

Brand Addition Limited

Report and Financial Statements

Year Ended

31 December 2020

Company Number 02083209

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Brand Addition Limited

**Report and financial statements
for the year ended 31 December 2020**

Contents

Page:

2	Strategic report
7	Directors' report
10	Independent auditors' report to the members of Brand Addition Limited
11	Income statement
14	Statement of financial position
15	Statement of changes in equity
16	Notes to the financial statements

Directors

C Lee
C L Thomson

Secretary and registered office

L C Penfold

Broadway
Trafford Wharf Road
Manchester
England
M17 1DD

Bankers

HSBC Bank Plc
North West Corporate Banking Centre
2nd Floor
Hardman Square
Spinningfields
Manchester
M3 3EB

Independent auditors

PricewaterhouseCoopers LLP
No 1 Spinningfields
Hardman Square
Manchester
M3 3EB

Brand Addition Limited

Strategic report for the year ended 31 December 2020

The Directors submit their strategic report and audited financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the Company is the sale of promotional products internationally, to many of the world's best-known brands.

Review of the business position at the year-end and future outlook

The Company continues to pursue its strategy of providing value added service to its existing customers whilst vigorously pursuing new business opportunities, expanding both its market share and geographic reach.

Revenue for the year was £46,300,000 (2019: £59,000,000).

Operating profit was £980,000 (2019: £6,500,000), which is after impairment losses on intercompany financial and contract assets of £1,700,000 (2019: £nil) and includes contributions of £953,000 (2019: nil) from the Government for furloughed employees, as part of the Coronavirus job retention scheme. The Directors consider profit before finance income and expense, tax, depreciation, amortisation, and exceptional items ("Adjusted EBITDA") and Return on sales ("ROS" being Adjusted EBITDA as a percentage of revenue) to be more meaningful indicators of the performance of the Company. Adjusted EBITDA for the year was £2,500,000 (2019: £7,500,000) and ROS was 5.5% (2019: 12.7%).

The Company is cash generative requiring minimal fixed capital investment and some working capital investment to support growth. Cash at the year end was £3,000,000 (2019: £2,500,000). Net assets at 31 December 2020 were £31,900,000 (2019: £30,200,000).

In the year to 31 December 2020, revenue totalled £46,300,000 78% of prior year, reflecting the impact of the COVID-19 pandemic on the business. Sales in our Consumer Promotions division, where product is used strategically by our customers to promote sales of their core product, performed robustly. In the Corporate Programme division, where product is used to promote brand awareness, sales were impacted as lockdowns took hold, recovering with improving momentum through Q4. This momentum included new business wins and implementations, which will support the recovery of the Company with a full year sales contribution in 2021.

Key performance indicators

The Company's key performance indicators are revenue (as disclosed in the financial statements), Adjusted EBITDA and ROS as disclosed above.

Principal risks and uncertainties

The Company's operations expose it to a variety of market, strategic, financial and operational risks.

The Pebble Group Plc ("Group") Board of directors have overall responsibility for ensuring risk is effectively managed across the Group and, on behalf of the Board, the Audit Committee facilitates the review of the risk management process. The policies set by the Audit Committee are implemented by the Company's Directors and finance department.

Market risk

Macroeconomic environment

The pandemic has slowed growth in the economy and increased the risk of a general economic downturn. This could have an impact on the demand for the Company's products and services which could impact the ability to meet revenue and EBITDA targets.

The Company has proved its ability to maintain profitability and cash generation from reduced demand caused by the COVID-19 pandemic. In the event of an economic downturn, the diversification of Brand Addition revenues across geographies and sectors provides some protection against the impact of a reduction in demand and the flexibility of the operating model below gross margin gives the business the ability to protect profits. The business is highly cash generative and the large corporate nature of the client base results in a high-quality balance sheet.

Brand Addition Limited

Strategic report for the year ended 31 December 2020 *(continued)*

Strategic risk

Concentrated client base

The Company has a relatively small number of key clients and in 2020 generated 85% of revenue from the top 20 clients. A loss or significant reduction in activity from one of our major clients could materially affect the Company's ability to meet its revenue and Adjusted EBITDA targets. Delivering on the strategic objective of the business to grow through new client acquisition means the Adjusted EBITDA impact of any one client is further diluted.

Financial risk

Currency risk

The Company contracts with certain customers and suppliers in Euros and US Dollars and manages this foreign currency risk using forward foreign exchange contracts. Hedge accounting is not applied.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by closely managing the cash balance. The Company policy throughout the year has been to ensure continuity of funding. Short-term flexibility is achieved by revolving working capital facilities.

The Company is party to a Group cross-guarantee banking arrangement, which is a revolving credit facility of £10,000,000 expiring in November 2023. Interest is charged at a rate of LIBOR + 1.9%. As at year end the balance on the facility was £nil.

Credit risk

The Company's principal financial assets are cash, trade receivables and amounts owed from group undertakings. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from the Company's trade receivables. In order to manage credit risk, the Directors set limits for customers based on a combination of payment history and third-party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The credit losses historically incurred by the Company have been negligible.

Interest rate risk

The Company finances its operations through its own cash and the Group rolling credit facility. The interest rate on this is not deemed material and the Company is therefore not susceptible to interest rate risk.

Operational risk

Breach of IT security

A breach of IT security could result in a loss of business for the Company, give rise to a potential liability through litigation and damage the Company's reputation with customers. The Company implements a robust testing process on systems and software that includes external penetration testing by software consultants. Disaster recovery plans have been developed to respond to such incidents to ensure the business is able to recover with limited interruption should an incident arise.

Brand Addition Limited

Strategic report for the year ended 31 December 2020 (continued)

Section 172

<p>Our key stakeholders</p> <p>The Company has identified the three key stakeholder groups set out below, the issues most relevant to each of them and details of how it has, and continues to, engage with each of them.</p>		
<p>Our teams</p> <p>Why we engage</p> <p>The sustainable success of our business is dependent upon the continued development of, and investment in our teams of highly talented and dedicated people. We aim to create a positive and inclusive culture within which our talented and dedicated team can thrive and grow.</p>	<p>Clients</p> <p>Why we engage</p> <p>Our objective at Brand Addition is to attract and retain a quality client base from which we grow long-term relationships for the benefit of all parties. Continued investment into our technology, services and people to enhance these relationships will create long term value for all.</p>	<p>Strategic suppliers</p> <p>Why we engage</p> <p>The quality of the products and services we deliver to our clients is heavily influenced by the careful management of our important supplier relationships. Alongside seeking new supply routes to enhance our business offering, we collaborate with a key group of suppliers in Asia, and Europe. Developing long-term relationships builds trust and support as partners.</p>
<p>How we engage</p> <ul style="list-style-type: none"> ▪ Team feedback surveys ▪ Structured personal development plans ▪ Communications directly from our CEO and senior managers ▪ Sales and management conferences ▪ Business performance and strategy updates ▪ Management development programme ▪ Employee forums and panels ▪ One-to-one discussions ▪ Encouragement of feedback from the team including an anonymous whistleblowing contact. 	<p>How we engage</p> <ul style="list-style-type: none"> ▪ Formal periodic performance reviews ▪ Regular one-to-one feedback discussion across multiple client touch points ▪ In person and virtual events to update on the objectives of the business and provide opportunity for shared learning experiences ▪ Client surveys and feedback questionnaires including Net Promoter Scores ▪ Annual feedback surveys 	<p>How we engage</p> <ul style="list-style-type: none"> ▪ Formal written contracts negotiated transparently and openly ▪ Face-to-face meetings to discuss performance and feedback ▪ Ongoing two-way evaluation processes to facilitate business improvement and address ultimate customer demands ▪ Supplier networking events providing efficient, easy access to opportunities to develop and grow ▪ Formal audit processes providing feedback and development opportunities

Brand Addition Limited

Strategic report for the year ended 31 December 2020 (continued)

Section 172 (continued)

<p>Key topics of engagement</p> <ul style="list-style-type: none"> • What is the Impact of COVID-19 on the Company? How are we responding to this? What does this mean for our teams and me? What are the permanent changes to the way our Company works that result from COVID-19? • How are we providing our teams with opportunities to develop and grow and reach their full personal potential? • How are we embracing diversity and inclusion? • How are we managing the social and environmental impact of our organisation? • How can the Company support my mental health? 	<p>Key topics of engagement</p> <ul style="list-style-type: none"> • What is the impact of COVID-19 on the Company? How are you responding to this? How can you support clients during this time? • How can you support clients to deliver on our ESG commitments? • How is the business developing its capabilities to ensure continual improvement in the services you deliver? 	<p>Key topics of engagement</p> <ul style="list-style-type: none"> • What is the impact of COVID-19 on the Company? How is this going to impact our relationship in the short and medium term? • What can we do in the short term to support you and your clients? • What are the trends in development of your business that we should be aware of to support our relationship in the future? • How is your organisation implementing efficiency strategies? • How is your organisation implementing ESG, specifically around environmental impact related to your product, packaging, and supply chain?
<p>Impact of engagement</p> <ul style="list-style-type: none"> • Our teams were kept fully informed of the business' performance, direction and thinking through the huge challenges created by COVID-19, including those who were on furlough or equivalent schemes • The dynamic of working from home changed dramatically in the year, whether enforced upon us or requested by our teams. Increased flexibility of working locations will remain a permanent change • Due to the impact of COVID-19 related lockdowns on the sales performance of the business, at the end of Q3 the Company made the decision to make permanent changes to headcount. Through established channels of communication, these decisions were communicated directly, sensitively and with compassion • Implementation of ESG targets to the business 	<p>Impact of engagement</p> <ul style="list-style-type: none"> • Client meetings and events have continued, albeit virtually. The key messages regarding the impact of COVID-19 and our approach to responsibly manage through was regularly and consistently shared • Although some areas of our business were impacted through reduced sales, our client relationships are valued for their long term nature. We continued to focus on retention and delivering high quality services across the Company • Brand Addition has placed sustainability at the centre of its business through its 5-year strategic development plan – ba.ONE, sustainability and growth. Supporting this, the Group has recruited a Senior ESG Officer and a Sustainability Manager 	<p>Impact of engagement</p> <ul style="list-style-type: none"> • Supplier meetings and events have continued, albeit virtually. The key messages regarding the impact of COVID-19 and our approach to responsibly manage through was regularly and consistently shared • As our business places further priority on ESG and sustainability, we have shared these initiatives with our key suppliers, seeking their involvement and support

Brand Addition Limited

Strategic report
for the year ended 31 December 2020 *(continued)*

Approval

This strategic report was approved by the Board on 9 July 2021 and signed on its behalf by:

Claire Thomson

C L Thomson
Director

Brand Addition Limited

Directors' report for the year ended 31 December 2020

The Directors submit their report and audited financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the Company is the sale of promotional products internationally, to many of the world's best-known brands.

Results and dividends

The Company's Adjusted EBITDA for the financial year was £2,500,000 (2019: £7,500,000). No dividend has been paid during the year (2019: £nil). Dividends received from subsidiary undertakings in the year were £nil (2019: £2,600,000).

Directors and their interests

The Directors who held office during the year and up to the date of signing the financial statements are listed below:

C Lee
C L Thomson

During the year and as at the date of approval, the Company maintains insurance to indemnify Directors against liability incurred in relation to its activities.

No Director or any members of their families had any interest either during or at the end of the year in any contract with the Company requiring disclosure under Parts II and III of Schedule 6 of the Companies Act 2006.

Going concern

In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the two years ending 31 December 2022. Following careful consideration of the base case forecasts and the application of severe but plausible downside scenarios to these forecasts, the Directors have a reasonable expectation that the Company has adequate resources to continue to operate within the level of its current facilities for a period of at least twelve months from the date of this Report. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the Company financial statements.

The Company meets its day-to-day working capital requirements through its own cash balances and Group committed banking facilities. The Company is party to a Group cross-guarantee banking arrangement entered into by its ultimate parent company, The Pebble Group plc (see note 23). For this reason, the Company has received a letter of support from The Pebble Group plc.

Employee involvement and disabled employees

The Company regularly provides employees with information on matters of concern to them, consulting them or their representatives regularly so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as common goals and awareness of the Company's strategy play a major role in delivering its strategic objectives.

The Company recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to such persons, including any employee who becomes disabled, having regard to their particular aptitudes and abilities. Where practicable, disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

Political donations

No political donations were made during the year (2019: £nil).

Brand Addition Limited

Directors' report for the year ended 31 December 2020 (continued)

Research and development

The Company continues to invest in its internally developed ERP system and web platforms supporting customer websites.

UK greenhouse gas emissions and energy use

Under the companies (Directors Report) and Limited Liabilities Partnerships (Energy & Carbon Report) Regulations 2019, we are mandated to disclose our UK energy use and associated greenhouse gas (GHG) emissions. Specifically, and as a minimum, we are required to report those GHG emissions relating to natural gas, electricity and transport fuel as well as an intensity ratio, under the Streamlined Energy & Carbon Reporting (SECR) Regulations.

Emission Data	Unit of Measure	2019	2020	2019 vs 2020
Direct (Scope 1) CO2 emissions – Natural gas	kgCO2e	58,621	50,645	-14%
Indirect (Scope 2) CO2 emissions – Purchased electricity	kgCO2e	87,476	60,297	-31%
Other (Scope 3) CO2 emissions – Business travel in employee owned vehicles	kgCO2e	34,520	15,875	-54%
Total energy consumption	kWh	802,168	571,235	-29%
Total emissions	kgCO2e	180,618	126,817	-30%
Intensity ratio kgCO2 per £m of revenue		3,061	2,714	-11%

Matters disclosed elsewhere within the financial statements

Required disclosures in relation to the Company's key performance indicators, business review, financial risk management, principal risks and uncertainties and future outlook have been included within the Company's Strategic report on pages 2 to 6.

Statement of directors' responsibilities in respect of the financial statements

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

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

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Brand Addition Limited

Directors' report for the year ended 31 December 2020 *(continued)*

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the 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.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

Approved by the Board and signed on its behalf by

Claire Thomson

CL Thomson
Director
9 July 2021

Independent auditors' report to the members of Brand Addition Limited

Report on the audit of the financial statements

Opinion

In our opinion, Brand Addition Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2020; the income statement and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent auditors' report to the members of Brand Addition Limited (continued)

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

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 year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our 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 auditors' 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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety laws, tax legislation and environmental legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, including to revenue recognition and EBITDA, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- obtaining an understanding of the legal and regulatory framework applicable to the company and how the company is complying with that framework;
- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reading any key correspondence with regulatory authorities that has taken place in the year;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- challenging assumptions and judgements made by management in their significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion.

Independent auditors' report to the members of Brand Addition Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

12 July 2021

Brand Addition Limited

Income statement For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	4	46,275	59,008
Cost of goods sold	5	(32,400)	(40,295)
Gross profit		13,875	18,713
Operating expenses	5	(11,896)	(12,200)
Net impairment losses on financial and contract assets	5	(1,700)	-
Operating expenses - exceptional	7	(250)	-
Total operating expenses		(13,846)	(12,200)
Other income	8	953	-
Operating profit		982	6,513
Analysed as:			
Adjusted EBITDA ¹		2,538	7,472
Depreciation	14	(568)	(482)
Amortisation	13	(738)	(477)
Exceptional items	7	(250)	-
Total operating profit		982	6,513
Income from subsidiary		-	2,634
Finance income	9	290	597
Finance expense	10	(247)	(314)
Profit before taxation		1,025	9,430
Income tax expense	12	(145)	(489)
Profit for the year		880	8,941
<i>Other comprehensive income/(expense):</i>			
<i>Items that may be subsequently reclassified to profit and loss</i>			
Currency translation differences		857	(461)
Other comprehensive income/(expense) for the year		857	(461)
Total comprehensive income for the year		1,737	8,480

Note 1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, and exceptional items is a non-GAAP metric used by management and is not an IFRS disclosure.

All results derive from continuing operations.

The notes on pages 16 to 32 form part of these financial statements.

Brand Addition Limited

Statement of financial position As at 31 December 2020

<i>Company number 02083209</i>	Note	2020	2019
		£'000	Restated £'000
ASSETS			
Fixed assets			
Intangible assets	13	5,242	5,229
Property, plant and equipment	14	2,775	2,671
Investments	16	3,183	3,183
Total fixed assets		11,200	11,083
Current assets			
Inventories	17	8,905	4,598
Trade and other receivables (including £18,529,000 (2019: £17,444,000) falling due after more than one year)	18	31,215	33,919
Cash and cash equivalents		3,023	2,536
Current tax asset		304	-
Total current assets		43,447	41,053
TOTAL ASSETS		54,647	52,136
LIABILITIES			
Creditors: amounts falling due within one year			
Trade and other payables	19	(19,238)	(18,285)
Lease liability	19, 21	(604)	(403)
Current tax liabilities	19	-	(188)
Total current liabilities		(19,842)	(18,876)
NET CURRENT ASSETS		23,605	22,177
TOTAL ASSETS LESS CURRENT LIABILITIES		34,805	33,260
Creditors: amounts falling due after more than one year	20	(2,886)	(3,078)
NET ASSETS		31,919	30,182
Equity and reserves			
Share capital	22	74	74
Share premium		2,032	2,032
Capital contribution		64	64
Retained earnings		29,749	28,012
TOTAL EQUITY		31,919	30,182

The financial statements on pages 13 to 32 were approved by the Board of Directors on 9 July 2021 and signed on its behalf by

Claire Thomson

C L Thomson
Director
9 July 2021

The notes on pages 16 to 32 form part of these financial statements.

Brand Addition Limited

Statement of changes in equity For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Capital contribution £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019	74	2,032	64	28,773	30,943
Profit for the year	-	-	-	8,941	8,941
Other comprehensive expense	-	-	-	(461)	(461)
Total comprehensive income	-	-	-	8,480	8,480
Waiver of intercompany loan	-	-	-	(9,241)	(9,241)
Total transactions with owners	-	-	-	(9,241)	(9,241)
At 31 December 2019	74	2,032	64	28,012	30,182
Profit for the year	-	-	-	880	880
Other comprehensive income	-	-	-	857	857
Total comprehensive income	-	-	-	1,737	1,737
At 31 December 2020	74	2,032	64	29,749	31,919

The notes on pages 16 to 32 form part of these financial statements.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020

1. GENERAL INFORMATION

The principal activity of Brand Addition Limited (the "Company") is the sale of promotional products internationally, to many of the world's best-known brands.

The Company is incorporated in the United Kingdom and is a private company limited by shares registered in England and Wales. The registered office of the Company is Broadway House, Trafford Wharf Road, Manchester, England M17 1DD. The Company registration number is 02083209.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with applicable accounting standards. Accounting policies have been applied consistently, other than where new policies have been adopted.

The financial statements have been prepared on the historical cost basis with the exception of certain items which are measured at fair value as disclosed in the principal accounting policies set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The financial information is presented in Sterling and has been rounded to the nearest thousand (£'000).

Company disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101 as these items are disclosed in the Group financial statements of The Pebble Group Plc, which are publicly available.

- The requirement of IFRS 1, 'First-time adoption of International Financial Reporting Standards', to present a statement of financial position at the date of transition.
- IFRS 7, "Financial Instruments: Disclosures".
- Paragraphs 91 to 99 of IFRS 13, "Fair value measurement" (disclosure of valuation techniques and inputs used for fair value measurements of assets and liabilities).
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- Paragraph 38 of IAS 1, "Presentation of financial statements" – comparative information requirements in respect of:
 - i. Paragraph 79(a)(iv) of IAS 1;
 - ii. Paragraph 73(e) of IAS 16, "Property, plant and equipment"; and
 - iii. Paragraph 118(e) of IAS 38, "Intangible assets" (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, "Presentation of financial statements":
 - i. 10(d) (statement of cash flows);
 - ii. 16 (statement of compliance with all IFRS);
 - iii. 38A (requirement of minimum of two primary statements, including cash flow statements);
 - iv. 38B-D (additional comparative information);
 - v. 40A-D (requirements for a third statements of financial position);
 - vi. 111 (statement of cash flows information); and
 - vii. 134-136 (capital management disclosures).
- IAS 7, "Statement of cash flows".
- Paragraphs 30 and 31 of IAS 8, "Accounting policies, changes in accounting estimates and errors" (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, "Related party disclosures" (key management compensation).
- The requirements in IAS 24, "Related party disclosures", to disclose the related party transactions entered into between two or more members of a group.
- Paragraphs 130(f)(ii)(iii), 134(d)-(f) and 135(c)-(e) of IAS 36, "Impairment of assets"

These financial statements contain information about Brand Addition Limited as an individual company and not about its group. The Company has taken advantage of the exemption offered by section 400 of the Companies Act 2006 from the requirement to prepare group financial statements, as the Company is itself a subsidiary company.

(b) Restatement

The balance sheet at 31 December 2019 has been restated to reflect that amounts owed to group undertakings of £2,838,000 were included net within amounts owed by group undertakings in the prior year but should have been reported separately within creditors. The impact of the restatement increases trade and other receivables by £2,838,000 with a corresponding increase in creditors: amounts falling due within one year.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2. ACCOUNTING POLICIES (continued)

(c) Going concern

In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the two years ending 31 December 2022. Following careful consideration of the base case forecasts and the application of severe but plausible downside scenarios to these forecasts, the Directors have a reasonable expectation that the Company has adequate resources to continue to operate within the level of its current facilities for a period of at least twelve months from the date of this Report. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the Company financial statements.

The Company meets its day-to-day working capital requirements through its own cash balances and Group committed banking facilities. The Company is party to a Group cross-guarantee banking arrangement entered into by its ultimate parent company, The Pebble Group plc (see note 23). For this reason, the Company has received a letter of support from The Pebble Group plc.

(d) New standards, amendments and interpretations

New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on these financial statements together with estimates with a significant risk of material adjustment in the next year are discussed in note 3.

(e) Revenue

Revenue arises from the provision of services through technology and a global infrastructure that enables the efficient sale and distribution of products to support corporate marketing activity and consumer promotions of businesses.

To determine whether to recognise revenue, the Company follows the 5-step process as set out within IFRS 15:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Revenue is measured at transaction price, stated net of VAT, rebates and other sales related taxes.

Contracts with customers take the form of customer orders under a framework agreement. There is one distinct performance obligation, being the design, sourcing, and distribution of products to the customer, for which the transaction price is clearly identified. Revenue is recognised at a point in time when the Company satisfies performance obligations by transferring the promised goods to its customers, i.e. when control has passed from the Company to the customer. This tends to be on receipt of the product by the customer.

Customer invoices tend to be raised when the goods are delivered and the performance obligation is satisfied. These invoices are shown within trade receivables and payment is usually made within 60 days (being the common payment terms). In cases where the goods have been delivered and an invoice cannot be raised at that time, the income is accrued and presented within contract assets on the statement of financial position. A small number of customers are invoiced in advance and these amounts are deferred and presented within contract liabilities.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2. ACCOUNTING POLICIES (continued)

(f) EBITDA and Adjusted EBITDA

Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA") and Adjusted EBITDA are non-GAAP measures used by management to assess the operating performance of the Company. EBITDA is defined as profit before finance costs, tax, depreciation, and amortisation. Exceptional items are excluded from EBITDA to calculate Adjusted EBITDA.

The Directors primarily use the Adjusted EBITDA measure when making decisions about the Company's activities. As these are non-GAAP measures, EBITDA and Adjusted EBITDA measures used by other entities may not be calculated in the same way and hence are not directly comparable.

(g) Exceptional items

The Company's income statement separately identifies exceptional items. Such items are those that in the Directors' judgement are one-off in nature or non-operating and need to be disclosed separately by virtue of their size or incidence. In determining whether an item should be disclosed as an exceptional item, the Directors consider quantitative and qualitative factors such as the frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board.

(h) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where events or transactions that result in an obligation to pay more tax in the future, or a right to pay less tax in future, have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(i) Finance costs

Finance costs of financial liabilities are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount. Issue costs relating to financial instruments are recognised in the income statement over the term of the debt at a constant rate over the instrument's life.

(j) Intangible assets

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately, or which arise from legal or contractual rights regardless of whether those rights are separable and are initially recognised at fair value.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. The Company has one cash generating unit. Other intangibles are stated at cost less accumulated amortisation and accumulated impairment losses.

Development costs

Research costs are charged to the income statement in the year in which they are incurred and are presented within operating expenses. Internal development costs that are incurred during the development of significant and separately identifiable new technology are capitalised when the following criteria are met:

- it is technically feasible to complete the technological development so that it will be available for use;
- management intends to complete the technological development and use or sell it;
- it can be demonstrated how the technological development will develop probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- expenditure attributable to the technological product during its development can be reliably measured.

Capitalised development costs include costs of materials and direct labour costs. Internal costs that are capitalised are limited to incremental costs specific to the project.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2. ACCOUNTING POLICIES (continued)

Other development expenditures that do not meet these criteria are recognised as an expense as incurred and presented within operating expenses, together with any amortisation which is charged to the income statement on a straight-line basis over the estimated useful lives of development intangible assets.

Assets classified as “work in progress” are not amortised as such assets are not currently available for (or in) use. Once in use, assets will be recategorised and amortised at the rate appropriate to their classification.

Computer software

Computer software purchased separately, that does not form an integral part of related hardware, is capitalised at cost. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite and is presented within operating expenses. All intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Computer software – 3 - 5 years;
- Development costs – 3 - 5 years.

(k) Impairment losses

The carrying amounts of the Company’s assets are tested for impairment. Assets with an indefinite useful life are not depreciated or amortised but are tested for impairment at each reporting date. Assets subject to amortisation/depreciation and impairment losses are tested for impairment every time events or circumstances indicate that they may be impaired.

Impairment losses are recognised in the income statement based on the difference between the carrying amount and the recoverable amount.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value in use. To determine the value in use, management estimates expected future cash flows and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company’s latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each asset and reflect current market assessments of the time value of money and asset-specific risk.

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics; they have been grouped based on the days past due.

(l) Financial instruments

Financial assets

Non-derivative financial assets are classified as either financial assets at amortised cost, fair value through profit or loss or fair value through other comprehensive income. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. The basis of classification depends on the Company’s business model and the contractual cash flow characteristics of the financial asset. All financial assets of the Company are held at amortised cost.

Financial assets include trade and other receivables and cash and cash equivalents. Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under IFRS 9, the Company elected to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. A provision for impairment of trade receivables 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. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. In addition, IFRS 9 requires the Company to consider forward-looking information and the probability of default when calculating expected credit losses.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2. ACCOUNTING POLICIES (continued)

The measurement of expected credit losses reflects an unbiased and probability weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The expected loss rates are based on the payment profiles of sales over the year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables.

The Company considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within "operating expenses".

When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "operating expenses" in the Income statement. Only when amounts are confirmed irrecoverable, are they written off to the Income statement.

Financial liabilities

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. The Company's finance leases, trade and most other payables fall into this category of financial instruments.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial derivatives

The Company uses derivative financial instruments to hedge its exposure to risks arising from operational activities, principally foreign exchange and interest rate risk. In accordance with treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. The Company does not hedge account for these items. Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists. At certain times the Company has foreign currency forward contracts that fall into this category.

(m) Foreign currencies

Foreign currency items are translated using the transaction date exchange rate. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Foreign currency differences are taken to the income statement. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the transaction date exchange rate.

(n) Investments

Investments in subsidiaries are stated at cost, unless the Directors consider that their value has been impaired in which case they are valued at a lower of their realisable value or value in use.

(o) Tangible assets and depreciation

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

- Leasehold property – 3 - 15 years;
- Fixtures and fittings – 5 years;
- Computer hardware – 5 years.

(p) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances.

(q) Inventories

Inventories are valued at the lower of cost and net realisable value on a FIFO basis. Cost comprises purchase price plus associated freight and duty costs for imported goods. Inventories are regularly assessed for evidence of impairment. Where such evidence is identified, a provision is recognised to reduce the value of stock to its selling price after incurring any future costs to sell.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2. ACCOUNTING POLICIES (continued)

(r) Leases

The Company applies IFRS 16 to account for leases. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. Extension and termination options are included in a number of property and equipment leases across the Group and so lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

The lease liability is initially measured at the present value of lease payments that were not paid at the commencement date, discounted using the Group's incremental borrowing rate, which is based on the Group's financing facilities.

The lease liability is measured at amortised cost using the effective interest method. If there is a remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded directly in profit or loss if the carrying amount of the right-of-use asset is zero.

The Company presents right-of-use assets within property, plant and equipment in note 14.

Short-term leases and low value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term lease of machinery that have a lease term of 12 months or less or leases of low value assets. These lease payments are expensed on a straight-line basis over the lease term.

(s) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Company operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are included in accruals within trade and other payables in the balance sheet. The assets of the plans are held separately from the Company in independently administered funds.

(t) Government grants

In preparing the financial statements, IAS 20, 'Accounting for Government Grants and Disclosure of Government Assistance' has been applied such that grants have been recognised in profit or loss on a systematic basis over the periods in which we have recognised the expense for the related costs for which the grants are intended to compensate. As part of the Coronavirus Job Retention Scheme, a benefit of £1.0 million has been credited to the Income Statement in the year. There are no unfulfilled conditions or other contingencies attached to this grant.

(u) Dividends received from subsidiaries

Dividend received from subsidiaries is recognised when the right to receive payment is established.

(v) Equity, reserves and dividend payments

Share capital

Share capital represents the nominal (par) value of shares that have been issued.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2. ACCOUNTING POLICIES (continued)

Share premium

Share premium represents the difference between the nominal value of shares issued and the fair value of consideration received. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Capital contribution

The capital contribution reserve arose from employee share options previously provided by the Company.

Retained earnings

Retained earnings includes all current and prior period retained profits and losses, including foreign currency translation differences.

All transactions with owners of the parent are recorded separately within equity.

Dividends are recognised when approved by the Company's shareholders or, in the case of interim dividends, when the dividend has been paid.

(w) Segment reporting

The Company's Chief Operating Decision Maker ("CODM") is considered to be the Board of Directors. The CODM consider the Company to have one operating segment, being the sale of promotional marketing products.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the preparation of the Company financial statements, the Directors, in applying the accounting policies of the Company, make some judgements and estimates that affect the reported amounts in the financial statements. The following are the areas requiring the use of judgement and estimates that may significantly impact the financial statements:

(a) Accounting estimates

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income, and expenses is provided below. Actual results may be substantially different.

Goodwill impairment

The Company tests goodwill for impairment every year in accordance with the relevant accounting policies. The recoverable amounts of cash-generating unit are determined by calculating value in use. These calculations require the use of estimates.

Goodwill relates to the various historic acquisitions made and amounts to £1,885,000 as at 31 December 2020. The estimates used in the impairment calculation are set out in the Group financial statements.

Useful economic lives of property, plant and equipment

Property, plant and equipment is depreciated over the useful lives of the assets. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The carrying values are tested for impairment when there is an indication that the value of the assets might be impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management judgement. Future events could cause the assumptions to change; therefore, this could have an adverse effect on the future results of the Company.

The useful economic lives applied are set out in the accounting policies and are reviewed annually.

(b) Accounting judgements

Judgements in applying accounting policies and key sources of estimation uncertainty

The following are the areas requiring the use of judgement that may significantly impact the Company financial statements:

Capitalisation of internal development costs

Distinguishing the research and development phases of a new customised project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Capitalised development expenditure is analysed further in note 13.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

4. REVENUE

In the opinion of the Directors the Company has one main business segment which is the sale of promotional marketing products and hence segmental disclosures are not considered to be required. The Board assesses the performance of the operating segment based on Adjusted EBITDA.

All non-current assets of the Company reside in the UK.

Analysis of revenue by geographical destination

	2020	2019
	£'000	£'000
United Kingdom	21,917	27,801
Continental Europe	18,444	23,588
America	1,609	2,205
Rest of the World	4,305	5,414
Total revenue	46,275	59,008

The geographical revenue information above is based on the location of the customer.

Major customers

In 2020 there were two major customers that individually accounted for at least 10% of total revenues (2019: two customers). The revenues relating to these customers in 2020 were £17,162,000 (2019: £16,175,000).

All the above revenues are generated from contracts with customers and are recognised at a point in time.

5. EXPENSES BY NATURE

	2020	2019
	£'000	£'000
Inventory recognised as an expense	26,885	35,837
Other cost of sales	5,515	4,458
Staff costs (note 6)	8,374	8,661
Exceptional items (note 7)	250	-
Net impairment losses on financial and contract assets	1,700	-
Amortisation of intangible assets (note 13)	738	477
Depreciation of property, plant and equipment (note 14)	568	482
Auditors' remuneration (note 11)	39	32
Foreign exchange loss and movement in foreign exchange derivative contracts	17	13
Intergroup management recharges	577	452
Other external charges	1,583	2,083
Total cost of sales and operating expenses	46,246	52,495

Depreciation and amortisation are charged to operating expenses in the income statement.

6. EMPLOYEES AND DIRECTORS

Personnel costs are analysed below:

	2020	2019
	£'000	£'000
Staff costs (including Directors) consist of:		
Wages and salaries	7,305	7,591
Social security costs	740	734
Other pension costs	329	336
Total personnel expenses	8,374	8,661

Additional personnel costs of £208,000 (2019: £307,000) have been capitalised as intangible assets (see note 13).

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

6. EMPLOYEES AND DIRECTORS (continued)

Defined contribution scheme

The amount recognised in the income statement as an expense in relation to the Company's defined contribution plans is £329,000 (2019: £336,000). Included within accruals and other creditors is £15,000 (2019: £60,000) for outstanding contributions to the defined contribution plans.

During the year, the monthly average number of the Company's employees (including Executive Directors and temporary employees) was as follows:

	2020	2019
	No.	No.
By function:		
Management	4	4
Sales and distribution	110	109
Administration	115	111
Total employees	229	224

Directors' emoluments

Emoluments of the Directors and their contributions to a defined contribution pension scheme were borne by another group company in the year. These are disclosed in full in the financial statements of The Pebble Group plc, the ultimate parent undertaking. The amount recharged to Brand Addition Limited during the financial year was £279,000 (2019: £265,800).

Highest paid director

The highest paid director's emoluments recharged to Brand Addition Limited during the financial year were as follows:

	2020	2019
	£'000	£'000
Salaries including bonuses and social security costs	157	147
Pension contributions	3	8
Total personnel expenses	160	155

7. OPERATING EXPENSES - EXCEPTIONAL

	2020	2019
	£'000	£'000
Reorganisation and restructuring	250	-
Total exceptionals	250	-

Exceptional items relate to costs incurred as a result of changes made to headcount to align people costs with anticipated ongoing sales volumes.

8. OTHER INCOME

An analysis is set out below:

	2020	2019
	£'000	£'000
Contributions from the use of Government furlough schemes	953	-
Total other income	953	-

Contributions of £953,000 (2019: nil) were received from the Government for furloughed employees, as part of the Coronavirus job retention scheme.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

9. FINANCE INCOME

An analysis is set out below:

	2020	2019
	£'000	£'000
Interest receivable from group undertakings	290	597
Total finance income	290	597

10. FINANCE EXPENSE

An analysis is set out below:

	2020	2019
	£'000	£'000
Bank interest payable	15	64
Unwind of discount on lease liabilities	227	250
Other interest payable	5	-
Total finance expense	247	314

11. AUDITORS' REMUNERATION

	2020	2019
	£'000	£'000
Fees payable to the Company's auditors for the audit of Brand Addition Limited	39	32
Total auditors' remuneration	39	32

12. INCOME TAX EXPENSE

	2020	2019
	£'000	£'000
Current income tax		
- UK corporation tax charge for the year	-	472
- Adjustments in respect of prior years	-	(85)
Total current income tax	-	387
Deferred tax		
- Deferred tax	111	102
- Adjustments in respect of prior years	48	-
- Impact of rate change	(14)	-
Total deferred tax	145	102
Total income tax expense	145	489

Current taxes comprise the income taxes of the Company, while deferred taxes show changes in deferred tax assets and liabilities which were recognised by the Company on the temporary differences between the carrying amount of assets and liabilities and their amount calculated for tax purposes, using the rates that are expected to apply in the year these differences will reverse.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

12. INCOME TAX EXPENSE (continued)

Analysis of charge in year	2020	2019
	£'000	£'000
<i>Reconciliation of total tax charge:</i>		
Profit before taxation	1,025	9,430
Profit before taxation multiplied by the rate of corporation tax in the UK of 19% (2019: 19%)	195	1,792
Effects of:		
Expenses not deductible for tax purposes	323	-
Adjustments in respect of prior years	48	(85)
Impact of UK rate change	(14)	-
Non-deductible income	(50)	(592)
Group relief claimed	(357)	(626)
Total income tax expense	145	489

Factors that may affect future tax charges

In the Spring Budget 2020, the government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer happen and that rates would remain at 19% for the foreseeable future. The new law was substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 on 17 March 2020 and as a result deferred tax balances have now been measured at 19%. In the Budget 2021, the Government announced that the rate of corporation tax will increase to 25% from 6 April 2023 for businesses with profits of £250,000 or more. The rate will remain at 19% until that date. The legislation to implement this new law has not been substantively enacted as of the date of this report, and therefore no adjustment to deferred tax balances has been recognised in the financial statements. However, the impact of the rate change is not expected to be material to the Company.

13. INTANGIBLE ASSETS

	Goodwill	Software and development costs	Work in progress	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 January 2020	4,899	8,756	336	13,991
Additions	-	458	293	751
Reclassifications	-	407	(407)	-
Balance at 31 December 2020	4,899	9,621	222	14,742
Accumulated amortisation				
Balance at 1 January 2020	3,014	5,748	-	8,762
Charge for year	-	738	-	738
Balance at 31 December 2020	3,014	6,486	-	9,500
Net book value				
At 31 December 2019	1,885	3,008	336	5,229
At 31 December 2020	1,885	3,135	222	5,242

Personnel costs of £208,000 (2019: £307,000) have been capitalised as intangible assets in the year.

Software and development costs relate to development of the company's ERP system and customer websites and are being written off over periods between 3 and 5 years.

The Directors are comfortable that there are no impairment indicators arising on the goodwill balance.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

13. INTANGIBLE ASSETS (continued)

The Company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead, an annual impairment test is performed and any impairment that is identified is recognised in the Income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to "The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations. It is not possible to quantify the effect of the departure from Companies Act, because a finite life for the goodwill has not been identified. However, the effect of amortising over a useful life of 20 years would be a charge of £244,970 (2019: £244,970) against operating profit, and a reduction of £244,970 (2019: £244,970) in the carrying value of goodwill in the balance sheet.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property	Fixtures and fittings	Computer hardware	Right-of-use Assets	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 January 2020	754	1,099	1,276	5,156	8,285
Additions	-	5	160	507	672
Disposals	-	-	-	(86)	(86)
Balance at 31 December 2020	754	1,104	1,436	5,577	8,871
Accumulated depreciation					
Balance at 1 January 2020	746	940	1,183	2,745	5,614
Charge for the year	4	49	79	436	568
Disposals	-	-	-	(86)	(86)
Balance at 31 December 2020	750	989	1,262	3,095	6,096
Net book value					
At 31 December 2019	8	159	93	2,411	2,671
At 31 December 2020	4	115	174	2,482	2,775
Right-of-use assets – net book value					
At 31 December 2019	2,361	-	50	-	2,411
At 31 December 2020	2,450	-	32	-	2,482

15. DEFERRED TAX ASSETS

Deferred tax assets are analysed as follows.

	2020	2019
	£'000	£'000
Accelerated capital allowances	22	167

The above amounts reflect the differences between the carrying and tax amounts of the following balance sheet headings as at each year end.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

15. DEFERRED TAX ASSETS (continued)

Changes during each year are as follows:

	Asset £'000
Balance at 1 January 2019	269
Tax charge in respect of current year	(102)
Balance at 31 December 2019	167
Tax charge in respect of current year	(145)
Balance at 31 December 2020	22

16. INVESTMENTS

	£'000
<i>Cost and carrying amount:</i>	
Balance at 31 December 2019 and 31 December 2020	3,183

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

The Company directly owns the whole of the issued ordinary shares of the following subsidiary undertakings:

Name	Registered address	Principal activity	Class of share	Percentage holding
Product Plus International Limited	Broadway	Non-trading	Ordinary	100%
Gearworks Limited	Trafford Wharf Road Manchester M17 1DD	Non-trading	Ordinary	100%
Brand Addition Asia Limited	Unit 1605 16 th Floor Tower 3 Enterprise Square No. 9 Sheung Yuet Road Kowloon, Hong Kong	Promotional merchandise	Ordinary	100%
Brand Addition Ireland Limited	Unit G2 Calmount Business Park Ballymount, Dublin 12	Promotional merchandise	Ordinary	100%
Brand Addition Reklam Urunleri Dagitim ve Ticaret Limited Sirketi	Buyukdere Caddesi Meydan Sokak Spring Giz Plaza Kat:13 Sisli-Istanbul, Turkey	Promotional merchandise	Ordinary	100%
Brand Addition (Shanghai) Trading Co., Limited	Room 302, Qian Li Center (building T6) Baolong Plaza, No 6 311 Xinlong Road Qibao Town, Minhang District Shanghai, China	Promotional merchandise	Ordinary	100%

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

17. INVENTORIES

	2020	2019
	£'000	£'000
Finished goods for resale	8,905	4,598
Total closing inventories	8,905	4,598

Inventories are stated after provisions for impairment of £98,000 (2019: £57,000).

There is no difference between the replacement cost of stocks and carrying value.

18. TRADE AND OTHER RECEIVABLES

	2020	2019
	£'000	Restated £'000
<i>Amounts falling due within one year:</i>		
Trade receivables	10,345	12,309
Contract assets	213	1,135
Other receivables	193	498
FX derivative	22	58
Prepayments	425	439
Other taxation and social security	-	77
Deferred tax asset (note 15)	22	-
Amounts owed by group undertakings	1,466	1,959
	12,686	16,475
<i>Amounts falling due after more than one year:</i>		
Deferred tax asset (note 15)	-	167
Amounts owed by group undertakings	18,529	17,277
	18,529	17,444
	31,215	33,919

Trade receivables are stated after provisions for impairment of £39,000 (2019: £39,000).

Amounts owed by group undertakings due within one year are unsecured, have no fixed date of repayment and are repayable on demand.

Amounts owed by group undertakings due after more than one year are unsecured, repayable in greater than one year and bear interest at market rates. This is stated after provisions for impairment of £1,700,000 (2019: £nil). A partial expected credit loss provision has been recognised in relation to amounts due from Brand Addition GmbH, a related party. The provision relates to a balance for which there are no formally documented terms and so is required to be treated as payable on demand as required by IFRS 9. The provision recognised reflects amounts currently expected to be received more than 5 years from the reporting date.

The balance sheet at 31 December 2019 has been restated to reflect that amounts owed to group undertakings of £2,838,000 were included net within amounts owed by group undertakings in the prior year but should have been reported separately within creditors. The impact of the restatement increases trade and other receivables by £2,838,000 with a corresponding increase in creditors: amounts falling due within one year.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019 Restated
	£'000	£'000
IFRS 16 lease liability (note 21)	604	403
Corporation tax liability	-	188
Trade payables	13,486	11,581
Other taxation and social security	210	-
Other payables	1,926	1,042
Accruals	1,849	2,664
Contract liabilities	14	160
Amounts owed to group undertakings	1,753	2,838
	19,842	18,876

Revenues totalling £160,000 were recognised in the year ended 31 December 2020 that were included in the contract liability balance as at 31 December 2019.

Amounts owed to group undertakings due within one year are unsecured, have no fixed date of repayment and are repayable on demand.

The balance sheet at 31 December 2019 has been restated to reflect that amounts owed to group undertakings of £2,838,000 were included net within amounts owed by group undertakings in the prior year but should have been reported separately within creditors. The impact of the restatement increases trade and other receivables by £2,838,000 with a corresponding increase in creditors: amounts falling due within one year.

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

	2020	2019
	£'000	£'000
IFRS 16 lease liability (note 21)	2,886	3,078
	2,886	3,078

21. LEASES

Amounts recognised in the Statement of financial position

The Statement of financial position shows the following amounts relating to leases:

	£'000
Right-of-use assets	
Balance at 1 January 2020	2,411
Additions	507
Depreciation charge for the year	(436)
Balance at 31 December 2020	2,482

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

21. LEASES (continued)

These are included within "Property, plant and equipment" in the Statement of financial position.

Lease liabilities	2020	2019
	£'000	£'000
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	808	627
More than one year, less than two years	865	627
More than two years, less than three years	607	624
More than three years, less than four years	607	607
More than four years, less than five years	607	607
More than five years	698	1,305
Total undiscounted lease liabilities at year end	4,192	4,397
Finance costs	(702)	(916)
Total discounted lease liabilities at year end	3,490	3,481
Lease liabilities included in the statement of financial position:		
Current	604	403
Non-current	2,886	3,078
	3,490	3,481

Amounts recognised in the Income statement

The Income statement shows the following amounts relating to leases:

	2020	2019
	£'000	£'000
Depreciation charge – leasehold property	419	331
Depreciation charge – computer hardware	17	17
	436	348
Interest expense (within finance expense)	227	250

The above leases relate to office space and computer equipment. The net book value by category is set out in note 14.

Any expense for short-term and low-value leases is not material and has not been presented.

22. SHARE CAPITAL

	Ordinary shares	
	Number	£'000
Allotted and fully paid:		
Balance at 1 January 2019 and 1 January 2020 (2019: Ordinary shares of £0.10 each)	737,288	74
Issued during the year	-	-
Balance at 31 December 2019 and 31 December 2020	737,288	74

23. CONTINGENT LIABILITIES

The Company is party to a Group cross-guarantee banking arrangement, which is a revolving credit facility of £10,000,000 expiring in November 2023. Interest is charged at a rate of LIBOR + 1.9%. As at year end the balance on the facility was £nil (2019: £nil).

24. SHARE-BASED PAYMENTS

In the year ended 31 December 2020, The Pebble Group plc granted share options on 21 December 2020 under the Long Term Incentive Plan, which includes certain employees of the Company. Details of share-based payments are set out in note 25 to the Group financial statements.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2020 *(continued)*

25. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraphs 8(j)–(k) from the provisions of FRS 101, on the grounds that it is a wholly owned subsidiary of a group headed by The Pebble Group Plc, whose financial statements are publicly available.

There are no other related party transactions to disclose for both the current and prior year.

26. ULTIMATE PARENT UNDERTAKING

Brand Addition Limited is controlled by The Pebble Group Plc, which is the parent company of the Group in which Brand Addition Limited is a subsidiary. There is no single controlling party of The Pebble Group Plc.

The immediate parent undertaking is H.I.G. Milan UK Bidco Limited, a Company incorporated in the United Kingdom.

The ultimate parent undertaking and the smallest and largest group of which the Company is a member and for which consolidated financial statements are prepared and publicly available is that headed by The Pebble Group Plc, which owns 100% of the ordinary share capital of H.I.G. Milan Bidco Limited. Copies of the consolidated financial statements for the Group headed by The Pebble Group Plc can be obtained from its registered office at Broadway, Trafford Wharf Road, Trafford Park, Manchester, England M17 1DD.