

Adare International Limited

Annual Report and Financial Statements

15 months ended 31 March 2022

Registered number: 01610897



Adare International Limited

Annual Report and financial statements

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Adare International Limited

Directors and other information

Directors

R J F MacMillan
K Elgey
M E Perez

Registered office

Eni House
Basing View
Basingstoke
RG21 4YY

Independent auditor

Deloitte LLP
Statutory Auditor
London
EC4A 3HQ
United Kingdom

Bankers

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

Solicitors

Osborne Clarke LLP
One London Wall
London
EC2Y 5EB

Registered number

01610897

Adare International Limited

Strategic report

The directors present their strategic report for the 15 month period ended 31 March 2022.

Principal activities

Adare International Limited (the 'Company') is a British-headquartered provider of creative production and procurement services focused primarily in the European region.

Review of the business and key performance indicators

On 17 August 2021 the Company's parent, Adare International Holdings Limited, was wholly acquired by HH Global Ltd for consideration of £11m ('the acquisition').

Following the acquisition, the Company changed its financial year-end to March and results are therefore presented for the 15-month period to 31 March 2022 ('the period'). Comparative figures are for the 12-month period to 31 December 2020 ('2020').

The primary financial indicators for the Company are Revenue and Adjusted EBITDA. Revenue is a key driver for growth of the Company and Adjusted EBITDA, an alternative performance measure and a non-GAAP measure, reflects the underlying net profitability of the business and excludes, for example, non-recurring exceptional items and foreign exchange movements.

The business has performed strongly with Revenue increasing to £249m in the period (2020: £161m) and Adjusted EBITDA increasing to £11m (2020: £4m). This performance reflects not only the impact of a 15 month period versus a 12 month comparative but also growth from existing contracts, the addition of new business and significant cost reductions following the acquisition. Adjusted EBITDA margin (Adjusted EBITDA divided by Revenue) also increased to 4.4% in the period, up from 2.4% in 2020.

A reconciliation of Operating profit/ (loss) to Adjusted EBITDA is given in the table below:

£000	15 months to 31 March 2022	Year to 31 December 2020
Operating profit/ (loss)	4,200	(2,026)
Depreciation & Amortisation	1,978	1,816
Exceptional items (note 3)	5,113	1,753
Foreign exchange (gain) / loss	(325)	2,335
Adjusted EBITDA	10,966	3,878

As a result of the acquisition, significant costs have been incurred that are deemed to be exceptional in nature. These include staff rationalisation costs and the impairment of capitalised systems costs which are no longer considered to have value post acquisition. Provision was also made against receivable balances due from subsidiary entities in Russia and Ukraine (see below).

The strength of the balance sheet has also continued to improve with a net debt position of £3,456,000 as at 31 December 2020 reducing to £327,000 as at 31 March 2022, this reflecting continued improvements in working capital management as well as trading performance.

Adare International Limited

Strategic report (continued)

Impact of conflict in Ukraine

Due to the impact and uncertainty brought about by the conflict in Ukraine, the decision was taken to fully impair intercompany receivable balances of £452,000 owing from subsidiaries in both Ukraine and Russia.

Principal risks and uncertainties

The directors consider the principal risks and uncertainties facing the Company to be as follows.

Loss of a key client

The Company's core client base is spread across different countries and industry sectors. Despite this geographical and industry sector split, the loss of a major client is an operating risk. The Company seeks to mitigate this risk through maintaining close day-to-day client relationships and its ability to deliver ongoing creative procurement solutions.

Data loss and risk of cyber attack

The Company is susceptible to the risks associated with data loss or cyber-attack. The Company sets out to mitigate these risks through regular employee training and updates, data policy compliance review, threat analysis, internal and external data audits and vulnerability scanning.

Macroeconomic risks

In common with most businesses, the Company is susceptible to any downturn in economic conditions given the global nature of the business and the diverse economies in which it operates. The directors are constantly assessing and taking action as appropriate in relation to key operating risks such as the conflict in Ukraine, any impact of COVID-19, changes to local and global economic conditions, changes to regulatory frameworks, the impact of inflation on prices and earnings (see below) and the impact of foreign exchange movements on profits.

Inflationary risks

The Company's primary exposure to inflation is on staff costs and the costs of goods and services sourced on behalf of our clients. The directors believe however that the effect of inflation is limited, as in many cases, increased costs can be recovered from clients through various contract mechanisms.

Climate change risk

Climate change is a potential threat to the Company's physical operations, supply chain and client base and could manifest itself in business interruption, lack of supply, increased costs and or reduced revenue. These risks are included within the Company's overall risk framework and, following the acquisition, are monitored by an Environmental, Social and Governance committee which is chaired by the HH Global Group's Chief Sustainability Officer. An annual sustainability report is also published on the HH Global website.

Brexit

On 1 January 2021 the transition period with the European Union came to an end. As a result, the UK now operates a full external border and free movement of goods between the UK and EU ceased from that date. Having reviewed processes and documentation requirements the directors believe that despite being an international Company with operations across Europe, the Company has not been significantly impacted by the UK's decision to leave the EU.

Adare International Limited

Strategic report (continued)

Financial risk management

The Company's activities expose it to a number of financial risks; the key items and the Company's related management objectives and policies are as follows:

Liquidity and cash flow risk

Liquidity risk arises from the Company's management of working capital and is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company largely finances its operations through working capital inflows and also has access to an Invoice Finance Facility (note 19). The directors monitor forecast cash flows on a weekly basis and take appropriate action when additional funds are required.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations. The Company's policy in respect of credit risk requires appropriate credit checks on potential clients before contracts are signed and, thereafter, close management of outstanding debt and debtor ageing.

Foreign exchange risk

Foreign exchange risk arises when individual company branches enter into transactions denominated in a currency other than their functional currency. Additionally, the Company's performance can be affected by exchange rate movements in the functional currency in any of the Company's overseas branches. The Company mitigates against such risks by invoicing in local currency where possible.

Interest rate risk

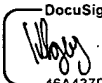
Interest rate risk arises from the Company's exposure to the floating rate interest rate component of its short term borrowings.

Future developments

The Company is committed to investing in its technology infrastructure, staff, and innovation and sustainability programmes across the full scope of its activities, to enable it to add ever-greater value to its clients' activities.

Plans to integrate the business into the HH Group of entities, and thereby drive further operational efficiency, will also begin to be implemented during the forthcoming year.

On behalf of the board

DocuSigned by:

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Kristian Elgey
Director

27 September 2022

Adare International Limited

Directors' report

The directors present their report together with audited financial statements for the period ended 31 March 2022.

Results and dividends

The Income Statement for the period ended 31 March 2022 is set out on page 15. The directors do not recommend the payment of a final dividend and no interim dividend was paid during the period (2020: nil).

Events after the Balance Sheet date

There are no reportable events after the Balance Sheet date.

Branches outside the UK

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

Going concern

A business overview and a review of future developments is provided in the Strategic report along with the Company's policies and processes for managing its financial risks. The directors have considered the use of the going concern basis in the preparation of the financial statements and conclude that it is appropriate. See the accounting policies in note 1 for further details on going concern.

Employee engagement

The Company maintains a close relationship with its employees by a conscious policy of informing them of relevant events and the state of the business through discussions, meetings, notices and by consulting employees.

Employment of disabled persons

The Company is committed to a policy of recruitment and promotion based on aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it. The Company's HR procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the Company, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the Company. Retraining of employees who become disabled whilst employed by the Company is offered, where appropriate.

Diversity and equal pay

Within the Company we foster a culture where all individual differences and diversity are encouraged. We champion equity, diversity and inclusion rights and opportunities for everyone and take a clear stance on all forms of discrimination.

Our commitment to employees is the assurance of fair treatment and reward, irrespective of gender. We do not discriminate unlawfully and are free from bias, ensuring equal pay for equal value. We continue to apply best practice as part of our hiring processes and continue to build on our existing family friendly policies and flexible working requests in order to encourage a diverse set of candidates and employees for all our roles.

Adare International Limited

Directors' report (continued)

Political donations

The Company did not make any political donations during the period (2020: nil).

Streamlined Energy and Carbon Reporting for UK operations

	15 months to 31 March 2022	Year to 31 December 2020
Energy consumed (MWh)	986	706
Scope 1 carbon emissions (tCO ₂ e)2	73	74
Scope 2 carbon emissions (tCO ₂ e)2	138	70
Scope 3 carbon emissions (tCO ₂ e)2	22	55
Scope 1 carbon emissions per employee (tCO ₂ e)2	0.26	0.26
Scope 2 carbon emissions per employee (tCO ₂ e)2	0.50	0.24
Scope 3 carbon emissions per employee (tCO ₂ e)2	0.08	0.19

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.

Research and development

The Company did not incur any research and development costs during the period (2020: nil).

Directors

The directors of the Company during the period and at the date of this report were as follows:

R J F MacMillan	appointed 17 August 2021
K Elgey	appointed 17 August 2021
M E Perez	appointed 17 August 2021
R Berry	resigned 17 August 2021
A Dutton	resigned 17 August 2021
T Ellison	resigned 17 August 2021
N Gaydon	resigned 17 August 2021
M McDonnell	resigned 17 August 2021
S Shaw	resigned 17 August 2021
I Webber	resigned 17 August 2021

Directors' insurance and indemnities

The Company maintains directors' and officers' liability insurance which gives cover for legal actions brought against its directors and officers. In accordance with section 236 of the Companies Act 2006, qualifying third party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial period and through to the date of this report.

Adare International Limited

Directors' report (continued)

Section 172 statement

The directors are well aware of their duty under s.172 of The Companies Act 2006 to act in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so to have regard, amongst other matters to:

- The likely consequences of any decision in the long term;
- The interest of the Company's employees;
- The need to foster the Company's business relationships with its suppliers, clients and others;
- The impact of the Company's operations on the environment;
- The desirability of the Company maintaining a reputation for high ethical standards;
- The need to act fairly between stakeholders of the Company, balancing the respective interests of each.

The directors fulfil this duty partly by delegating responsibility for the day-to-day decision-making to senior management, and consider, both individually and together, that they have acted in accordance with their duties under s.172 in the decisions taken during the period ended 31 March 2022.

Key stakeholders

The Directors consider that the following key stakeholder groups were of strategic importance to the Company's operations during the year.

Our clients

The Company is a Europe-wide provider of creative production and procurement services across a wide range of industry sectors. The Company is deeply embedded with its clients and drives high retention rates through:

- High levels of engagement with clients through dedicated account leadership and on-site teams;
- Delivery of high client satisfaction levels through use of operational metrics, people and technology;
- Long term contracts;
- Our supply chain capability.

The business relies on the careful selection and monitoring of its supply chain and is built on developing mutually beneficial partnerships, allowing it to secure leading market rates while providing suppliers with high-volume, profitable work from world-class clients. Our supply chain is proactively managed to ensure that we provide leadership in ethical standards, sustainability and innovation and that we can meet new demands from our clients.

Our people

Our people are passionate, experts in innovation and sustainability and are what makes the Company a highly trusted partner. The Company is committed to excellence in its people and, following the acquisition, is now involved in the various engagement mechanisms of the wider HH Global group. Further details can be found with the Strategic report of the consolidated financial statements of HH Global Finance Ltd (note 26).

The environment

The world is changing. Financial savings are important to both the Company and its clients, but it is clear that we both also need to take care of our planet and people. Following the acquisition, the Company is now part of the HH Global group's Environmental, Social and Governance Program, Innovation with Purpose which helps balance economic and environmental impacts in line with the United Nations Sustainable Development Goals. Further details can again be found within the consolidated financial statements of HH Global Finance Ltd.

Adare International Limited

Directors' report (continued)

Key strategic decisions and impact on stakeholders

The Board of directors (the "Board") consider that the following were representative of the key strategic decisions taken by the Company during the year.

Strategic Decision	Stakeholder Impact
i. Integration of the Company into the HH Global group	Employees, Clients
ii. Expansion of environmental, social and governance targets	Environment, Clients, Employees

i. Integration of the Company into the HH Global group

- Following the acquisition, the Company worked closely with the HH Global Group to develop integration plans to identify key post-acquisition employment structures and to identify timelines and the structures needed to integrate systems and processes and realise planned synergies. Planned changes to personnel were communicated quickly and, where appropriate, plans put in place to retain key staff and business knowledge.
- Key clients and suppliers were contacted by senior management to ensure transparent communication and allay any commercial concerns.
- Post-acquisition plans continue to be monitored monthly against original timings and expected costs and planned savings.

ii. Expansion of environmental, social and governance targets

Consumers and employees are opening their eyes, recognising climate change as a very real threat to our planet and our way of life. Clients and supply chain partners see a business's approach to the environment as a key element in their decision-making process when choosing where to supply their services or allocate their business.

As influential and responsible collaborators, the Board believes that it is the Company's responsibility to encourage its clients, colleagues and supply chain network to be part of the solution. The Company will also be contributing to the delivery of the emissions reduction targets as outlined in the consolidated financial statements of HH Global Finance Ltd.

Auditor

Deloitte LLP have expressed their willingness to continue. Under the Companies Act 2006 section 487(2) and appropriate arrangements have been put in place for them to be deemed to be re-appointed as auditor in the absence of an Annual General Meeting.

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The directors have taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

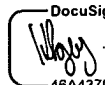
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Adare International Limited

Directors' report (continued)

Approval

This Directors' report was approved on behalf of the board on 27 September 2022.

DocuSigned by:

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Kristian Elgey
Director

Adare International 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 period. Under that law the directors have prepared the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework*.

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


- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 *Reduced Disclosure Framework* has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial statements may differ from legislation in other jurisdictions.

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

On behalf of the board

DocuSigned by:


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Kristian Elgey

Director

27 September 2022

Adare International Limited

Independent auditors' report to the members of Adare International Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Adare International Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

Adare International Limited

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 auditor's report.

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

Adare International Limited

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

We discussed among the audit engagement team including relevant internal specialists such as tax, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address this is described below:

Revenue recognition in respect of cut-off

The procedures performed to address the risk included the following:

- obtaining an understanding of the relevant controls over revenue recognition, specifically cut-off; and
- performing detailed testing of a sample of revenue recognised before and after period end, tracing invoices through to proof of delivery to challenge whether revenue was properly recognised in the correct period in line with the Company's accounting policy.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, in house legal counsel and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Adare International Limited

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:


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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:


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Chris Donovan (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 September 2022

Adare International Limited

Income Statement

for the period ended 31 March 2022

		15 months to 31 March 2022 £'000	Year ended 31 December 2020 £'000
	Note		
Revenue	2	248,828	161,441
Cost of sales		(209,090)	(135,798)
Gross profit		39,738	25,643
Operating expenses		(35,538)	(27,669)
Operating profit/(loss)		4,200	(2,026)
Interest receivables	6	134	191
Finance costs	7	(734)	(691)
Profit/(loss) before income taxation	8	3,600	(2,526)
Income tax charge	9	(832)	(717)
Profit/(loss) for the period from continuing operations		2,768	(3,243)
Profit/(loss) for the period		2,768	(3,243)

Adare International Limited

Statement of comprehensive income for the period ended 31 March 2022

	Period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Profit/(loss) for the period	2,768	(3,243)
Other comprehensive (loss)/income		
Exchange differences on translation of foreign operations	(857)	970
Other comprehensive (loss)/ income	<u>(857)</u>	<u>970</u>
Total comprehensive income/ (loss) for the period	<u>1,911</u>	<u>(2,273)</u>

Adare International Limited

Balance sheet

As at 31 March 2022

	Note	31 March 2022 £'000	Restated 31 December 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	10a	388	437
Right-of-use assets	10b	2,330	1,789
Intangible assets	11	1,395	1,899
Deferred tax	20	31	190
Investment in subsidiaries	12	2,129	1,906
Intercompany loan receivable	13	17,842	17,842
		<u>24,115</u>	<u>24,063</u>
Current assets			
Inventories	14	313	375
Trade and other receivables	15	49,799	39,372
Cash and cash equivalents	18	7,248	8,274
		<u>57,360</u>	<u>48,021</u>
Total assets		<u>81,475</u>	<u>72,084</u>
Equity and liabilities			
Equity attributable to owners of the parent			
Ordinary shares	25	1	1
Translation reserve		(585)	272
Retained earnings		10,007	7,239
Total shareholders' equity		<u>9,423</u>	<u>7,512</u>
Liabilities			
Non - current liabilities			
Lease liabilities	10c	1,809	1,297
		<u>1,809</u>	<u>1,297</u>
Current liabilities			
Trade and other payables	16	63,989	52,842
Borrowings	19	4,900	9,544
Current income tax liabilities		488	-
Lease liabilities	10c	866	889
		<u>70,243</u>	<u>63,275</u>
Total liabilities		<u>72,052</u>	<u>64,572</u>
Total equity and liabilities		<u>81,475</u>	<u>72,084</u>


The prior year figures have been restated to reflect certain loans to group undertakings as non-current assets. See note 13.

Adare International Limited

Balance Sheet

As at 31 March 2022

The financial statements on pages 15 to 45 were approved by the board of directors on 27 September 2022 and signed on its behalf by

DocuSigned by:

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Kristian Elgey

Director

Registered number 01610897

Adare International Limited

Statement of changes in equity for the period ended 31 March 2022

	Ordinary shares	Retained earnings	Translation reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2020	1	10,482	(698)	9,785
Other comprehensive loss for the year	-	-	970	970
Loss for the year	-	(3,243)	-	(3,243)
Total comprehensive loss for the year	-	(3,243)	970	(2,273)
Balance at 31 December 2020	<u>1</u>	<u>7,239</u>	<u>272</u>	<u>7,512</u>
Balance at 1 January 2021	1	7,239	272	7,512
Other comprehensive loss for the period	-	-	(857)	(857)
Profit for the period	-	2,768	-	2,768
Total comprehensive income for the period	-	2,768	(857)	1,911
Balance at 31 March 2022	<u>1</u>	<u>10,007</u>	<u>(585)</u>	<u>9,423</u>

Adare International 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 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 have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101) and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Summary of disclosure exemptions

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 'Property, plant and equipment';
 - paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the year).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Adare International Limited

Notes (continued)

1 Accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic report and the Directors' report.

The Company meets its day-to-day working capital requirements through cash generated by operations of its branches and an invoice finance facility with an external provider.

As part of the process for determining that it is appropriate to prepare the financial statements under the going concern convention the directors considered the following factors:

- The net asset position of the Company
- The ability of the Company to continue to receive financial support, as required, from financing arrangements with external lenders;
- Forecast cash flows for the period from August 2022 to September 2023 (taking into account working capital movements and hence impact on net assets / liabilities), being the time period that the directors considered the most appropriate to forecast ahead with reasonable certainty at this time.
- High level stress tests of these forecast numbers to take account of unforeseen impacts to trading activities. These stressed results were then assessed against the mitigating actions available to the Company, including flexing key elements of its operating costs throughout the period of review.

Having reviewed the Company's forecasts and after taking account of possible changes in trading performance, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months and to meet its liabilities as they fall due. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's branches are measured using the currency of the primary economic environment in which the branch operates ('the functional currency'). The financial statements are presented in sterling, which is the Company's presentational currency.

On consolidation of the overseas branches, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and shown within reserves within the translation reserve.

Transactions and balances

Foreign currency transactions are translated into the Company's functional currency of each branch using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses are presented in the income statement within 'Operating expenses'.

Adare International 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.

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:

Land and buildings	10%
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.

Leases and right of use assets

The Company leases various offices and warehouses. Rental contracts are typically made for fixed periods of six months to five years, but may have extension options. Contracts may contain both lease and non-lease components. The Company 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 Company 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.

All leases of property, plant and equipment are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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 Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option

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Notes (continued)

1 Accounting policies (continued)

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 Company, 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 Company:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk; and
- makes adjustments specific to the lease, for example term, country, currency and security.

The Company 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 Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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.

Intangible assets

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.

Internally developed software is stated at historical cost for development activities less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is provided to write off the cost, less estimated residual values over the expected useful life of the software on a straight-line basis. It is calculated from the date it is first placed into service and generally over 5 years.

Adare International Limited

Notes (continued)

1 Accounting policies (continued)

Impairment of assets

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of the reporting period that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

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.

Cash and cash equivalents

Cash and cash equivalents include 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 balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

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Notes (continued)

1 Accounting policies (continued)

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Adare International Limited

Notes (continued)

1 Accounting policies (continued)

Investments

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares, this element of the consideration is recognised at the fair value.

Investments denominated in foreign currency are translated at historical rates of exchange.

Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

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.

Retained earnings

The retained earnings account represents cumulative profits and losses net of distributions to owners.

Translation reserve

The translation reserve represents the cumulative impact of exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate during the period.

Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Adare International Limited

Notes (continued)

1 Accounting policies (continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 financial statements. 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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. 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.

Pension costs

Contributions were made by the Company to the individual money purchase pension plans of certain employees during the period. Contributions by the Company to these plans were charged to the income statement. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Adare International Limited

Notes (continued)

1 Accounting policies (continued)

Holiday pay

A liability is recognised in respect of any unused holiday pay entitlement which has accrued at the balance sheet date and is available to be carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Provisions

Provisions for dilapidations, restructuring costs and legal claims are recognised when: the Company 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.

Revenue

Revenue primarily represents the value of creative production and procurement services provided to external clients. Revenue during the prior period also included revenues from the one-off supply of pandemic related personal protective equipment and consumables to clients. Revenue is recognised net of value added tax and any discounts allowed, in the period in which goods are delivered or the service is provided.

Exceptional items

Items that are non-recurring, or irregular, and material in size or non-operating in nature are presented as exceptional items in the income statement (note 3). The Directors are of the opinion that separate presentation of exceptional items provides helpful information about the Company's underlying business performance.

Interest

Interest receivable and payable are recognised in the income statement in the period in which they arise.

Adare International Limited

Notes (continued)

1 Accounting policies (continued)

Government grants

Government grants received during the period are recognised based on the accrual model and are measured at the fair value of the asset received or receivable.

Prior year Adjustment

During the period the directors have assessed the classification of certain intercompany loan receivable balances as current or non-current. Although intercompany loan receivables balances are repayable on demand, there is no intention to settle certain balances within 12 months. Following this reassessment, the Directors have concluded that these balances should be reclassified from current asset to non-current assets. As a result, a prior year adjustment has been made and is reflected in the restated 2020 balances as presented. The effect of the prior year restatement is decrease in current receivables by £17.8m and increase non-current receivables by £17.8m. The net impact on the income statement and statement of financial position is £nil. The restatement has been made to ensure comparability between the periods.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors do not believe there are any critical judgements that the directors have made in the process of applying the Company's accounting policies that have a material effect on the amounts recognised in the financial statements.

Adare International Limited

Notes (continued)

2 Revenue

All revenue relates to creative production and procurement services.

A geographical analysis of revenue by destination is given below:

	15 months ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
United Kingdom	43,041	26,294
Rest of Europe	202,485	132,406
Rest of World	3,302	2,741
Total	248,828	161,441

3 Exceptional costs

During the period the Company incurred net non-recurring expenditure as follows:

	Period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Restructuring costs	3,948	1,035
Other exceptional costs	1,165	718
Total	5,113	1,753

Restructuring costs in the period relate primarily to staff rationalisation programmes following the acquisition.

Other exceptional costs include impairment of capitalised systems costs which are no longer considered to have value post acquisition and provisions against receivable balances due from subsidiary entities in Russia and Ukraine.

Adare International Limited

Notes (continued)

4 Employee information

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

	Period ended 31 March 2022 Number	Year ended 31 December 2020 Number
Production and technical support	485	387
Administration	107	101
Total	<u>592</u>	<u>488</u>

The aggregate payroll costs of these persons were as follows:

	Period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Wages and salaries	23,862	17,956
Social security costs	3,602	2,921
Other pension costs (note 21)	664	559
Total	<u>28,128</u>	<u>21,436</u>

5 Directors' remuneration

	Period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
The remuneration paid to directors was:		
Wages and salaries	2,944	1,200
Payments to defined contribution pension scheme	61	74
Compensation for loss of office	830	-
Total	<u>3,835</u>	<u>1,274</u>

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

	Period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Wages and salaries	1,211	366
Compensation for loss of office	281	-
Total	<u>1,492</u>	<u>366</u>

Adare International Limited

Notes (continued)

6 Interest received

	Period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Interest received on loans to group undertakings	134	191
Total	<u>134</u>	<u>191</u>

7 Finance costs

	Period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Bank interest	65	175
Invoice finance interest	543	425
Lease interest (note 10 (c))	126	91
Total	<u>734</u>	<u>691</u>

8 Operating profit

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

	Period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Depreciation:		
Owned assets	204	242
Leased assets	1,210	1,087
Amortisation of acquired intangible assets	564	487
Auditor's remuneration:		
Audit of the financial statements of the Company	150	119
Loss on disposal of property, plant and equipment	(72)	(116)
Foreign exchange (gains)/losses	(325)	2,335

Adare International Limited

Notes (continued)

9 Income tax charge	Period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
(a) Analysis of charge in period		
<i>Current tax:</i>		
UK corporation tax charge for the period	377	-
Adjustments in respect of prior years	(12)	171
Overseas tax	308	138
	<hr/>	<hr/>
Total current tax	673	309
<i>Deferred tax:</i>		
Origination and reversal of timing differences	144	532
Adjustments in respect of prior year	15	(53)
Impact of change in tax rates	-	(71)
	<hr/>	<hr/>
Total deferred tax	159	408
	<hr/>	<hr/>
Income tax charge	832	717
	<hr/>	<hr/>

(b) Factors affecting tax charge in period

In the September 2022 Mini Budget it was announced that the planned increase in corporation tax rate in April 2023 to 25% would now not occur and the Corporation Tax Rate would instead be held at 19%. This rate had not been substantively enacted at the balance sheet date and is not reflected in these financial statements. The impact of this change on the deferred tax asset (note 20), had it been substantively enacted at the balance sheet date, is £nil.

The tax assessed for the period is higher (2020: higher) than the standard rate of corporation tax in the United Kingdom. The differences are explained below:

	Period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Profit/(loss) on ordinary activities before tax	3,600	(2,526)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities before tax multiplied by the standard rate of corporation tax of 19% (2019: 19%)	684	(480)
<i>Effects of:</i>		
Lower tax rate on overseas earnings	20	-
Expenses not deductible for tax purposes	559	211
Adjustment to current tax in respect of prior years	(11)	171
Other tax adjustments, reliefs and transfers	32	92
Deferred tax not recognised	(465)	458
Non-taxable income	(2)	-
Effect on change in tax rates	-	(71)
Overseas tax suffered	-	109
IFRS 16 tax consolidation adjustment	-	280
Adjustment to deferred tax charge in respect of prior years	15	(53)
Income tax charge for the period	832	717
	<hr/>	<hr/>

Adare International Limited

Notes (continued)

10 (a) Property, plant and equipment

	Land and buildings	Plant, equipment, fixtures and fittings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2020	273	1,229	1,502
Additions	-	148	148
Translation	-	(1)	(1)
At 31 December 2020	273	1,376	1,649
At 1 January 2021	273	1,376	1,649
Additions	-	159	159
Translation	-	(6)	(6)
At 31 March 2022	273	1,529	1,802
Accumulated depreciation			
At 1 January 2020	222	752	974
Charge for the year	40	202	242
Translation	-	(4)	(4)
At 31 December 2020	262	950	1,212
At 1 January 2021	262	950	1,212
Charge for the year	11	193	204
Translation	-	(2)	(2)
At 31 March 2022	273	1,141	1,414
Net book value			
At 31 December 2020	11	426	437
At 31 March 2022	-	388	388

Adare International Limited

Notes (continued)

10 (b) Right-of-use assets

	Buildings £'000	Total £'000
Cost		
At 1 January 2020	2,455	2,455
Additions	1,165	1,165
Disposals	(219)	(219)
Translation	(26)	(26)
At 31 December 2020	3,375	3,375
At 1 January 2021	3,375	3,375
Additions	2,227	2,227
Disposals	(1,088)	(1,088)
Translation	(90)	(90)
At 31 March 2022	4,424	4,424
Accumulated depreciation		
At 1 January 2020	843	843
Charge for the year	1,087	1,087
Disposals	(339)	(339)
Translation	(5)	(5)
At 31 December 2020	1,586	1,586
At 1 January 2021	1,586	1,586
Charge for the period	1,210	1,210
Disposals	(835)	(835)
Translation	133	133
At 31 March 2022	2,094	2,094
Net book value		
At 31 December 2020	1,789	1,789
At 31 March 2022	2,330	2,330

Adare International Limited

Notes (continued)

10 (c) Lease liabilities

	31 March 2022 £'000	31 December 2020 £'000
Current	866	889
Non-current	1,809	1,297
Total	<u>2,675</u>	<u>2,186</u>

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

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

	Period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Depreciation charge on right-of-use assets		
Buildings	1,210	996
Total	<u>1,210</u>	<u>996</u>
Interest expense	126	91
Expense relating to short-term leases	67	181
Expense relating to leases of low-value assets	23	40

Adare International Limited

Notes (continued)

11 Intangible assets

	Software £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2020	4,990	202	5,192
Additions	582	-	582
Disposals	(1)	-	(1)
At 31 December 2020	5,571	202	5,773
At 1 January 2021	5,571	202	5,773
Additions	843	-	843
Impairment	(581)	(202)	(783)
At 31 March 2022	5,833	-	5,833
Accumulated amortisation			
At 1 January 2020	3,388	-	3,388
Charge for the year*	487	-	487
Disposals	(1)	-	(1)
At 31 December 2020	3,874	-	3,874
At 1 January 2021	3,874	-	3,874
Charge for the period*	564	-	564
At 31 March 2022	4,438	-	4,438
Net book value			
At 31 December 2020	1,697	202	1,899
At 31 March 2022	1,395	-	1,395

* Amortisation charges are included in operating expenses.

Adare International Limited

Notes (continued)

12 Investment in subsidiaries

	31 March 2022 £'000	31 December 2020 £'000
Interests in subsidiary companies	<u>2,129</u>	<u>1,906</u>
	2022 £'000	2020 £'000
Shares in subsidiary companies at cost:		
At start of period	1,906	1,906
Additions	223	-
At end of period	<u>2,129</u>	<u>1,906</u>

Full details of the subsidiaries of the Company can be found in note 24.

13 Intercompany loan receivable

	31 March 2022 £'000	Restated 31 December 2020 £'000
Intercompany loan receivable	<u>17,842</u>	<u>17,842</u>

During the period the directors have assessed the classification of certain intercompany loan receivable balances as current or non-current. Although intercompany loan receivables balances are repayable on demand, there is no intention to settle certain balances within 12 months. Following this reassessment, the Directors have concluded that these balances should be reclassified from current asset to non-current assets. As a result, a prior year adjustment has been made and is reflected in the restated 2020 balances as presented. The effect of the prior year restatement is decrease in current receivables by £17.8m and increase non-current receivables by £17.8m. The net impact on the income statement and statement of financial position is £nil. The restatement has been made to ensure comparability between the periods.

14 Inventories

	31 March 2022 £'000	31 December 2020 £'000
Finished goods and work in progress	<u>313</u>	<u>375</u>

In the opinion of the directors, the replacement cost of stocks at 31 March 2022 is not materially different to the carrying value as stated above.

Adare International Limited

Notes (continued)

15 Trade and other receivables

	31 March 2022 £'000	Restated 31 December 2020 £'000
Trade receivables	39,408	32,321
Less provision for impairment	(25)	(55)
Trade receivables net	<u>39,383</u>	<u>32,266</u>
Other receivables	863	2,087
Prepayments and accrued income	4,112	989
Accounts receivable from other group companies	5,441	4,030
	<u>49,799</u>	<u>39,372</u>

The amounts due from subsidiary undertakings are unsecured, repayable on demand and carry a market rate of interest.

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

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

	2022 £'000	2020 £'000
At start of period	55	84
Decrease in provision	(30)	(29)
At end of period	<u>25</u>	<u>55</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 Company does not hold any collateral as security.

16 Trade and other payables

	31 March 2022 £'000	31 December 2020 £'000
Trade payables	48,041	31,552
Other tax and social security	2,094	4,519
Other creditors	104	139
Accruals and deferred income	13,750	16,632
	<u>63,989</u>	<u>52,842</u>

Adare International Limited

Notes (continued)

17 Financial instruments

Financial instruments by category

	31 March 2022 £'000	31 December 2020 £'000
Financial assets as per balance sheet		
Trade and other receivables excluding prepayments and overseas tax	45,687	38,229
Cash and cash equivalents	7,248	8,273
	<u>52,935</u>	<u>46,502</u>
Financial liabilities as per balance sheet		
Borrowings	4,900	9,544
Trade and other payables excluding accruals and deferred income	50,239	36,210
	<u>55,139</u>	<u>45,754</u>

All financial instruments are measured at amortised cost.

18 Cash and cash equivalents

	31 March 2022 £'000	31 December 2020 £'000
Cash and cash equivalents	<u>7,248</u>	<u>8,274</u>

19 Borrowings

	31 March 2022 £'000	31 December 2020 £'000
Current:		
Invoice finance facility	4,900	7,044
Revolving credit facility	-	2,500
	<u>4,900</u>	<u>9,544</u>

The Company is party to a multi-currency receivables finance facility totalling £14,000,000 provided by HSBC. Interest is charged at 2.20% above the Bank of England base rate. As at March 2022 £4,900,000 was drawn down. The facility continues to 31 May 2023. Borrowings are secured against assets of the business.

In addition to the above facility, the Company 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 19 April 2021. The facility was allowed to lapse on 31 May 2021.

Adare International Limited

Notes (continued)

20 Deferred tax assets

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

	Short-term timing differences	Total
	£'000	£'000
At start of period	190	190
Debit in the period	(159)	(159)
At end of period	31	31

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company has an unrecognised deferred tax asset of £1,720,000 (2020: £1,900,000) relating to carried forward losses and other timing differences. 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.

21 Pensions

The Company made contributions of £664,000 (2020: £559,000) to the individual money purchase pension plans of certain employees of the Company during the period. The assets of these plans were held separately from those of the Company in independently administered funds. As at the year end, contributions totalling £112,000 (2020: £135,000) remained payable.

22 Contingent liabilities

As at the balance sheet date, there were no contingent liabilities.

23 Commitments

Operating lease commitments

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

	31 March 2022 £'000	31 December 2020 £'000
No later than one year	48	10
	48	10

Adare International Limited

Notes (continued)

24 Subsidiary undertakings

At 31 March 2022, 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
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.

Country of incorporation and registered offices:

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

Adare International Limited

Notes (continued)

24 Subsidiary undertakings (*continued*)

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

C - Subsidiary 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 - Subsidiary incorporated and operating in Chile with registered offices of 1954, Oficina 1801 - 7500521, Providencia, Santiago, Chile .

E - Subsidiary incorporated and operating in Colombia with registered offices of Calle 119 # 14-42 - Oficina 401, edificio Baruc. Código postal 11001 - Bogotá - Colombia.

F - Subsidiary incorporated and operating in Costa Rica with registered offices of Edificio Gibraltar, Rohrmoser, 250 metros al oeste del Scotiabank, San Jose.

G - Subsidiary incorporated and operating in Ecuador with registered offices of Whymper N27-70 y Francisco Orellana, Edificio Sassari, Piso 6, Oficina 6B, Quito, Ecuador.

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

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

M - Subsidiary incorporated and operating in Mexico with registered offices of Londres 40, Piso 3, Colonia Juárez, Zip code 06600 Cuauhtémoc (CDMX) - México.

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

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

P - Subsidiary incorporated and operating in Panama with registered offices of Costa Del Este, Ave Centenario, Edificio Peninsula Center, Piso 8 Oficina 808, Ciudad De Panama.

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

Adare International Limited

Notes (continued)

24 Subsidiary undertakings (*continued*)

R – Subsidiary incorporated and operating in Peru with registered offices of Departamento Lima, Distrito Lima, Zona Urb, Jardin Via Calle Coronel Andres Reyes Nro 360 Interior 201B, Peru.

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

T – Subsidiary 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 Grove House, Guildford Road, Fetcham, Leatherhead, United Kingdom, KT22 9DF.

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

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

X – Subsidiary 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, Norway, Poland, Portugal, Romania, Serbia, Spain, Sweden, Trinidad & Tobago and Turkey.

25 Ordinary shares

	Period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
<i>Authorised, issued and fully paid:</i>		
1,000 (2020: 1,000) ordinary shares of £1 (2020: £1) each	<u>1</u>	<u>1</u>

Adare International Limited

Notes (continued)

26 Ultimate parent and controlling party

The Company's ultimate parent undertaking is HH Global Enterprise Network Ltd, a company registered in Jersey, company number 130404, and the largest group for which the results of the Company are consolidated. The registered office of HH Global Enterprise Network Ltd is 44 Esplanade, St Helier, Jersey, JE4 9WG.

No shareholders have a controlling interest in HH Global Enterprise Network Ltd and therefore in the opinion of the directors, there is no ultimate controlling party.

The parent of the smallest group for which the results of the Company are consolidated is HH Global Finance Ltd. Copies of the consolidated financial statements of HH Global Finance Ltd are available from Companies House. The registered office of HH Global Finance Ltd is in the United Kingdom, at Grove House, Guildford Road, Leatherhead, Surrey, KT22 9DF.

The Company's immediate parent undertaking is Continuous Stationery Ltd, a company with the registered address of Grove House, Guildford Road, Fetcham, Leatherhead, KT22 9DF, United Kingdom. Continuous Stationery Ltd is exempt from preparing consolidated financial statements.