

Brand Addition Limited

Report and Financial Statements

Year Ended

31 December 2019

Company Number 02083209

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Brand Addition Limited

Report and financial statements
for the year ended 31 December 2019

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Directors

C Lee
C L Thomson

Secretary and registered office

C L Thomson

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 2019

The Directors submit their strategic report and audited financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the Company is the sale and distribution of products to support corporate marketing activity.

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 £59.0m (2018: £53.2m).

Operating profit was £6.5m (2018: £5.3m). The Directors consider earnings 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 £7.5m (2018: £6.7m) and ROS was 12.7% (2018: 12.6%).

The Company is cash generative requiring minimal fixed capital investment and some working capital investment to support growth. Cash at the year end was £2.5m (2018: £4.0m). Net assets at 31 December 2019 were £30.2m (2018: £30.9m).

As part of a corporate simplification project to eliminate seven UK to UK intercompany loans in the Group, amounts owed by H.I.G. Milan UK Midco Limited and H.I.G. Milan UK Topco Limited were waived during the year and a loan owed by H.I.G. Milan UK Bidco Limited was novated to Project Amber Bidco Limited. The waiving of the intercompany receivables resulted in a reduction in reserves of £9.2m, which has been recognised as a transaction directly with the Company's owners in the Statement of Changes in Equity. As all loans waived/ novated were between Group companies, there is no adverse impact to the Company stakeholders.

Revenue growth of 10.9% was largely driven by growth in existing corporate programme customers. New business activity in Q4 has resulted in 2 major new business wins in the first half of 2020, expected to begin invoicing in the second half of the year. Customer retention and new business opportunities both remain strong.

The Company entered 2020 strongly and was on track to continue delivering revenue growth. The COVID-19 pandemic has however, caused major disruptions to Corporate Programme revenues, which accounted for 63% of total FY19 revenues. The Directors have responded to the decline in orders through the implementation of a number of cost-cutting incentives, comprising primarily of temporary weighted salary reductions and use of the UK Government's furlough scheme. In recent weeks, as lockdown restrictions are slowly eased across Europe, we have seen an improvement in order intake. However, the speed of the recovery, and any potential second spike is still uncertain and we continue to closely monitor intake and revenue against latest expectations. As the Company's customers are large blue-chip companies, expectation is that more normal ordering patterns will return as restrictions on working from home, travel and the holding of events are eased further.

Key performance indicators

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

Principal risks and uncertainties

The Company's operations expose it to a variety of business, operational and financial risks that include market risk, currency risk, liquidity risk and credit risk. The Company has in place a risk management programme that seeks to limit the adverse effects of movement in foreign exchange on the financial performance of the Company.

The Pebble Group Plc ("Group") directors have delegated the responsibility of monitoring financial risk management for The Pebble Group Plc and its subsidiaries, including the Company, to the Audit Committee, a sub-committee of the board established at a Group level. The policies set by the Audit Committee are implemented by the Company's Directors and finance department.

Brand Addition Limited

Strategic report for the year ended 31 December 2019 (continued)

COVID-19

For Consumer Promotions, where products supplied by Brand Addition are used to support the sales of clients' core product, trading remains in line with original management expectations. Orders are placed early in the year for clients' H2 2020 promotions. Order values amounting to c.90% of our full year expectations have already been received, which is slightly ahead of the prior year.

For Corporate Programmes, where products supplied by Brand Addition are used to support clients' general marketing activities, a substantial reduction in order intake has been experienced since mid March, as clients have taken understandable measures to protect their people through home office working and the cancellation of travel, conferences and events. In recent weeks we have seen an upturn in activity as certain countries begin to lift restrictions and many of our clients across Europe return to their offices.

We cannot predict the longevity of this situation but there will be a financial impact resulting from COVID-19 in FY20.

New business wins in Corporate Programmes in Q1 2020 was strong. This new business is in the process of being implemented and is expected to be revenue generating from H2 2020.

A COVID-19 mitigation strategy has been implemented as detailed below and the Board's current view is that the Company is well placed to manage the disruption and is confident in the long-term prospects for the business. The new business activity in Brand Addition in Q1 2020 demonstrates the attractiveness of its offering and the constitution of its client base, together with its geographical and sector diversity which means the business is well placed to emerge strongly from the pandemic.

- Business operations are fully functioning, despite the disruption, and work patterns, which maintain the team dynamic and effectiveness whilst minimising risk, have been put in place.
- The Company has strong cash balances, no debt, access to a committed Group revolving credit facility of £10m, of which £7.7m has been drawn down, and an efficient working capital model. New measures aimed specifically at managing cash during the outbreak has been implemented, including a hold on non-committed capital expenditure.
- Product supplies from China and elsewhere have been successfully maintained and this is expected to continue.

Market risk

Market risk encompasses three types of risk, being currency risk, interest rate risk and price risk. In this instance price risk has been ignored as it is not considered a material risk to the business.

Currency risk

The Company contracts with certain customers and suppliers in Euros and 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 period 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.

Brand Addition Limited

Strategic report for the year ended 31 December 2019 (continued)

Section 172

Listening to our stakeholders

The Board is aware of and understands its duties under section 172 of the Companies Act 2006 and that engaging with our diverse stakeholder base is key to successfully managing the Company.

As well as addressing any feedback as it arises, the Board will allocate time within its fixed agenda to consider each stakeholder group, the level and quality of engagement and any outcomes required from these interactions, including any impact on the Company's principal decisions arising from the feedback.

Below we share the groups identified as our key stakeholders and how we plan to engage with each.

<p>Our teams</p> <p>Our teams of highly talented and dedicated people across the Group in Asia, Europe and North America create a positive culture under which the business has successfully grown.</p> <p>Brand Addition takes pride in providing all the members of our teams with the opportunity to develop and grow reaching their full potential within the business.</p>	<p>Clients</p> <p>Our objective is to attract and retain a quality client base from which we grow long-term relationships for the benefit of all parties.</p> <p>Continual investment into our technology, services and capabilities to enhance these relationships is designed to ensure long-term value is created.</p>	<p>Strategic suppliers</p> <p>The quality of the product and services we deliver to our clients and Partners is heavily influenced by the careful management of our important supplier relationships.</p> <p>Alongside seeking new supply routes to enhance our business offering we collaborate with a key group of suppliers in Asia, Europe and North America. Developing these long-term relationships builds trust and support within a partnership environment.</p>
<p>How we engage with our team</p> <ul style="list-style-type: none"> ▪ Employee feedback surveys ▪ Investors In People programme (UK) ▪ Annual sales and management conferences ▪ Management development programme ▪ Employee forums and panels 	<p>How we engage with our clients</p> <ul style="list-style-type: none"> ▪ Regular face to face feedback and business reviews ▪ Net Promoter Scores ▪ Client surveys and feedback questionnaires ▪ Annual feedback surveys 	<p>How we engage with our strategic suppliers</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 opportunity to develop and grow

Approval

This strategic report was approved by the Board on 31 July 2020 and signed on its behalf by:



C L Thomson

Director

Brand Addition Limited

Directors' report for the year ended 31 December 2019

The Directors submit their report and audited financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the Company is the sale and distribution of products to support corporate marketing activity.

Results and dividends

The Company's Adjusted EBITDA for the financial year was £7.5m (2018: £6.7m). No dividend has been paid during the year (2018: £nil). Dividends received from subsidiary undertakings in the year totalled £2.6m (2018: £nil).

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, including post balance sheet events

The Company meets its day-to-day working capital requirements through its own cash balances and Group committed banking facilities. 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 2021.

The outbreak of the COVID-19 pandemic, and in particular its impact on the Corporate Programmes division, has necessitated that these projections address a number of different scenarios of increasing severity in order to confirm that, under each one, the Company can continue to operate as a going concern. These scenarios included assessing the impact of a material reduction of sales in all areas and in particular the Corporate Programmes business. The cost saving actions taken to date by the Directors as applied to all scenarios assessed under this analysis demonstrated that the Company had sufficient liquidity and headroom to continue to operate as a going concern.

The Company is party to a Group cross-guarantee banking arrangement entered into by its ultimate parent company, The Pebble Group plc (see note 22). For this reason, the Company has received a letter of support from The Pebble Group plc.

Taking account of all scenarios modelled and their impact on trading performance, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, and based on the letter of support referred to above, they continue to adopt the going concern basis in preparing the financial statements.

Employee involvement and disabled employees

As a key part of the Company's philosophy, great importance is placed in involving all staff in the Company's operations. Regular meetings are held between management and employees through which staff are informed and involved in the progress and performance of the Company.

The Company has an established policy of encouraging the employment of disabled persons wherever this is practicable and endeavours to ensure that disabled employees benefit from training and career development programmes in common with all other employees. The Company's policy includes, where practicable, the continued employment of those who may become disabled during their employment.

Brand Addition Limited

Directors' report for the year ended 31 December 2019 (continued)

Research and development

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

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 4.

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 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 the financial statements, the directors are required to:

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

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

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

Directors' confirmations

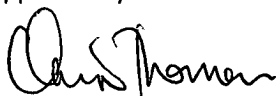
In the case of each director in office at the date the Directors' Report is approved:

- 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



C L Thomson
31 July 2020

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 2019 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 2019; 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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.

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

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.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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.

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.

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

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 received 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.



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

31 July 2020

Brand Addition Limited

Income statement For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	4	59,008	53,223
Cost of goods sold	5	(40,295)	(36,392)
Gross profit		18,713	16,831
Operating expenses	5	(12,200)	(11,123)
Operating expenses - exceptional	7	-	(437)
Total operating expenses		(12,200)	(11,560)
Operating profit		6,513	5,271
Analysed as:			
Adjusted EBITDA ¹		7,472	6,693
Depreciation	13	(482)	(537)
Amortisation	12	(477)	(448)
Exceptional items	7	-	(437)
Total operating profit		6,513	5,271
Income from subsidiary		2,634	-
Finance income	8	597	737
Finance expense	9	(314)	(335)
Profit before taxation		9,430	5,673
Income tax expense	11	(489)	(380)
Profit for the year		8,941	5,293
<i>Other comprehensive (expense)/income:</i>			
<i>Items that may be subsequently reclassified to profit and loss</i>			
Currency translation differences		(461)	46
Other comprehensive (expense)/income for the year		(461)	46
Total comprehensive income for the year		8,480	5,339

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 13 to 31 form part of these financial statements.

Brand Addition Limited

Statement of financial position As at 31 December 2019

<i>Company number 02083209</i>	Note	2019 £'000	2018 £'000
ASSETS			
Fixed assets			
Intangible assets	12	5,229	5,006
Property, plant and equipment	13	2,671	2,985
Investments	15	3,183	3,183
Total fixed assets		11,083	11,174
Current assets			
Inventories	16	4,598	3,933
Trade and other receivables (including £14,606,000 (2018: £15,873,000) falling due after more than one year)	17	31,081	31,381
Cash and cash equivalents		2,536	4,036
Total current assets		38,215	39,350
TOTAL ASSETS		49,298	50,524
LIABILITIES			
Creditors: amounts falling due within one year			
Trade and other payables	18	(15,447)	(15,345)
Lease liability	20	(403)	(377)
Current tax liabilities	18	(188)	(376)
Total current liabilities		(16,038)	(16,098)
NET CURRENT ASSETS		22,010	22,983
TOTAL ASSETS LESS CURRENT LIABILITIES		33,260	34,426
Creditors: amounts falling due after more than one year	19	(3,078)	(3,483)
NET ASSETS		30,182	30,943
Equity and reserves			
Share capital	21	74	74
Share premium		2,032	2,032
Capital contribution		64	64
Retained earnings		28,012	28,773
TOTAL EQUITY		30,182	30,943

The financial statements on pages 10 to 31 were approved by the Board of Directors on 31 July 2020 and signed on its behalf by



C L Thomson
Director
31 July 2020

The notes on pages 13 to 31 form part of these financial statements.

Brand Addition Limited

Statement of changes in equity For the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Capital contribution £'000	Retained earnings £'000	Total equity £'000
At 31 December 2017	74	2,032	64	23,434	25,604
Profit for the year	-	-	-	5,293	5,293
Other comprehensive income	-	-	-	46	46
Total comprehensive income	-	-	-	5,339	5,339
At 31 December 2018	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

The notes on pages 13 to 31 form part of these financial statements.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019

1. GENERAL INFORMATION

The principal activity of Brand Addition Limited (the "Company") is the sale of promotional products, services and technology to the promotional merchandise industry.

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, Trafford Park, 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.

For periods up to and including the year ended 31 December 2018, the company prepared its financial statements in accordance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). These financial statements for the year ended 31 December 2019 are the first the company has prepared in accordance with FRS 101. The Company's deemed transition date to FRS 101 is 31 December 2017, being the first day of the earliest period presented in these financial statements. The principles and requirements for first time adoption of FRS 101 are set out in IFRS 1. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. Details of the transitional adjustments are set out in note 26. The company has adopted the FRS 101 accounting principles on a consistent basis from the date of transition.

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. 111 (statement of cash flows information); and
 - vi. 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.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2. ACCOUNTING POLICIES (continued)

(b) Going concern

The Company meets its day-to-day working capital requirements through its own cash balances and committed Group banking facilities. 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 2021.

The outbreak of the COVID-19 pandemic, and in particular its impact on the Corporate Programmes division, has necessitated that these projections address a number of different scenarios of increasing severity in order to confirm that, under each one, the Company can continue to operate as a going concern. These scenarios included assessing the impact of a material reduction of sales in all areas and in particular the Corporate Programmes business.

The cost saving actions taken to date by the Directors as applied to all scenarios assessed under this analysis demonstrated that the Company had sufficient liquidity to continue to operate as a going concern. The analysis also identified that if actual outcomes were below management's expectations then there were additional actions that the Directors could take, in relation to the Corporate Programmes division (including either significantly reduced levels or temporary suspension of operations), or more widely if necessary, to further reduce costs and rebase overheads to a level appropriate to a new run rate of sales at the point this becomes established. The Directors acknowledge that these actions may be required in the medium term to protect overall profitability and specifically those parts of the Company less affected by the pandemic.

The Company is party to a Group cross-guarantee banking arrangement entered into by its ultimate parent company, The Pebble Group plc (see note 22). For this reason, the Company has received a letter of support from The Pebble Group plc.

Taking account of all scenarios modelled and their impact on trading performance, all forecasts and projections show that the Company is expected to have a sufficient level of financial resources available. Based on this, and the letter of support referred to above, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

(c) New standards, amendments and interpretations

There are no new and revised IFRSs that have been issued but are not yet effective that are expected to have a material impact on the financial statements in future periods and have therefore not been noted.

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.

(d) 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 2019 (continued)

2. ACCOUNTING POLICIES (continued)

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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. In cases where the vendors of an acquired business are required to remain employed by the Company post-acquisition, the deferred payments are treated as post-acquisition remuneration and charged to profit and loss.

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.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2. ACCOUNTING POLICIES (continued)

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.

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.

(j) 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.

(k) 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 2019 (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 and interest rate caps that fall into this category.

(l) 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.

(m) 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.

(n) 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

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(p) 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 2019 (continued)

2. ACCOUNTING POLICIES (continued)

(q) 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.

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.

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 13.

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.

(r) 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.

(s) Dividends received from subsidiaries

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

(t) Equity, reserves and dividend payments

Share capital

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

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.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2. ACCOUNTING POLICIES (continued)

(t) Equity, reserves and dividend payments (continued)

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.

(u) 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 2019. 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 12.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

4. SEGMENTAL ANALYSIS AND REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	2019	2018
	£'000	£'000
United Kingdom	27,801	25,952
Continental Europe	23,588	19,617
America	2,205	1,737
Rest of the World	5,414	5,917
Total revenue	59,008	53,223

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

Major customers

In 2019 there were two major customers that individually accounted for at least 10% of total revenues (2018: two customers). The revenues relating to these customers in 2019 were £16,175,000 (2018: £13,220,000).

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

5. EXPENSES BY NATURE

	2019	2018
	£'000	£'000
Inventory recognised as an expense	35,837	30,844
Other cost of sales	4,458	5,548
Staff costs (note 6)	8,661	8,428
Exceptional items (note 7)	-	437
Amortisation of intangible assets (note 12)	477	448
Depreciation of property, plant and equipment (note 13)	482	537
Auditors' remuneration (note 10)	32	21
Foreign exchange loss and movement in foreign exchange derivative contracts	13	30
Intergroup management recharges	452	(295)
Other external charges	2,083	1,954
Total cost of sales and operating expenses	52,495	47,952

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

6. EMPLOYEES AND DIRECTORS

Personnel costs are analysed below:

	2019	2018
	£'000	£'000
Staff costs (including Directors) consist of:		
Wages and salaries	7,591	7,327
Social security costs	734	745
Other pension costs	336	356
Total personnel expenses	8,661	8,428

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

6. EMPLOYEES AND DIRECTORS (continued)

Additional personnel costs of £307,000 (2018: £464,000) have been capitalised as intangible assets (see note 12).

Defined contribution scheme

The amount recognised in the income statement as an expense in relation to the Company's defined contribution plans is £336,000 (2018: £356,000). Included within accruals and other creditors is £60,000 (2018: £70,000) 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:

	2019	2018
	No.	No.
By function:		
Management	4	6
Sales and distribution	109	94
Administration	111	108
Total employees	224	208

2018 numbers included employees in Group management functions. The costs relating to these employees are now recognised in another group undertaking, Project Amber Bidco Limited, and the headcount disclosed there. The Directors have recategorised employees presented in the comparative information between functions.

Directors' emoluments

Emoluments of the Directors and their contributions to a defined contribution pension scheme were borne by another group company in the year. The amount recharged to Brand Addition Limited during the financial year was £265,800 (2018: £258,900). These are disclosed in full in the financial statements of The Pebble Group plc, the ultimate parent undertaking.

Highest paid director

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

	2019	2018
	£'000	£'000
Salaries including bonuses and social security costs	147	134
Pension contributions	8	17
Total personnel expenses	156	151

7. OPERATING EXPENSES - EXCEPTIONAL

	2019	2018
	£'000	£'000
Reorganisation and restructuring	-	437
	-	437

Exceptional items in 2018 relate to the Company liquidating its investment in Brand Addition Pty Australia Limited. These costs relate entirely to this disposal and as such have been treated as exceptional costs during 2018.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8. FINANCE INCOME

An analysis is set out below:

	2019	2018
	£'000	£'000
Interest receivable from group undertakings	597	737
Total finance income	597	737

9. FINANCE EXPENSE

An analysis is set out below:

	2019	2018
	£'000	£'000
Bank interest payable	64	63
Unwind of discount on lease liabilities	250	272
Total finance expense	314	335

10. AUDITORS' REMUNERATION

	2019	2018
	£'000	£'000
Fees payable to the Company's auditors for the audit of Brand Addition Limited	32	21
Total auditors' remuneration	32	21

11. INCOME TAX EXPENSE

	2019	2018
	£'000	£'000
Current income tax		
- UK corporation tax charge for the year	472	407
- Adjustments in respect of prior years	(85)	(8)
Total current income tax	387	399
Deferred tax		
- Deferred tax	102	(19)
Total deferred tax	102	(19)
Total income tax expense	489	380

Current taxes comprise the income taxes of the Company which posted a taxable loss for the year, 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 2019 (continued)

11. INCOME TAX EXPENSE (continued)

Analysis of charge in year	2019	2018
	£'000	£'000
<i>Reconciliation of total tax charge:</i>		
Profit before taxation	9,430	5,673
Profit before taxation multiplied by the rate of corporation tax in the UK of 19% (2018: 19%)	1,792	1,078
Effects of:		
Adjustments in respect of prior years	(85)	(8)
Non-deductible income	(592)	-
Non-deductible interest expense	-	64
Group relief claimed	(626)	(743)
Utilisation of unrecognised deferred tax brought forward	-	(11)
Total income tax expense	489	380

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.

12. INTANGIBLE ASSETS

	Goodwill	Software and Development costs	Work in progress	Total
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 January 2019	4,899	6,959	1,433	13,291
Additions	-	401	299	700
Reclassifications	-	1,396	(1,396)	-
Balance at 31 December 2019	4,899	8,756	336	13,991
Accumulated amortisation				
Balance at 1 January 2019	3,014	5,271	-	8,285
Charge for year	-	477	-	477
Balance at 31 December 2019	3,014	5,748	-	8,762
Net book value				
At 31 December 2018	1,885	1,688	1,433	5,006
At 31 December 2019	1,885	3,008	336	5,229

Personnel costs of £307,000 (2018: £464,000) 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 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 (2018: £244,970) against operating profit, and a reduction of £244,970 (2018: £244,970) in the carrying value of goodwill in the balance sheet.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13. 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 2019	754	995	1,212	5,156	8,117
Additions	-	104	64	-	168
Balance at 31 December 2019	754	1,099	1,276	5,156	8,285
Accumulated depreciation					
Balance at 1 January 2019	683	924	1,128	2,397	5,132
Charge for the year	63	16	55	348	482
Balance at 31 December 2019	746	940	1,183	2,745	5,614
Net book value					
At 31 December 2018	71	71	84	2,759	2,985
At 31 December 2019	8	159	93	2,411	2,671
Right-of-use assets – net book value					
At 31 December 2018	2,692	-	67	-	2,759
At 31 December 2019	2,361	-	50	-	2,411

14. DEFERRED TAX ASSETS

Deferred tax assets are analysed as follows.

	2019	2018
	£'000	£'000
Accelerated capital allowances	167	269

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

Changes during each year are as follows:

	Asset £'000
Balance at 31 December 2017	250
Tax credit in respect of current year	11
Prior period adjustment	8
Balance at 31 December 2018	269
Tax charge in respect of current year	(102)
Balance at 31 December 2019	167

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

15. INVESTMENTS

<i>Cost and carrying amount:</i>	£'000
Balance at 31 December 2018 and 31 December 2019	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 Trafford Wharf Road	Promotional merchandise	Ordinary	100%
Gearworks Limited	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%

16. INVENTORIES

	2019	2018
	£'000	£'000
Finished goods for resale	4,598	3,933
Total closing inventories	4,598	3,933

Stocks are stated after provisions for impairment of £57,000 (2018: £108,000).

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

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

17. TRADE AND OTHER RECEIVABLES

	2019	2018
	£'000	£'000
<i>Amounts falling due within one year:</i>		
Trade receivables	12,309	11,311
Contract assets	1,135	1,657
Other receivables	498	406
FX derivative	58	-
Prepayments	439	489
Other taxation and social security	77	-
Amounts owed by group undertakings	1,959	1,645
	16,475	15,508
<i>Amounts falling due after more than one year:</i>		
Deferred tax asset (note 14)	167	269
Amounts owed by group undertakings	14,439	15,604
	14,606	15,873
	31,081	31,381

Trade receivables are stated after provisions for impairment of £39,000 (2018: £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.

As part of a corporate simplification exercise, the intercompany loans due from H.I.G. Milan UK Midco Limited and H.I.G. Milan UK Topco Limited were waived during the year. In addition, the intercompany loan due from H.I.G. Milan UK Bidco Limited was novated to Project Amber Bidco Limited. The elimination of the intercompany receivable balances was by means of a capital contribution through the Statement of Changes in Equity of £9.2m. The waiving of the intercompany receivables resulted in a reduction in reserves of £9.2m, which has been recognised as a transaction directly with the Company's owners in the Statement of Changes in Equity.

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
IFRS 16 lease liability (note 20)	403	377
Corporation tax	188	376
Trade payables	11,581	12,430
Other taxation and social security	-	294
Other payables	1,042	508
Accruals	2,664	1,761
Contract liabilities	160	352
	16,038	16,098

Revenues totalling £352,000 were recognised in the year ended 31 December 2019 that were included in the contract liability balance as at 31 December 2018.

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

	2019	2018
	£'000	£'000
IFRS 16 lease liability (note 20)	3,078	3,483
	3,078	3,483

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

20. 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 2019	2,759
Depreciation charge for the year	(348)
Balance at 31 December 2019	2,411

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

Lease liabilities	2019	2018
	£'000	£'000
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	627	627
More than one year, less than two years	627	627
More than two years, less than three years	624	627
More than three years, less than four years	607	624
More than four years, less than five years	607	607
More than five years	1,305	1,912
Total undiscounted lease liabilities at year end	4,397	5,024
Finance costs	(916)	(1,164)
Total discounted lease liabilities at year end	3,481	3,860

Lease liabilities included in the statement of financial position:

Current	403	377
Non-current	3,078	3,483
	3,481	3,860

Amounts recognised in the Income statement

The Income statement shows the following amounts relating to leases:

	2019	2018
	£'000	£'000
Depreciation charge – leasehold property	331	331
Depreciation charge – computer hardware	17	3
	348	334
Interest expense (within finance expense)	250	272

The above leases relate to office space and computer equipment. The net book value by category is set out in note 13.

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

21. SHARE CAPITAL

	Ordinary shares Number	£'000
Allotted and fully paid:		
Balance at 1 January 2019 (2018: Ordinary shares of £0.10 each)	737,288	74
Issued during the year	-	-
Balance at 31 December 2018 and 31 December 2019	737,288	74

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

22. 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.

23. 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.

24. ULTIMATE PARENT UNDERTAKING

In the opinion of the Directors, there is no single controlling party.

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.

25. POST BALANCE SHEET EVENTS

The Directors are carefully monitoring the situation concerning COVID-19 and any impact it may have on the business. Any such impact has been treated as a non-adjusting post balance sheet event for the purpose of considering the carrying values of assets included in the balance sheet as at 31 December 2019. Given the current uncertainties, any potential financial effect cannot be estimated.

26. EXPLANATION OF TRANSITION TO FRS 101

As stated in note 2 of accounting policies this set of financial statements has been prepared in accordance with FRS 101 "Reduced Disclosure Framework". The date of the transition to FRS 101 is 31 December 2017 (the "Transition date"), being the first day of the earliest period presented as comparative information in these financial statements.

The accounting policies described in note 2 were applied when preparing the financial statements for the years ended 30 December 2017 and 31 December 2018 and the Statement of financial position as at the Transition Date.

In preparing its opening FRS 101 Statement of financial position and adjusting amounts reported previously in the financial statements prepared in accordance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (previous GAAP), the Company has applied IFRS 1 First-Time Adoption of International Financial Reporting Standards, which contains a number of voluntary exemptions and mandatory exceptions from the requirement to apply IFRS retrospectively.

Exceptions and Exemptions used during transition to IFRS

The Company has applied the following exceptions as set out in IFRS 1 in the conversion from FRS 102 to FRS 101:

Estimates

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under FRS 102 were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Exemptions

The Company has not applied any optional exemptions in the conversion from FRS 102 to FRS 101.

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

26. EXPLANATION OF TRANSITION TO FRS 101 (continued)

Adjustments made in connection with transition to FRS 101

The following adjustments were made to the FRS 102 financial statements in connection with the transition to FRS 101:

1. *IFRS 16 - Leases*

Under IFRS 16 leases are capitalised as a right-of-use asset with a corresponding right of use liability. See note 20 for a breakdown of IFRS 16 right-of-use asset and liabilities recognised. The depreciation charge for the year ending 31 December 2018 was £334,000.

2. *Goodwill amortisation*

Goodwill is not amortised under IFRS, but subject to an annual impairment test. As such, the goodwill amortisation of £245,000 which was charged in the year ended 31 December 2018, has been reversed.

3. *Software reclassification*

Software and work in progress have been reclassified from "Property, plant and equipment" to "Intangible assets".

4. *Tax reclassification*

Current tax liabilities have been reclassified from trade and other payables onto a separate line within the Statement of financial position.

The above adjustments made in connection with transition to IFRS have had no impact on the cash flows of the entity.

FRS 102 to FRS 101 reconciliation of equity for the year ended 30 December 2017

	FRS 102	FRS 101 Adjustments	FRS 101
	£'000	£'000	£'000
Equity and reserves			
Share capital	74	-	74
Share premium	2,032	-	2,032
Capital contribution	64	-	64
Retained earnings [1]	24,540	(1,106)	23,434
TOTAL EQUITY	26,710	(1,106)	25,604

Brand Addition Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

26. EXPLANATION OF TRANSITION TO FRS 101 (continued)

FRS 102 to FRS 101 reconciliation of the Income statement for the year ended 31 December 2018

	FRS 102	FRS 101 Adjustments	FRS 101
	£'000	£'000	£'000
Revenue	53,223	-	53,223
Cost of goods sold	(36,392)	-	(36,392)
Gross profit	16,831	-	16,831
Operating expenses [1 and 2]	(11,645)	522	(11,123)
Operating expenses – exceptional	(437)	-	(437)
Total operating expenses	(12,082)	522	(11,560)
Operating profit	4,749	522	5,271
Analysed as:			
Adjusted EBITDA	6,082	611	6,693
Depreciation [1 and 3]	(651)	114	(537)
Amortisation [2 and 3]	(245)	(203)	(448)
Exceptional items	(437)	-	(437)
Total operating profit	4,749	522	5,271
Finance income	737	-	737
Finance expense [1]	(63)	(272)	(335)
Profit before taxation	5,423	250	5,673
Income tax expense	(380)	-	(380)
Profit for the year	5,043	250	5,293

There are no changes to other comprehensive income for the year ended 31 December 2018.

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Notes to the financial statements for the year ended 31 December 2019 (continued)

26. EXPLANATION OF TRANSITION TO FRS 101 (continued)

FRS 102 to FRS 101 reconciliation of the Statement of financial position as at 31 December 2018

	FRS 102	FRS 101 Adjustments	FRS 101
	£'000	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment [1 and 3]	3,347	(362)	2,985
Intangible assets [2 and 3]	1,640	3,366	5,006
Investments	3,183	-	3,183
Total non-current assets	8,170	3,273	11,174
Current assets			
Inventories	3,933	-	3,933
Trade and other receivables	31,381	(269)	31,381
Cash and cash equivalents	4,036	-	4,036
Total current assets	39,350	(269)	39,350
TOTAL ASSETS	47,520	3,004	50,524
LIABILITIES			
Current liabilities			
Trade and other payables [4]	(15,721)	376	(15,345)
Lease liabilities [1]	-	(377)	(377)
Current tax liabilities [4]	-	(376)	(376)
Total current liabilities	(15,721)	(377)	(16,098)
NET CURRENT ASSETS	23,629	(646)	22,983
TOTAL ASSETS LESS CURRENT LIABILITIES	31,799	2,627	34,426
Non-current liabilities			
Lease liabilities [1]	-	(3,483)	(3,483)
Total non-current liabilities	-	(3,483)	(3,483)
NET ASSETS	31,799	(856)	30,943
Equity and reserves			
Share capital	74	-	74
Share premium	2,032	-	2,032
Capital contribution	64	-	64
Retained earnings [1 and 2]	29,629	(856)	28,773
TOTAL EQUITY	31,799	(856)	30,943