,706</u>	<u>217,489,921</u>

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022	2021
	\$	\$
Foreign currency (gains)/losses - operating expense	(2,953,332)	(1,227,172)
Other operating income	88,671	76,773
	<u>(2,864,661)</u>	<u>(1,150,399)</u>

5 Operating (loss)/profit

Arrived at after charging/(crediting)

	2022	2021
	\$	\$
Depreciation expense	34,587	33,073
Operating lease expense - plant and machinery	1,589	464
Loss on disposal of property, plant and equipment	-	653

6 Other interest receivable and similar income

	2022	2021
	\$	\$
Interest income on bank deposits	80	-
Foreign exchange gains/losses	960,398	1,679,563
	<u>960,478</u>	<u>1,679,563</u>

7 Interest payable and similar expenses

	2022	2021
	\$	\$
Interest on bank overdrafts and borrowings	178,269	422,601
Interest expense on other finance liabilities	11,857	9,262
	<u>190,126</u>	<u>431,863</u>

Billions Europe Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022	2021
	\$	\$
Wages and salaries	1,497,515	1,936,086
Social security costs	215,537	263,248
Pension costs, defined contribution scheme	112,425	123,734
	<u>1,825,477</u>	<u>2,323,068</u>

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

	2022	2021
	No.	No.
Management, administrative and other staff	19	17
Directors	3	4
	<u>22</u>	<u>21</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022	2021
	\$	\$
Remuneration	446,735	627,847
Contributions paid to money purchase schemes	35,372	51,220
	<u>482,107</u>	<u>679,067</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2022	2021
	No.	No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

	2022	2021
	\$	\$
Remuneration	219,471	189,846
Company contributions to money purchase pension schemes	<u>25,785</u>	<u>26,367</u>

Billions Europe Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Auditor's remuneration

	2022 \$	2021 \$
Audit of the financial statements	18,029	20,636

11 Taxation

Tax charged/(credited) in the income statement

	2022 \$	2021 \$
Current taxation		
UK corporation tax	(10,923)	2,303,950
UK corporation tax adjustment to prior periods	-	(69,480)
	(10,923)	2,234,470
Deferred taxation		
Arising from origination and reversal of timing differences	(9,250,707)	(4,531)
Arising from changes in tax rates and laws	(2,502,990)	3,009
Total deferred taxation	(11,753,697)	(1,522)
Tax (receipt)/expense in the income statement	(11,764,620)	2,232,948

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 \$	2021 \$
(Loss)/profit before tax	(48,749,328)	12,038,897
Corporation tax at standard rate	(9,262,372)	2,287,390
Effect of expense not deductible in determining taxable profit (tax loss)	11,665	12,029
UK deferred tax (credit)/expense relating to changes in tax rates or laws	(2,502,990)	3,009
Decrease in UK and foreign current tax from adjustment for prior periods	(10,923)	(69,480)
Total tax (credit)/charge	(11,764,620)	2,232,948

Billions Europe Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset \$
2022	
Fixed asset timing difference	(17,617)
Tax losses carried forward	11,758,778
	<u>11,741,161</u>
	Liability \$
2021	
Fixed asset timing difference	12,536
Tax losses carried forward	-
	<u>12,536</u>

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25% from 19%, as previously enacted. This new law was substantively enacted on 24 May 2021. The deferred tax balances at 31 December 2022 have been calculated based on these enacted tax rates.

12 Tangible assets

	Fixtures and fittings \$	Office equipment \$	Total \$
Cost or valuation			
At 1 January 2022	260,369	155,096	415,465
Additions	<u>1,557</u>	<u>5,629</u>	<u>7,186</u>
At 31 December 2022	<u>261,926</u>	<u>160,725</u>	<u>422,651</u>
Depreciation			
At 1 January 2022	67,625	132,693	200,318
Charge for the year	<u>25,692</u>	<u>8,895</u>	<u>34,587</u>
At 31 December 2022	<u>93,317</u>	<u>141,588</u>	<u>234,905</u>
Carrying amount			
At 31 December 2022	<u>168,609</u>	<u>19,137</u>	<u>187,746</u>
At 31 December 2021	<u>192,744</u>	<u>22,403</u>	<u>215,147</u>

Billions Europe Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Stocks

	2022	2021
	\$	\$
Other inventories	134,648,224	135,258,357

14 Debtors

	2022	2021
	\$	\$
Current		
Trade debtors	44,514,738	36,540,191
Amounts owed by related parties	317,033	888,489
Other debtors	366,727	484,493
Prepayments	28,447	90,379
Accrued income	51,382	76,810
Deferred tax assets	11,741,161	-
Other current financial assets	-	5,955
	57,019,488	38,086,317

15 Cash and cash equivalents

	2022	2021
	\$	\$
Cash at bank	21,566,104	5,491,441

16 Creditors

	Note	2022	2021
		\$	\$
Due within one year			
Loans and borrowings	17	-	19,210,703
Trade creditors		741,089	1,656,064
Amounts owed to group undertakings		212,471,925	122,243,535
Social security and other taxes		731,197	710,595
Other creditors		493,690	-
Accrued expenses		14,586,200	12,701,507
Corporation tax liability		-	1,134,153
		229,024,101	157,656,557

Billions Europe Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

17 Loans and borrowings

	2022	2021
	\$	\$
Current loans and borrowings		
Bank borrowings	-	19,210,703

During the year, the company repaid its revolving credit facility of \$20m to HSBC.

18 Provisions for liabilities

	Deferred tax	Total
	\$	\$
At 1 January 2022	12,536	12,536
Increase (decrease) in existing provisions	(12,536)	(12,536)
At 31 December 2022	-	-

19 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to \$112,425 (2021 - \$123,734).

20 Share capital

Allotted, called up and fully paid shares

	No.	2022	No.	2021
		\$		\$
Ordinary of £1 each	500,000	631,335	500,000	631,335

Billions Europe Ltd

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

21 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2022	2021
	\$	\$
Not later than one year	45,881	45,881
Later than one year and not later than five years	41,622	87,504
	<u>87,503</u>	<u>133,385</u>

22 Parent and ultimate parent undertaking

The company's immediate parent is Billions (Hong Kong) Corporation Limited, incorporated in Hong Kong.

The ultimate parent is LB Group. Co. Ltd, incorporated in China.

The most senior parent entity producing publicly available consolidated financial statements is LB Group. Co. Ltd.
These financial statements are available upon request from Zhongzhan District, Jiaozu City, Henan Province, China.

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