

Adare International Holdings Limited

Annual Report and Consolidated
Financial statements

Year ended 31 December 2020

Registered number: 10828012



Adare International Holdings Limited

Annual Report and consolidated financial statements

<i>Contents</i>	<i>Page</i>
Directors and other information	1
Strategic report	2
Directors' report	5
Statement of directors' responsibilities in respect of the financial statements	9
Independent auditors' report	11
Consolidated income statement	15
Consolidated statement of comprehensive income	16
Consolidated balance sheet	17
Company balance sheet	18
Consolidated and company statements of changes in equity	19
Consolidated cash flow statement	20
Notes	21

Adare International Holdings Limited

Directors and other information

Directors

R. Berry
A. Dutton
A. Robson
N. Gaydon (appointed 6th July 2020)

Registered office

Eni House
Basing View
Basingstoke
RG21 4YY

Independent auditors

PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

Bankers

HSBC Bank plc
City Branch
33 Park Row
Leeds
LS1 1LD

Solicitors

Squires Patten Boggs (UK) Limited
1 Spinningsfields
1 Hardman Square
Manchester
M3 3EB

Registered number

10828012

Adare International Holdings Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2020 and this is set out below.

Principal activities, review of business and future developments

Adare International Holdings Limited (the 'company') and its subsidiaries, (collectively "the Group") is one of the largest marketing outsourcing providers in the World, with operations spanning 42 countries.

The principal activities of the Group are the provision of Marketing Outsourcing and Agency Solutions for some of the leading European and global brands. Our services enable our customers to communicate effectively with their customers through our various solutions and the provision of print management, promotional goods and logistics services.

2020 has been a year in which the business has performed strongly despite the impact of Covid. The business delivered £4,135,000 of adjusted EBITDA (2019: £2,962,000), an improvement of £1,173,000 (2019: improvement of £338,000) primarily due to the ramp of contracts in the Global division, continued EBITDA growth in the Agency business and strong cost control. The unadjusted operating loss of £3,088,000 (2019: profit of £119,000) was largely affected by the impact of exchange losses of £2,978,000 (2019: gains of £991,000). This in turn is largely driven by unrealised exchange losses relating to the revaluation of intercompany balances. The primary driver of the impact in the year has been a 6% devaluation of the Pound against the Euro. Shared service costs have remained relatively flat, while the UK division, which has been hardest hit operationally and financially by Covid 19, has fallen behind 2019 levels. Positively, for the future, the business has recently won significant contracts across all of its divisions which will drive future growth from 2021.

During the year, the business has continued with its re-organisation and cost rationalisation program, which started in 2017. Significant costs have been taken out of the business largely through back office rationalisation, real estate and the rationalisation of certain operational activities. During 2020, alongside these activities significant redundancy costs were incurred as the business aligned its cost base to the revenue line. As a result, exceptional costs of £1,131,000 (2019: £392,000) have been incurred to achieve this.

In 2019 we incurred restructuring and business integration costs in line with our plan to reset the corporate structure and to amend our financing documentation for the business to provide enhanced working capital facilities.

During 2020, the Company utilised furlough schemes that were introduced to support businesses through the pandemic. Where we have had members of staff on furlough providing no economic benefit to the business, and government support has been insufficient to fully cover their employment cost, the excess cost has been deemed to be exceptional in nature.

The directors are pleased with the continued improvements in balance sheet strength with most key metrics demonstrating an improvement; the business moved from a net debt position of £4,762,000 in 2019 to a net cash position of £2,262,000, cash generation increased to £8,295,000 (2019: £2,254,000) and this reflects the continued improvements in working capital management and this remains a key topic for the directors.

Alongside the majority of businesses, Adare International has been affected by Covid-19. 2020 has seen some volume reductions, however, this has been mitigated by furlough schemes and also a 3 month voluntary salary sacrifice. Adare International has not sought government assistance other than to access the furlough schemes. To date, there have been no permanently damaging events impacting the business, in fact towards the back end of 2020, order volumes were broadly either back in line, or ahead of pre-Covid levels.

Adare International Holdings Limited

Strategic report (continued)

The subsidiary undertakings of the Group at 31 December 2020 are outlined in note 23 to the financial statements.

Market Overview

In the UK, market conditions remain challenging with excess capacity in the market contributing to downward pressure on pricing. The Group is taking steps to address this pressure while at the same time investing in further technological developments to bring more value to our customers in a bid to firstly, provide an enhanced offering and secondly, to mitigate the pricing effects.

Outside of the UK, where the business works primarily with large multi-national customers to deliver an international solution, the picture is different. The Group is seeing an enhanced level of activity in this arena and is participating in and winning significant global tenders. The investments the business has made in developing its global footprint is now paying back as we ramp up volumes in these territories to drive incremental returns off a largely fixed overhead base.

Strategic Development and Outlook

The Board feel that with our historical tight commercial controls, together with continued investment in our infrastructure, people and proposition, we have a robust strategy with which to face the challenges of the forthcoming year where we have budgeted for further growth in sales and overall profitability.

Keeping a close eye on our markets and listening intently to our customers will, as ever, be pivotal to our success.

The Directors are very confident looking to the future and the business feels well placed to take advantage of market conditions and over the near term we see significant opportunities for revenue, profit and cash flow growth.

The Directors would like to place on record our gratitude for the continued and unwavering support of our shareholder, banking partners, customers, suppliers and employees.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties facing the Group and the company are as follows:

Economic risk

- The risk of increased interest rates and/or inflation having an adverse impact on our markets; and
- the risk of increases in wage or infrastructure costs impacting adversely on competitiveness of the Group and its principal customers.

These risks are managed by the use of alternative sources of key products and services and strict control of costs.

Covid-19

The business has withstood the challenges of Covid-19 well, and broadly our trading is back to pre Covid levels across many clients. As economies begin to open up, fuelled by vaccination programmes, this should in turn lead to increasing volumes across those areas of our business that are exposed to the hospitality sector. The business continues to monitor volumes very carefully, ensuring the cost base is kept in line with the volumes it is experiencing, and as a result is reducing its exposure to any unforeseen delays in the easing of restrictions.

Adare International Holdings Limited

Strategic report (continued)

Competition risk

The directors of the company manage competition risk through close attention to customer satisfaction levels.

Financial risk

The Group has budgetary and financial reporting procedures, supported by appropriate key performance indicators, to manage credit, liquidity and other financial risk. Further detail has been provided in note 1.

Exchange risk

The Group trades in a number of overseas territories and is therefore exposed to fluctuations in currency. This is mitigated where possible by ensuring that revenue and costs are matched in local currencies. The Group will also look at overall exposure to currency and take out forward contracts where appropriate.

Key performance indicators

	Year Ended / As at 31 December 2020	Year Ended / As at 31 December 2019
Gross Margin	14.43%	14.56%
Adjusted EBITDA (£'000)	4,135	2,962
Adjusted EBITDA Margin	1.73%	1.26%
Bank Borrowing (£'000)	(9,544)	(8,989)
Cash (£'000)	14,390	6,246
Net Cash / (Debt) (£'000)	2,262	(4,762)
Net Cash Generated by Operating Activities (£'000)	9,105	3,658
Cash Generation (£'000)	8,295	2,254

The above table sets out the key performance indicators that are focused on by management. There are no meaningful non-financial key performance indicators that are focused on by management. Each of these indicators is monitored by management against budget and prior periods on a regular basis. The operating loss for the year was £3,088,000 (2019: profit of £119,000), however adjusted EBITDA is considered to be the key measure of the underlying operational performance of the group. In order to reconcile the two measures, see the consolidated income statement on page 15. The directors are pleased that despite significant macro-headwinds during the current year, adjusted EBITDA has improved on the prior year, liquidity has improved and the business has become cash generative.

Environmental and social matters

The Group is proud of its Ecovadis Gold status. This award demonstrates our commitment to the environment, the sustainability of our procurement supply chains and also to ethics as well as labour and human rights. To achieve this status, The Group is in the top 5% of the 65,000 businesses audited by Ecovadis.

On behalf of the board


Ray Berry
Director
13 August 2021

Adare International Holdings Limited

Directors' report

The directors present their report and audited consolidated financial statements for the year ended 31 December 2020.

Results and dividends

The Group income statement for the year ended 31 December 2020 is set out on page 15. The directors do not recommend the payment of a dividend in respect of the financial year (2019: None).

Future developments

Future developments of the Group have been considered within the Strategic report.

Directors and secretary

The directors during the year and up to the date of signing the financial statements are disclosed on page 1 – Directors and other information.

Directors' indemnities

The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Directors' and company secretary's interests

The interests of the directors and the company secretary in office at 31 December 2020, including the interests of their spouse and minor children in the share capital and loan notes of the Group were as follows:

Name of Director	Description of Instrument	31 December 2020 Number	31 December 2019 Number
Ray Berry	Ordinary shares in Adare International Panama S. de R.L	1	1
	Ordinary shares in AdareIB Servicios SA	1	1
	Ordinary C shares in Adare International Holdings Limited	250	225
	Ordinary D2 shares Adare International Holdings Limited	420	420
Andrew Dutton	Ordinary C shares in Adare International Holdings Limited	556	556
	Ordinary D2 shares in Adare International Holdings Limited	420	420

Adare International Holdings Limited

Directors' report (continued)

Post balance sheet events

On 21 June 2021, the shareholders of Adare International Holdings Limited exchanged contracts with HH Global Group for the sale of the whole share capital of the business. The transaction is expected to complete approximately 9-12 weeks after the date of exchange.

Going concern

These financial statements have been prepared under the assumption that the Group and company will continue as a going concern.

The Group has a positive cash position both at the balance sheet date and at the date of signing, and the directors have prepared cash flow forecasts for the period to November 2022 that show that the Group will continue to generate positive cash flows over this period. The directors have modelled a base case cash flow forecast for over this period in the context of Covid-19, returning to a result similar to that which was achieved pre-COVID-19 including new contracted wins in 2021. In the base case the Group has forecasted sufficient liquidity.

In addition, the directors have modelled a severe but plausible downside scenario which excludes new contracted wins and under this scenario, the Group is able to fund their ongoing trading liquidity requirements from its existing cash resources. In both scenarios, the company would continue in its capacity as a holding company and remain unchanged and unimpacted by the cashflows of the remaining Group.

There are therefore no concerns regarding the Group's and company's ability to continue as a going concern, based on the cash flow forecasts prepared by the directors.

However, as disclosed in note 26, the forthcoming acquisition of the Group and company which is reasonably certain to conclude within 12 months of the date of approval of the financial statements, introduces the existence of a material uncertainty which may cast significant doubt about the Group and company's ability to continue as a going concern beyond the date of sale. Because not all future events or conditions can be predicted, the existing directors cannot fully assess whether the going concern basis of accounting will remain appropriate for the Group and company after this sale. The financial statements do not include adjustments that would result if the Group and company were unable to continue as a going concern.

Further information on the Group's borrowings is given in note 17.

Employees

The directors give special attention to the health and safety of their employees and endeavour to ensure that as far as possible. Applications for employment, training, career development and promotion of disabled persons is the same as other employees. Should employees become disabled, every effort is made to ensure that their employment continues and appropriate retraining is provided.

The Executive Leadership of Adare International communicate monthly with the business to ensure that the employees are kept up-to-date with the financial performance of the business and to ensure that they are fully aware of all current issues within the business.

Further, on a monthly basis the CEO records an update video which is sent to the business including with translations into Spanish and Portuguese for our Latin American colleagues. The content of this video is to inform and encourage conversation around key issues impacting the business.

Adare International Holdings Limited

Directors' report (continued)

There are regular employee surveys to ensure that all employee voices are heard (some are anonymous to ensure confidentiality) and the outputs of these surveys are discussed at the Executive Board level to ensure that employees have a say in the direction taken.

The business operates an intranet which has guidance for employees around financial advice, mental health advice with direct access to professionals for assistance. The intranet also acts as a central repository on all company policies and procedures.

Each year every employee has to take and pass a training module around the key policies of the business and upon joining a full suite of policies must be read and certified to be understood. This is backed up by an on-line test to ensure comprehension.

Branches outside the UK

The Group has subsidiaries with branches in Austria, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Jamaica, Netherlands, Poland, Portugal, Romania, Serbia, Spain, Sweden, Trinidad & Tobago and Turkey.

Streamlined Energy and Carbon Reporting

		2020
Energy consumed (MWh)	UK operations	796
	Outside UK operations	405
Scope 1 carbon emissions (tCO ₂ e) ²	UK operations	75
	Outside UK operations	-
Scope 2 carbon emissions (tCO ₂ e) ²	UK operations	164
	Outside UK operations	187
Scope 3 carbon emissions (tCO ₂ e) ²	UK operations	102
	Outside UK operations	96
Scope 1 carbon emissions per employee (tCO ₂ e) ²	UK operations	0.25
	Outside UK operations	-
Scope 2 carbon emissions per employee (tCO ₂ e) ²	UK operations	0.55
	Outside UK operations	0.44
Scope 3 carbon emissions per employee (tCO ₂ e) ²	UK operations	0.34
	Outside UK operations	0.23

We report our greenhouse gas inventory using the Legal Sector Alliance protocol in accordance with BS EN ISO 14064-1:2019. The Legal Sector Alliance protocol uses emissions factors published by DEFRA in 2010. Our greenhouse gas report includes all activities where we have operational control.

Section 172 statement

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

Adare International Holdings Limited

Directors' report (continued)

As part of the Board's decision-making process, the Board considers the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's operations on the environment, responsible business practices and the likely long term consequences of decisions.

During the year, the Board of Directors had to make significant decisions of strategic importance in response to the Covid-19 pandemic. The business took all actions possible to keep all employees, both those on furlough and those continuing to work, fully up to date on the latest developments in the business, and key decisions being made. This was achieved via regular team meetings, Board level video communications and emails. In response to the first wave of the pandemic, and the resulting lockdown of economies across the globe, the Board of Directors took the difficult decision to request a voluntary 20% pay reduction from all staff for a period of three months. This decision was taken at a time when there was a very uncertain macro-outlook, and was considered necessary to ensure the financial stability of the business at a time when order volumes were at a reduced level. However, following strong performance by the business in the second half of 2020, the Board took the decision to repay one month's worth of salary sacrifice to those who participated.

The Board have also taken the decision to place some staff on furlough during the pandemic, in response to significant reductions in order volumes on some of our worst affected clients. This decision was also considered necessary to ensure the financial stability of the business, ensuring that our cost base moved in line with our associated revenues.

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director 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 concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



Ray Berry
Director
13 August 2021

Adare International Holdings Limited

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 group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

The group has also prepared financial statements in accordance with and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 group and company and of the profit or loss of the group 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group's and 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 group's and company's auditors are aware of that information.

Adare International Holdings Limited

Statement of directors' responsibilities in respect of the financial statements

On behalf of the board


Ray Berry
Director
13 August 2021

Adare International Holdings Limited
Independent auditors' report to the members of Adare International Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Adare International Holdings Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's loss, the company's result and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial statements (the "Annual Report"), which comprise: the Consolidated and company balance sheets as at 31 December 2020; the Consolidated Income Statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement, the Consolidated and company statements 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.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 group 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.

Adare International Holdings Limited

Independent auditors' report to the members of Adare International Holdings Limited (continued)

Material uncertainty related to going concern - Group and Company

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. At the time of signing the financial statements, the forthcoming acquisition of the Group and Company, which is reasonably certain to conclude within 12 months of the date of approval of the financial statements, introduces the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern beyond the date of sale. Because not all future events or conditions can be predicted, the existing directors cannot fully assess whether the going concern basis of accounting will remain appropriate for the Group and Company after this sale. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

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

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.

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 group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Adare International Holdings Limited

Independent auditors' report to the members of Adare International Holdings Limited (continued)

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 group's and 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 group or 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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to accounting standards, tax regulations and employment laws, 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 manipulation of EBITDA by posting fraudulent journals and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- enquiry of management and those charged with governance around actual and potential litigation and claims;
- enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- evaluation of management's controls designed to prevent and detect irregularities as well as reviewing internal audit reports;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

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

Adare International Holdings Limited
Independent auditors' report to the members of Adare International Holdings Limited (continued)

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.

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.

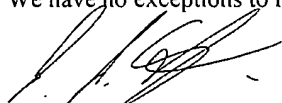
Other required reporting

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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Craig Skelton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
13 August 2021

Adare International Holdings Limited

Consolidated Income Statement

for the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue	2	238,845	234,263
Cost of sales		(204,382)	(200,161)
Gross profit		34,463	34,102
Operating expenses		(37,551)	(33,983)
Operating profit before depreciation, exceptional costs and intercompany exchange differences(adjusted EBITDA)		4,135	2,962
Depreciation and amortisation		(2,361)	(2,419)
Exceptional costs	3	(1,884)	(1,415)
Exchange (losses) / gains		(2,978)	991
Other operating expenses		-	-
Operating (loss)/profit		(3,088)	119
(Loss)/profit before interest and tax		(3,088)	119
Finance costs	6	(2,724)	(2,344)
Finance income	6	-	5,453
(Loss)/profit before income taxation	7	(5,812)	3,228
Income tax charge	8	(1,439)	(1,100)
(Loss)/profit for the year from continuing operations		(7,251)	2,128
(Loss)/profit for the year		(7,251)	2,128

Adare International Holdings Limited

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
(Loss)/profit for the year	(7,251)	2,128
Other comprehensive income		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	1,119	(243)
Other comprehensive income/(expense)	<u>1,119</u>	<u>(243)</u>
Total comprehensive (expense)/income for the year	<u>(6,132)</u>	<u>1,885</u>

Adare International Holdings Limited

Consolidated balance sheet

As at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	9a	579	696
Right-of-use assets	9b	2,167	1,942
Intangible assets	10	5,382	5,629
Deferred tax assets	19	401	666
		<u>8,529</u>	<u>8,933</u>
Current assets			
Inventories	12	375	452
Trade and other receivables	13	52,333	51,540
Cash and cash equivalents	16	14,390	6,246
		<u>67,098</u>	<u>58,238</u>
Total assets		<u>75,627</u>	<u>67,171</u>
Equity and Liabilities			
Ordinary shares	24	13	13
Share premium		90	90
Capital restructure reserve		(46,368)	(46,368)
Retained earnings		13,602	20,853
Translation Reserve		1,139	20
Total shareholders' equity		<u>(31,524)</u>	<u>(25,392)</u>
Liabilities			
Non-current liabilities			
Provisions for other liabilities and charges	21	-	41
Borrowings	17	20,101	18,695
Lease liabilities		1,507	-
		<u>21,608</u>	<u>18,736</u>
Current liabilities			
Trade and other payables	14	74,922	62,819
Current income tax liabilities		-	-
Borrowings	17	9,544	8,989
Lease liabilities		1,077	2,019
		<u>85,543</u>	<u>73,827</u>
Total liabilities		<u>107,151</u>	<u>92,563</u>
Total equity and liabilities		<u>75,627</u>	<u>67,171</u>

The financial statements on pages 15 to 54 were approved by the board of directors on 13 August 2021 and signed on its behalf by



Ray Berry
Director

Registered number 10828012

Adare International Holdings Limited

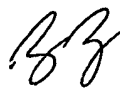
Company Balance Sheet

As at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Assets			
Non-current assets			
Investments	11	103	103
		<u>103</u>	<u>103</u>
Total assets		<u>103</u>	<u>103</u>
Equity and Liabilities			
Ordinary shares	24	13	13
Share premium		90	90
Total shareholders' equity		<u>103</u>	<u>103</u>
Total equity and liabilities		<u>103</u>	<u>103</u>

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The company reported neither a profit nor loss for the financial year ended 31 December 2020.

The financial statements on pages 15 to 54 were approved by the board of directors on 13 August 2021 and signed on its behalf by


Ray Berry
Director
Registered number 10828012

Adare International Holdings Limited

Consolidated and company statements of changes in equity for the year ended 31 December 2020

Group	Ordinary shares	Share premium	Capital restructure reserve	Retained earnings	Translation reserve	Total shareholders equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	13	90	(46,368)	18,725	263	(27,277)
Profit for the year	-	-	-	2,128	-	2,128
Other comprehensive expense for the year	-	-	-	-	(243)	(243)
Total comprehensive income for the year	-	-	-	2,128	(243)	1,885
Balance at 31 December 2019	13	90	(46,368)	20,853	20	(25,392)
Balance at 1 January 2020	13	90	(46,368)	20,853	20	(25,392)
Loss for the year	-	-	-	(7,251)	-	(7,251)
Other comprehensive income for the year	-	-	-	-	1,119	1,119
Total comprehensive expense for the year	-	-	-	(7,251)	1,119	(6,132)
Balance at 31 December 2020	13	90	(46,368)	13,602	1,139	(31,524)

Company	Ordinary shares	Share premium	Total shareholders' equity
	£'000	£'000	£'000
Balance at 1 January 2019	13	90	103
Other comprehensive income	-	-	-
Result for the year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2019	13	90	103
Balance at 1 January 2020	13	90	103
Other comprehensive income	-	-	-
Result for the year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2020	13	90	103

The capital restructure reserve arose on the reorganisation and demerger of the Hamsard 3350 Limited group.

Adare International Holdings Limited

Consolidated cash flow statement for the year ended 31 December 2020

Group	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities		
Profit/(Loss) for the year before income tax	(5,812)	3,228
Depreciation	1,534	1,313
Amortisation	827	1,095
Increase/(decrease) in other provisions	(41)	41
Finance costs net	2,724	(3,109)
Interest paid	(1,319)	(942)
Income tax paid	(1,280)	(1,402)
Net exchange differences	1,095	(991)
Net (profit)/ loss on disposals of non-current assets	(117)	57
<i>Cash from operations before changes in working capital</i>	<u>(2,389)</u>	<u>(710)</u>
Inventories	77	(35)
Trade and other receivables	(687)	(15,983)
Trade and other payables	12,104	20,386
Net cash generated from operating activities	<u>9,105</u>	<u>3,658</u>
Cash flows from investing activities		
Purchase of PPE	(190)	(363)
Purchase of intangible assets	(582)	(558)
Net cash used in investing activities	<u>(772)</u>	<u>(921)</u>
Cash flows from financing activities		
Net repayment of invoice finance loan	(1,945)	(483)
Drawdown of revolving credit facility	2,500	-
Payments of lease liabilities	(593)	-
Net cash used in financing activities	<u>(38)</u>	<u>(483)</u>
Net increase in cash and cash equivalents	8,295	2,254
Cash and cash equivalents at beginning of year	6,246	4,037
Effects of exchange rate changes on cash and cash equivalents	(151)	(45)
Cash and cash equivalents at end of year	<u>14,390</u>	<u>6,246</u>

Adare International Holdings Limited

Notes

1 Accounting policies

General information

The company is a private company limited by shares and is incorporated and domiciled in England and Wales, UK. The registered office address is Eni House, Basing View, Basingstoke, RG21 4YY.

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

Basis of preparation

The financial statements of Adare International Holdings Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. Despite negative equity, the financial statements have been prepared under the going concern convention, on the basis of forward looking profitability, secured financing and cash flow generation.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Exemption from audit by parent guarantee

Under section 479A of the Companies Act 2006, exemptions from an audit of the financial statements for the financial year ended 31 December 2020 have been taken by the subsidiary companies Access Plus Marketing Services Limited (01594411), Access Plus Marketing Logistics Limited (05671058), Continuous Stationery Limited (00938016) and Adare International LNC Limited (10828010).

Under section 479C of the Companies Act 2006, Adare International Holdings Limited, being the ultimate parent undertaking of the above companies, has given a statutory guarantee of all the outstanding liabilities to which the companies are subject at 31 December 2020.

Changes in accounting policies

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

Adare International Holdings Limited

Notes (continued)

1 Accounting policies (continued)

Going Concern

These financial statements have been prepared under the assumption that the Group and company will continue as a going concern.

The Group has a positive cash position both at the balance sheet date and at the date of signing, and the directors have prepared cash flow forecasts for the period to November 2022 that show that the Group will continue to generate positive cash flows over this period. The directors have modelled a base case cash flow forecast for over this period in the context of Covid-19, returning to a result similar to that which was achieved pre-COVID-19 including new contracted wins in 2021. In the base case the Group has forecasted sufficient liquidity.

In addition, the directors have modelled a severe but plausible downside scenario which excludes new contracted wins and under this scenario, the Group is able to fund their ongoing trading liquidity requirements from its existing cash resources. In both scenarios, the company would continue in its capacity as a holding company and remain unchanged and unimpacted by the cashflows of the remaining Group.

There are therefore no concerns regarding the Group's and company's ability to continue as a going concern, based on the cash flow forecasts prepared by the directors.

However, as disclosed in note 26, the forthcoming acquisition of the Group and company which is reasonably certain to conclude within 12 months of the date of approval of the financial statements, introduces the existence of a material uncertainty which may cast significant doubt about the Group and company's ability to continue as a going concern beyond the date of sale. Because not all future events or conditions can be predicted, the existing directors cannot fully assess whether the going concern basis of accounting will remain appropriate for the Group and company after this sale. The financial statements do not include adjustments that would result if the Group and company were unable to continue as a going concern.

Further information on the Group's borrowings is given in note 17.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Adare International Holdings Limited

Notes (continued)

1 Accounting policies (continued)

(a) Subsidiaries (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiary undertakings are measured using the currency of the primary economic environment in which each entity operates ('the functional currency'). The consolidated financial statements are presented in 'Pound Sterling' (£), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where settlement of such transactions and from the translation at year-end exchange rates items are re-measured. Foreign exchange gains and losses resulting from the settlement of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in the income statement.

(c) Group Undertakings

The results and financial position of all the Group subsidiary undertakings (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates;
- and
- (c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Adare International Holdings Limited

Notes (continued)

1 Accounting policies (continued)

Property, plant and equipment

Land and buildings comprises mainly warehouses and offices. Land and buildings are shown at historic cost or fair value at the date of acquisition, less subsequent depreciation for buildings.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Right of Use Asset	Over the lease term
Land and buildings	10% or over the lease term
Plant, equipment, fixtures and fittings	8.3% to 33.3%

The carrying values of tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. If the total of consideration transferred is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

In accordance with IFRS 3 *Business Combinations*, goodwill arising from the acquisition of subsidiaries is not amortised, but is instead tested annually for impairment. This represents a departure from the Companies Act 2006 in order to present a true and fair view.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or Groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the internal operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the cash-generating unit (CGU) containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Adare International Holdings Limited

Notes (continued)

1 Accounting policies (continued)

(b) Customer relationships

Customer relationships in a business combination are recognised at fair value at the acquisition date. These have a finite useful life and are carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over six years and accreditations over five years.

(c) Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to seven years.

Costs associated with maintaining computer software programmes, which are utilised within the business are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed seven years.

Non-current assets (or disposal Groups) held for sale

Non-current assets (or disposal Groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Investments and other financial assets

(a) Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost

Adare International Holdings Limited

Notes (continued)

1 Accounting policies (continued)

(b) Recognition and derecognition

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

(c) Measurement

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or 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 cost less provision for impairment. Trade receivables which are subject to supplier financing arrangements are subsequently recognised at fair value due to the arrangement being without recourse.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Share capital

Ordinary shares are classified as equity.

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Adare International Holdings Limited

Notes (continued)

1 Accounting policies (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for any deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. In place that gives the Group the ability to control the reversal of the temporary difference is the deferred income tax liability not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Adare International Holdings Limited

Notes (continued)

1 Accounting policies (continued)

Employee benefits

The Group operates various post-employment schemes, including a defined contribution pension plan and post-employment medical plans.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Provisions

Provisions for dilapidations, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Adare International Holdings Limited

Notes (continued)

1 Accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods or services supplied, stated net of discounts, returns and value added taxes.

(a) Sales of goods

The performance obligation is deemed to have been satisfied when the customer obtains control of the relevant goods. Control is deemed to have been transferred upon delivery of the goods.

(b) Sales of services

Revenue relating to the sale of services is recognised over a period of time in line with the satisfaction of performance obligations. Depending on the nature of the service being provided, revenue will either be recognised using the output method or the input method.

Under the output method, revenue is recognised based on the value to the customer of the services transferred to date relative to the remaining goods or services. An example of where this method would apply is where the group provides staffing resource at an agreed rate for a certain number of days, revenue is recognised in accordance with the number of days worked.

Under the input method revenue is recognised based on the efforts to date relative to the total expected effort required. This method of revenue recognition is applied where, for example, the group works on a project without a prescribed number of days input.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As the Group is restricted under its lending agreements from returning capital and payment of dividends, capital management is principally through monitoring of the net debt as both lenders and investors monitor the level of this in comparison to the results of the business.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group may use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

Adare International Holdings Limited

Notes (continued)

1 Accounting policies (continued)

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euros. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Where possible the Group transacts related purchases and sales in the same currency which allows it to offset the risks on individual contracts. The Group will also review its exposure and enter into forward contracts where appropriate.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from both short-term and long-term borrowings. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. The Group reviews its exposure to interest rate risk and considers the use of floating rate to fixed rate interest swaps where appropriate. As at 31 December 2020 the Group had no interest rate swaps outstanding.

(b) Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to business customers, including outstanding receivables and committed transactions. For banks and financial institutions, where possible only independently-rated parties with a minimum rating of 'A' are accepted. In certain countries this may not be possible, in which case the Group will review the credit ratings of the institution and also limit the funds held there. If business customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on

its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance.

Critical accounting estimates and judgements

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

Adare International Holdings Limited

Notes (continued)

1 Accounting policies (continued)

Key estimates

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. Details of the value of property, plant and equipment is set out in note 9.

(b) Impairment of trade receivables

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. Details of trade receivables are set out in note 13.

(c) Fair value of intangible assets on acquisition

The Group makes an estimate of the fair value of intangible assets on acquisitions. When assessing these values management uses external professional advisors to assist with the calculation.

(d) GRNI ageing

The Group makes an estimate concerning the appropriateness of the inclusion of significantly aged items of GRNI in the balance sheet at the year end. Following a review of the ageing profile, the Group adjusts GRNI to exclude significantly aged items that are deemed to be highly unlikely to unwind from GRNI in the future.

Key judgements

Agent vs Principal

Management have assessed the nature of the group's commercial relationships with customers and suppliers, concluding that the group acts as a principal in conducting its usual course of business.

Adare International Holdings Limited

Notes (continued)

2 Revenue

Revenue comprises the amount receivable by the Group in the ordinary course of business for goods supplied and for services provided net of value added tax.

A geographical analysis of revenue by destination is given below:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
United Kingdom	26,294	34,568
Rest of Europe	147,278	146,562
Rest of World	65,273	53,133
Total	<u>238,845</u>	<u>234,263</u>

Revenue arises from the following:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Sale of goods	226,771	221,115
Services	12,074	13,148
Total	<u>238,845</u>	<u>234,263</u>

Adare International Holdings Limited

Notes (continued)

3 Exceptional Costs

During the year the Group incurred net non-recurring expenditure as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Restructuring and business integration costs	-	531
Cost saving programme	1,131	392
Other costs deemed to be non-operating in nature	190	492
Covid-19 related costs	563	-
Total	<u>1,884</u>	<u>1,415</u>

During the year, the business has continued with its re-organisation and cost rationalisation program, which started in 2017. Significant costs have been taken out of the business largely through back office rationalisation, real estate and the rationalisation of certain operational activities. During 2020, alongside these activities significant redundancy costs were incurred as the business aligned its cost base to the revenue line. As a result, exceptional costs of £1,131,000 have been incurred to achieve this.

In 2019 we incurred restructuring and business integration costs in line with our plan to reset the corporate structure and to amend our financing documentation for the business to provide enhanced working capital facilities.

During 2020, the Company utilised furlough schemes that were introduced to support businesses through the pandemic. Where we have had members of staff on furlough providing no economic benefit to the business, and government support has been insufficient to fully cover their employment cost, the excess cost has been deemed to be exceptional in nature.

4 Employee information

The average monthly number of persons (including executive directors) employed during the year was:

	Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
Production and technical support	592	562
Administration	131	124
Total	<u>723</u>	<u>686</u>

Adare International Holdings Limited

Notes (continued)

4 Employee information (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Wages and salaries	23,216	24,959
Social security costs	3,956	3,999
Other pension costs (note 20)	560	589
Total	<u>27,732</u>	<u>29,547</u>

5 Directors' remuneration

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
The remuneration paid to directors was:		
Wages and salaries	680	600
Total	<u>680</u>	<u>600</u>

Fees and other emoluments (excluding retirement benefit contributions) include amounts paid to the highest paid director of:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Wages and salaries	366	344
Total	<u>366</u>	<u>344</u>

Adare International Holdings Limited

Notes (continued)

6 Finance costs/(income)

	Year ended 31 December 2020 £'000	Restated Year ended 31 December 2019 £'000
Other interest	175	20
Invoice finance interest	1,036	817
Finance lease interest	107	105
Loan note interest	1,406	1,402
Accrued loan note interest waived	-	(5,453)
Total	<u>2,724</u>	<u>(3,109)</u>

During 2019 the ultimate controlling party Endless III General Partner LLP and Management Loan Notes holders waived £5,453,000 of accrued interest on the loan notes. The amount waived by Endless III General Partner LLP of £5,453,000 was treated as finance income in the income statement.

In the prior year financial statements, amounts were included within other interest that related to invoice finance interest. The prior year comparative has been amended to include such amounts within the invoice finance interest line.

7 (Loss)/ Profit before income taxation

This is arrived at after charging/(crediting) the following items:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Depreciation:		
Owned assets	283	339
Leased assets	1,251	974
Amortisation of acquired intangible assets	827	1,095
Auditors' remuneration:		
Audit of the financial statements of the company and it's subsidiaries	119	110
(Profit)/loss on disposal of property, plant and equipment	(117)	57
Foreign exchange losses/(gains)	2,978	(991)

Adare International Holdings Limited

Notes (continued)

8	Income tax charge	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
	(a) Analysis of charge in year		
	<i>Current tax:</i>		
	UK corporation tax charge for the year	-	-
	Adjustments in respect of prior years	521	691
	Overseas tax	653	188
		<hr/>	<hr/>
	Total current tax	1,174	879
	<i>Deferred tax:</i>		
	Origination and reversal of timing differences	390	218
	Adjustments in respect of prior years	(54)	3
	Impact of change in tax rates	(71)	-
	Adjustment to deferred tax asset not recognised	-	-
		<hr/>	<hr/>
	Total deferred tax	265	221
		<hr/>	<hr/>
	Income tax charge	1,439	1,100
		<hr/>	<hr/>

(b) Factors affecting tax charge in year

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main rate of corporation tax rate will increase to 25%. The rate change had not been substantively enacted at the statement of financial position date and is not reflected in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the year by £Nil, to increase the deferred tax asset by £Nil.

Adare International Holdings Limited

Notes (continued)

8 Income tax charge (continued)

The tax assessed for the year is higher (2019: *higher*) than the standard rate of corporation tax in the United Kingdom. The differences are explained below:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
(Loss)/ profit on ordinary activities before tax	(5,812)	3,228
(Loss)/ profit on ordinary activities before tax multiplied by the standard rate of corporation tax of 19% (2019: 19%)	(1,104)	613
Effects of:		
Lower tax rate on overseas earnings	(115)	(57)
Expenses not deductible for tax purposes	852	508
Adjustment to current tax in respect of prior years	521	691
Other tax adjustments, reliefs and transfers	372	8
Deferred tax not recognised	710	(140)
Losses eliminated	24	15
Arising/(utilised) tax losses	-	(371)
Non-taxable income	(144)	(382)
Effect on change in tax rates	(71)	(109)
Overseas tax suffered	168	188
IFRS 16 tax consolidation adjustment	280	133
Adjustments to deferred tax charge in respect of prior years	(54)	3
Income tax charge for the year	1,439	1,100

Adare International Holdings Limited

Notes (continued)

9a) Property, plant and equipment

Group	Land and buildings (ex IFRS16) £'000	Plant, equipment, fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2019	406	1,631	2,037
Additions	2	361	363
Disposals	(135)	(520)	(655)
Translation	-	(8)	(8)
At 31 December 2019	273	1,464	1,737
At 1 January 2020	273	1,464	1,737
Additions	-	190	190
Disposals	-	-	-
Translation	-	(39)	(39)
At 31 December 2020	273	1,615	1,888
Accumulated depreciation			
At 1 January 2019	266	1,068	1,334
Charge for the year	91	248	339
Disposals	(134)	(517)	(651)
Translation	(1)	20	19
At 31 December 2019	222	819	1,041
At 1 January 2020	222	819	1,041
Charge for the year	40	243	283
Disposals	-	-	-
Translation	-	(15)	(15)
At 31 December 2020	262	1,047	1,309
Net book value			
At 31 December 2019	51	645	696
At 31 December 2020	11	568	579

Adare International Holdings Limited

Notes (continued)

9b) Right-of-use assets

Group	Buildings £'000	Total £'000
Cost		
At 1 January 2019	-	-
Additions	2,861	2,861
Disposals	-	-
Translation	36	36
At 31 December 2019	2,897	2,897
At 1 January 2020	2,897	2,897
Additions	1,380	1,380
Disposals	(274)	(274)
Translation	(44)	(44)
At 31 December 2020	3,959	3,959
Accumulated depreciation		
At 1 January 2019	-	-
Charge for the year	974	974
Disposals	-	-
Translation	(19)	(19)
At 31 December 2019	955	955
At 1 January 2020	955	955
Charge for the year	1,251	1,251
Disposals	(396)	(396)
Translation	(18)	(18)
At 31 December 2020	1,792	1,792
Net book value		
At 31 December 2019	1,942	1,942
At 31 December 2020	2,167	2,167

Adare International Holdings Limited

Notes (continued)

9c) Lease Liabilities

(i) Amounts recognised in the balance sheet

Group Lease liabilities	31 December 2020 £'000	31 December 2019 £'000
Current	1,077	775
Non-current	1,507	1,244
Total	2,584	2,019

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year Ended 31 December 2020 £'000	Year Ended 31 December 2019 £'000
Depreciation charge on right-of-use assets		
Buildings	1,251	974
Total	1,251	974
 Interest expense	 107	 105
Expense relating to short-term leases	181	306
Expense relating to leases of low-value assets	40	47

(iii) *The group's leasing activities and how these are accounted for*

The group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 6 months to 5 years, but may have extension options as described in (v) below. Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use

Adare International Holdings Limited

Notes (continued)

9c) Lease Liabilities (continued)

asset and a corresponding liability at the date at which the leased asset is available for use by the group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Adare International Limited, which does not have recent third party financing; and
- makes adjustments specific to the lease, for example term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

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

The total cash outflow from leases in the year amounted to £814,953 (2019: £951,185).

Adare International Holdings Limited

Notes (continued)

10 Intangible assets

Group

	Software	Customer relationships	Goodwill	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2019	4,619	2,036	5,071	11,726
Additions	558	-	-	558
Disposals	(185)	-	-	(185)
At 31 December 2019	4,992	2,036	5,071	12,099
At 1 January 2020	4,992	2,036	5,071	12,099
Additions	582	-	-	582
Disposals	-	-	-	-
At 31 December 2020	5,574	2,036	5,071	12,681
Accumulated amortisation				
At 1 January 2019	2,762	904	1,839	5,505
Charge for the year*	756	339	-	1,095
Translation	(130)	-	-	(130)
At 31 December 2019	3,388	1,243	1,839	6,470
At 1 January 2020	3,388	1,243	1,839	6,470
Charge for the year*	488	341	-	829
Disposals	-	-	-	-
Translation	-	-	-	-
At 31 December 2020	3,876	1,584	1,839	7,299
Net book value				
At 31 December 2019	1,604	793	3,232	5,629
At 31 December 2020	1,698	452	3,232	5,382

* Amortisation charges are included in operating expenses.

Impairment tests for goodwill

Management reviews the business performance based upon type of operating segment, split as Global, Domestic, Agency and Shared services. However, goodwill is monitored by management at the group level, as it arose following a business combination.

The recoverable amount of the Group as a single CGU has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. These projections give no indication that goodwill may be impaired.

Adare International Holdings Limited

Notes (continued)

11 Investments in subsidiaries

Company	31 December 2020 £'000	31 December 2019 £'000
Interests in subsidiary companies	<u>103</u>	<u>103</u>
	2020 £'000	2019 £'000
Shares in subsidiary companies at cost:		
At 1 January	103	103
Additions	-	-
At 31 December	<u>103</u>	<u>103</u>

Full details of the subsidiaries in the group can be found in note 23.

12 Inventories

Group	31 December 2020 £'000	31 December 2019 £'000
Finished goods and work in progress	<u>375</u>	<u>452</u>

In the opinion of the directors, the replacement cost of stocks at 31 December 2020 is not materially different to the carrying value as stated above.

The Company holds very little stock in relation to the size of its cost of sales as a result of the main method of delivery from our suppliers to our customers being a drop-ship arrangement. That is to say our suppliers deliver directly to our customers in the vast majority of cases.

Inventories are stated after provisions for impairment of £3,000 (2019: £38,000) to write down inventories to their net realisable value.

Adare International Holdings Limited

Notes (continued)

13 Trade and other receivables

All receivables are current.

There is no material difference between the amounts disclosed above and their fair values. Amounts owed by subsidiary undertakings are interest-bearing and repayable on demand.

Credit risk in respect of trade receivables is limited due to the customers being predominantly comprised of large companies. As a result, the Directors consider that no further credit risk provision is required in excess of the normal provision for doubtful receivables.

	Group		Company	
	31 December 2020 £'000	31 December 2019 £'000	31 December 2020 £'000	31 December 2019 £'000
Trade receivables	48,200	43,036	-	-
Less provision for impairment	(61)	(85)	-	-
Trade receivables net	<u>48,139</u>	<u>42,951</u>	<u>-</u>	<u>-</u>
Other receivables	1,656	3,658	-	-
Prepayments and accrued income	2,075	4,574	-	-
Overseas income tax	463	357	-	-
	<u>52,333</u>	<u>51,540</u>	<u>-</u>	<u>-</u>

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. The expected loss rates are based on historical payment profiles of sales and the corresponding historical credit losses experienced.

On that basis, the movement of the Group's provision for impairment of trade receivables is as follows:

	2020 £'000	2019 £'000
At 1 January	85	114
Decrease in provision	(24)	(29)
At 31 December	<u>61</u>	<u>85</u>

The creation and release of provision for impaired receivables have been included in cost of sales in the income statement.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

Adare International Holdings Limited

Notes (continued)

14 Trade and other payables

	Group		Company	
	31 December 2020 £'000	31 December 2019 £'000	31 December 2020 £'000	31 December 2019 £'000
Trade payables	51,365	38,609	-	-
Other tax and social security	4,515	1,873	-	-
Other creditors	187	55	-	-
Accruals and deferred income	18,855	22,282	-	-
	<u>74,922</u>	<u>62,819</u>	<u>-</u>	<u>-</u>

15 Financial instruments

Financial instruments by category

Group	31 December 2020 £'000	31 December 2019 £'000
Financial Assets as per balance sheet		
Trade and other receivables excluding prepayments and overseas tax	49,795	46,609
Cash and cash equivalents	<u>14,390</u>	<u>6,246</u>
	<u>64,185</u>	<u>52,855</u>
Financial Liabilities as per balance sheet		
Borrowings	9,544	8,989
Trade and other payables excluding accruals and deferred income	56,067	40,537
Long-term borrowings	<u>20,101</u>	<u>18,695</u>
	<u>85,712</u>	<u>68,221</u>

16 Cash and cash equivalents

Group	31 December 2020 £'000	31 December 2019 £'000
Cash and cash equivalents	<u>14,390</u>	<u>6,246</u>

Adare International Holdings Limited

Notes (continued)

17 Borrowings

Group	31 December 2020 £'000	31 December 2019 £'000
Current:		
Invoice finance facility	7,044	8,989
Revolving Credit Facility	2,500	-
	<u>9,544</u>	<u>8,989</u>
Non current:		
Loan notes	20,101	18,695
	<u>20,101</u>	<u>18,695</u>

The Group has an invoicing financing facility with a limit of £14,000,000. Interest is payable on the invoice finance facility at a rate of 1.95% above the bank of England base rate.

In addition to the above facility, the Group also had a revolving credit facility with a limit of £3,000,000. Interest was payable at a rate of 1.95% above the bank base rate. The drawn amount of £2,500,000 was repaid in full on 19th April 2021. The facility was allowed to lapse on 31st May 2021.

The bank loans and overdrafts of the Group are secured by way of:

- A first debenture from certain Group undertakings (including Adare International Limited) comprising a legal mortgage over properties owned by the Group and a charge over all of the assets of such undertakings together with intergroup cross guarantees from certain Group undertakings.

In relation to the Group's invoice financing facility:

- A charge over the book debts of certain trading subsidiary undertakings supported by cross guarantees from certain other Group undertakings.

Loan notes are shown net of debt issue costs of £nil. Secure loan notes of £17,520,000 have been issued with a maturity date of 2022. These loans attract interest at a non-compounding rate of 8%. During the 2019, the ultimate controlling party Endless III General Partner LLP and Management Loan Notes holders waived £5,453,000 of accrued interest on the loan notes. The amount waived by Endless III General Partner LLP of £5,453,000 was treated as finance income in the income statement.

Adare International Holdings Limited

Notes (continued)

18 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remained unchanged during the year.

In order to maintain or adjust the capital structure, the group might adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the following gearing ratio: net debt divided by total equity.

The gearing ratios at 31 December 2020 and 31 December 2019 were as follows:

	2020 £'000	2019 £'000
Borrowings*	9,544	8,989
Lease liabilities	2,584	2,019
Cash and bank balances	(14,390)	(6,246)
Net (cash) / debt	(2,262)	4,762
Equity*	34,945	39,671
Net (cash) / debt to equity ratio	-6%	12%

* For the purpose of managing capital, the business considers the loan notes of £20,101,000 (2019: £18,695,000) as equity rather than borrowings. The capital restructuring reserve is also not deemed relevant in assessing the ratio of debt to equity.

19 Deferred tax assets

The movement in deferred income tax assets during the year is as follows:

Group	Short-term timing differences	Total
	£'000	£'000
At 1 January 2020	666	666
Debited to the income statement	(265)	(265)
At 31 December 2020	401	401

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group has an unrecognised deferred tax asset of £2,599,000 (2019: £1,295,892) relating to carried forward losses. The asset has not been recognised as there is uncertainty as to whether sufficient taxable profits will be generated in the short term in order to recover the asset in future periods.

Adare International Holdings Limited

Notes (continued)

20 Post-employment benefits

Defined contribution pension scheme

The group of which the company is a member operates defined contribution pension arrangements for its employees. Contributions are invested with insurance companies and are thus held in independently administered funds.

21 Provisions for other liabilities and charges

	Dilapidations £'000	Total £'000
Group		
At 1 January 2020	41	41
Charged in year	-	-
Utilised in year	-	-
Unused amounts reversed	(41)	(41)
At 31 December 2020	-	-
	Dilapidations £'000	Total £'000
Company		
At 1 January 2020	-	-
Charged in year	-	-
Utilised in year	-	-
Unused amounts reversed	-	-
At 31 December 2020	-	-

Dilapidation Provision - The Group formerly made provision in respect of possible rectification costs of properties that were leased, where such leases contained clauses that require the Group as tenant to reinstate the property to an agreed condition. Such costs are now captured within the Right Of Use asset costs under IFRS 16.

Adare International Holdings Limited

Notes (continued)

22 Commitments

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December 2020 £'000	31 December 2019 £'000
Group		
No later than 1 year	10	449
Later than 1 year and no later than 5 years	-	-
Later than 5 years	-	-
	<u>10</u>	<u>449</u>

The rentals payable under leases in respect of buildings are subject to re-negotiation at various intervals specified in the leases.

From 1 January 2019, the group has recognised right-of-use assets for leases, except for short term and low-value leases

Adare International Holdings Limited

Notes (continued)

23 Subsidiary undertakings

At 31 December 2020, the company had direct shareholding in the ordinary shares of the following subsidiary undertakings:

Country	Name	Ownership	Registered Office
Argentina	Adare International S.R.L	95%	A
Bolivia	AdareIB Servicios SA	98%	B
Brazil	Adare Brasil Servicos de Marketing LTDA	99%	C
Chile	Adare International Chile SPA	100%	D
Colombia	Adare International SAS	100%	E
Costa Rica	Adare International Costa Rica SRL	100%	F
Ecuador	Adare International Del Ecuador SA	99%	G
El Salvador	Adare International El Salvador, S.A. de C.V	99%	H
Guatemala	Adare Guatemala International, Sociedad Anonima	99%	I
Honduras	Adare Honduras S.A. de C.V	99%	J
Italy	Adare International Italy S.R.L.	100%	K
Macedonia	Adare DOOEL Skopje	100%	L
Mexico	Adare International Mexico, S. DE R.L. DE C.V.	99%	M
Moldova	Adare Int LLC	100%	N
Nicaragua	Adare International SAS (Nicaragua) Sociedad Anonima	99%	O
Panama	Adare International Panama S. de R.L	99%	P
Paraguay	Adare International Paraguay S.A.	99%	Q
Peru	Adare International S.R.L	99%	R
Russia	Adare International LLC	100%	S
Switzerland	Adare International Switzerland GmbH	100%	T
UK	Access Plus Marketing Services Limited	100%	U
	Access Plus Marketing Logistics Limited	100%	U
	Continuous Stationery Limited	100%	U
	Adare International Limited	100%	U
	Adare International LNC Limited	100%	U
Ukraine	Adare Ukraine LLC	100%	V
Uruguay	Adare Uruguay S.A.	100%	W
USA	Adare International Inc.	100%	X

With the exception of the UK subsidiaries that are non-trading, the principal activity of all the other entities is the provision of print management, promotional goods and logistics services.

Adare International Holdings Limited

Notes (continued)

23 Subsidiary undertakings (*continued*)

Country of incorporation and registered offices:

A – Subsidiaries incorporated and operating in Argentina with registered offices of Alem Leandro, N AV. 518 Piso:2, 1001 – Ciudad Autonomata, Buenos Aires, Argentina.

B - Subsidiaries incorporated and operating in Bolivia with registered offices of Calle Guembe, No. 2015, Esquina Avenue, Beni, Bolivia

C – Subsidiaries incorporated and operating in Brazil with registered offices of Edificio Corporate Plaza, Rua Alexandre Dumas, 2100, Conjunto 61, São Paulo, SP – CEP 04717-913, Brasil .

D – Subsidiaries incorporated and operating in Chile with registered offices of 1954, Oficina 1801 - 7500521, Providencia, Santiago, Chile .

E – Subsidiaries incorporated and operating in Colombia with registered offices of Calle 72 # 10-07 oficina 401, Bogota, Distrito Capital 110231, Colombia.

F – Subsidiaries incorporated and operating in Costa Rica with registered offices of Parque Empresarial Forum, Torre G, Piso 2, Santo Ana, Costa Rica.

G – Subsidiaries incorporated and operating in Ecuador with registered offices of Av. Republica del Salvador 1082 y Naciones Unidas. Edificio Mansion Blanca Torre Paris P5.Pichincha Quito, Ecuador 170155.

H – Subsidiaries incorporated and operating in El Salvador with registered offices of Av. Masferrer Nte. Pasaje Sn Luis, N. 8, Col. Escalon, San Salvador, El Salvador.

I - Subsidiaries incorporated and operating in Guatemala with registered offices of C/o Grant Thornton, 3 Avenida 12-38 Zona 10 Edificio el Paseo Plaza Nivel, 7 Oficina, 702 Guatemala, Guatemala.

J – Subsidiaries incorporated and operating in Honduras with registered offices of C/o Grant Thornton Honduras, Bo. Los Andes 7 calle "A" 13 y 14 ave, Edificio Medrano Irias, San Pedro Sula, Honduras.

K - Subsidiaries incorporated and operating in Italy with registered offices of C/o Grant Thornton, Bermoni & Partners, Via Melchiorre Gioia 8 – 20124 Milano.

L - Subsidiaries incorporated and operating in Macedonia with registered offices of Str. Sv. Kiril I Metodij no 52b-1/18 Skopje, Centar

M – Subsidiaries incorporated and operating in Mexico with registered offices of Presidente Masarik 111 Piso 1, Col. Polanco V Sección , C.P. 11560 México, Ciudad de México.

N – Subsidiaries incorporated and operating in Moldova with registered offices of C/o Grant Thornton, 69 Grigore Ureche Street, Chisinau, MD-2005, Moldova.

O - Subsidiaries incorporated and operating in Nicaragua with registered offices of C/o Grant Thornton Hernández & Asociados, Rotonda El Güegüense, 2 cuadras al oeste, 1 cuadra al sur Reparto Bolonia, Nicaragua.

Adare International Holdings Limited

Notes (continued)

23 Subsidiary undertakings (continued)

P – Subsidiaries incorporated and operating in Panama with registered offices of C/o Grant Thornton Cheng y Asociados, Calle Primera, El Carmen, No 111, Panama.

Q – Subsidiaries incorporated and operating in Paraguay with registered offices of C/o Olmedo Abogados, Av. Peru No 534, Asunción, Paraguay.

R – Subsidiaries incorporated and operating in Peru with registered offices of Av. Victor Andres Belaunde 147, Via Principal 110, Edificio Real Cinco, Oficina 901, San Isidro, Lima, Peru.

S – Subsidiaries incorporated and operating in Russia with registered offices of Attic floor, office 10, Building 2, House 7, Pereulok Zvonarskiy, 107031, Moscow, Russia.

T – Subsidiaries incorporated and operating in Switzerland with registered offices of C/o Grant Thornton Advisory AG, Claridenstrasse 35, P.O. Box, CH-8027, Zurich.

U – Subsidiaries incorporated and operating in UK with registered offices of Eni House, Basing View, Basingstoke, United Kingdom, RG21 4YY.

V – Subsidiaries incorporated and operating in Ukraine with registered offices of C/o Grant Thornton LLC, Sichovkyh Striltsiv Street, 6004050 Kyiv, Ukraine.

W – Subsidiaries incorporated and operating in Uruguay with registered offices of C/o Grant Thornton Uruguay, Colonia 810, P.10, Montevideo.

X – Subsidiaries incorporated and operating in the USA with registered offices of Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, USA.

Branches:

The company has branches in Austria, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Jamaica, Netherlands, Poland, Portugal, Romania, Serbia, Spain, Sweden, Trinidad & Tobago and Turkey.

24 Ordinary Shares

Group and company

	31 December 2020 £'000	31 December 2019 £'000
<i>Authorised, issued and fully paid:</i>		
11,662 (2019: 11,662) ordinary shares of £1 (2019: £1) each	12	12
3 (2019: 3) ordinary shares of £400 (2019: £400) each	1	1
	<u>13</u>	<u>13</u>

Adare International Holdings Limited

Notes (continued)

25 Result of the company

The company has taken advantage of the exemption under section 408 of the Companies Act 2006, from presenting its own income statement. The result for the year of the company is £nil. (2019: £nil).

26 Events occurring after the reporting period

On 21 June 2021, the shareholders of Adare International Holdings Limited exchanged contracts with HH Global Group for the sale of the whole share capital of the business. The transaction is expected to complete approximately 9-12 weeks after the date of exchange.

27 Related party transactions

M McDonnell is a director of a subsidiary Company (Adare International Limited) and holds loan notes totalling £51,000 (2019: £51,000) in the Group. Interest accrued in the year on these total £4,000 (2019: £4,000). Total interest outstanding on the loan notes was £23,000 (2019: £19,000).

S Shaw is a director of a subsidiary Company (Adare International Limited) and holds loan notes totalling £51,000 (2019: £51,000) in the Group. Interest accrued in the year on these total £4,000 (2019: £4,000). Total interest outstanding on the loan notes was £23,000 (2019: £19,000).

Loan notes totalling £16,253,815 are held by Endless Fund IIIA LLP, Endless Fund IIIB LLP and Endless Fund IIIC LLP. Interest is accruing at 8% on these loan notes with a balance of £2,393,987 accrued at the balance sheet date.

Investment management fees of £90,000 (2019: £100,000) were paid to Endless LLP during the year. These entities between them own 75% of the Group.

Adare International Limited, a subsidiary of the Company, had the following transactions with related parties, who are deemed to be related via common ownership at the ultimate controlling party level.

Related party	Sales		Purchases	
	Year ended 31 December 2020 £'000s	Year ended 31 December 2019 £'000s	Year ended 31 December 2020 £'000s	Year ended 31 December 2019 £'000s
Adare SEC Limited	4	281	171	188
Amber Road Travel Limited	-	-	122	492
Evo Group Services Limited	422	326	-	-
Menzies Distribution Limited	-	3	-	-

Adare International Holdings Limited

Notes (continued)

28 Contingent liabilities

The company has no contingent liabilities and has issued no guarantees (2019: *None*) under section 394CA or 479C of the Companies Act 2006.

29 Ultimate controlling party

The ultimate controlling party of the Group is Endless III General Partner LLP by way of its controlling of Endless Fund III A Limited Partnership, Endless Fund III B Limited Partnership and Endless Fund III C Limited Partnership who between them own more than 75% of the Group

The smallest and largest Group in which the results of Adare International Holdings Limited at 31 December 2020 are included are those of Adare International Holdings Limited. Copies of the consolidated financial statements of this company are filed at Companies House, Crown Way, Cardiff.