

Registered number: 05094961

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

COMPANY INFORMATION

Director	J F Owen
Registered number	05094961
Registered office	1st Floor Charter Building Charter Place Uxbridge Middlesex UB8 1JG
Independent auditor	Nexia Smith & Williamson Chartered Accountants & Statutory Auditor 4th Floor Cumberland House 15-17 Cumberland Place Southampton Hampshire SO15 2BG
Bankers	National Westminster Bank plc 250 Regent Street Soho London W1B 3BN
Solicitors	Diserio Martin O'Connor & Castiglioni LLP 1010 Washington Boulevard Stamford Connecticut CT 06901

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

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ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the Strategic Report for Original Additions (Beauty Products) Limited for the year ended 31 December 2020.

Principal activity

The Company's principal activity during the year was that of the design, production and distribution of beauty products. The Company's principal brands are Eylure, Elegant Touch and Salon Systems.

Business review

In 2020 sales were £42.1 million, a small increase on 2019. Whilst the Covid-19 pandemic had a negative impact on demand, due to the lockdowns and closure of salons in the UK during a portion of the year, sales increased overall with growth in the international business, driven by consumer preferences.

Gross margin improved from 36% in 2019 to 41% in 2020. This change in gross margin is attributable to foreign currency exchange rate movements, as the majority of our products are procured from vendors that price their goods in US dollars. The GBP was slightly stronger vs the USD in 2020 as compared to 2019, decreasing cost of sales and positively impacting gross margin. Additionally channel and product mix contributed to the margin improvement.

In 2018 we began the process of preparing for the departure of the United Kingdom from the European Union, which was effective January 1, 2021.

Incremental costs incurred related to such preparation, consisting primarily of product compliance and registration activities, were minimal in 2018 and 2019, and continued into 2020. While we have experienced increases in logistics costs and increases in shipping times we have continued to service our European customers into 2021.

During 2021 we exited our own operated distribution center and moved to a third party logistics model. Additionally we relocated our head office to Uxbridge. These moves are intended to assist us in better serving our customers and in providing a better environment for our employees.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Financial key performance indicators

The directors monitor the following KPIs:

- Gross margin - 41% (2019: 36%)
- Percentage of revenue from overseas markets - 31% (2019: 17%)

Director's statement of compliance with duty to promote the success of the Company

The directors of the Company must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as whole and, in doing so, have regards (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members/shareholders of the Company.

Decision Making and Governance

Within Original Additions (Beauty Products) Limited the Directors fulfil their duties, as summarised above, through a corporate governance structure that delegates day-to-day decision making to the employees of the Company. In managing risks and exploiting opportunities the Company seeks to balance market share, retailer and consumer satisfaction, brand perception, and the financial wellbeing of the Company. Actions yielding short term gains are not taken if long term ramifications are detrimental to any of these measures.

Employees

The Company is committed to be a responsible business. Our behaviour is aligned with the expectations of our employees, customers, and shareholders. Our average tenure of employee is 6.79 years, and 38.27% of our employees have been employed by us for at least five years.

Business Relationships

Our strategy prioritises organic growth in the UK and internationally, and securing new customers for the Company. To do this we need to develop and maintain strong customer and distributor relationships. We also need to develop and maintain close relationships with our suppliers, many of whom we have worked with for a number of years, to foster innovation.

Community and Environment

The Company's approach is to use its position, as far as it can and on a proportionate and responsible basis, as an employer and distributor of beauty products to create positive change for the people and communities with which we interact.

Standards of Business Conduct

We are committed to conducting business with high ethical standards, including compliance with all applicable laws and regulations.

Balancing Interests of Diverse Shareholders

As we are a wholly owned subsidiary of our US based parent company, Parfums de Coeur Ltd, this point is not applicable.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Streamlined Energy & Carbon Reporting (SECR)

In the period covered by the report, the Company has not taken any energy efficiency action due to Covid-19.

Methodology

The report follows the GHG Reporting Protocol - Corporate Standard as the accepted methodology to meet the mandatory SECR requirements.

The UK Government's Greenhouse gas conversion factors have been used to calculate the carbon emissions.

Operational SECR Inventory

	2020	2019
Energy consumption used to calculate emissions: /kWh	679,447	645,475
Emissions from Scope 1 tCO ₂ e	79	75
Emissions from purchased electricity tCO ₂ e (Scope 2, location-based)	57	54
Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel tCO ₂ e (Scope 3)	7	7
Total gross tCO ₂ e based on above	143	136
Intensity ratio: tCO ₂ e gross pre £000,000 sales revenue	3.4	3.3
Sales revenue £000,000	42.1	41.7

Base Year

The Company has selected a rolling base year.

This report was approved by the board and signed on its behalf.


John F Owen (Dec 21, 2021 16:15 EST)

J F Owen
Director

Date: 21/12/2021

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The director presents his report and the financial statements for the year ended 31 December 2020.

Results and dividends

The profit for the year, after taxation, amounted to £3,717,026 (2019: £2,316,681).

No dividends were paid or proposed in the year (2019: £Nil).

Director

The director who served during the year was:

J F Owen

J Stammer (resigned 1 February 2020)

A Tosolini (appointed 2 February 2020, resigned 4 May 2020)

Financial risk management

Mitigation of foreign currency exchange risk

An appreciable portion of the Company's purchases are made in US dollars and, to protect the value of these purchases against currency fluctuations, dollar purchases are covered by forward foreign exchange contracts. There were forward contracts totalling \$10m in place at 31 December 2020 (2019: \$7.8m). In 2020 they had an average cost of £1:\$1.306 (2019: £1:\$1.318) compared to the market rate of £1:\$1.365 (2019: £1:\$1.321).

Mitigation of credit risk

The Company regularly reviews the outstanding debts to reduce the likelihood of bad debt losses.

Liquidity risk

The liquidity risk is managed through forecasting the Company's future cash flow requirements and maintaining sufficient cash reserves.

Price risk

The Company is exposed to price risk due to normal inflationary increases in the purchase price of supplies and services.

Disclosure of information to auditor

The director at the time when this Director's Report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

In 2021, at the termination of the lease, the Company vacated its own operated distribution center in Hayes, and moved to a third party logistics model. Additionally in 2021 the Company entered into a lease for new premises for its head office, located in Uxbridge.

Auditor

The auditor, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

This report was approved by the board and signed on its behalf.


John F Owen (Dec 21, 2021 16:15 EST)

J F Owen
Director

Date: 21/12/2021

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

**DIRECTOR'S RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the director is required to:

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

The director is 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 to enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

Opinion

We have audited the financial statements of Original Additions (Beauty Products) Limited (the 'Company') for the year ended 31 December 2020 which comprise the Statement of Income and Retained Earnings, the Balance Sheet and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor'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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 year 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.

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED (CONTINUED)

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.

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 obtained a general understanding of the Company's legal and regulatory framework through enquiry of management concerning: their understanding of relevant laws and regulations; the entity's policies and procedures regarding compliance; and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the Company's industry and regulation.

We understand that the Company complies with the framework through:

- Outsourcing payroll, accounts preparation and tax compliance to external experts.
- Subscribing to relevant updates from external experts, and making changes to internal procedures as necessary.

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the Company's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Company:

- The Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Stock and debtor provisions as these are estimates made by management
- Management override of controls resulting in manipulation of the financial statements, especially revenue, via fraudulent journal entries or error affecting cut-off around the year end.

These areas were communicated to the other members of the engagement team not present at the discussion.

- Challenging management regarding the assumptions used in the estimates identified above, and comparison to post-year-end data as appropriate;
- Substantive work on material areas affecting profit;
- Testing journal entries, particularly focussing on postings to unexpected or unusual accounts; and
- Testing of transactions around the year end, agreeing that revenue was recognised appropriately.

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORIGINAL ADDITIONS (BEAUTY
PRODUCTS) LIMITED (CONTINUED)**

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.

Nexia Smith & Williamson

Nexia Smith & Williamson (Dec 21, 2021 21:40 GMT)

Alan Waters (Senior Statutory Auditor)

for and on behalf of

Nexia Smith & Williamson

Chartered Accountants

Statutory Auditor

4th Floor Cumberland House

15-17 Cumberland Place

Southampton

Hampshire

SO15 2BG

Date: 21/12/2021

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £	2019 £
Turnover	4	42,089,250	41,659,332
Cost of sales		(24,645,425)	(26,719,440)
Gross profit		17,443,825	14,939,892
Administrative expenses		(12,531,026)	(11,872,100)
Fair value movement on foreign exchange forward contracts		(254,461)	(82,807)
Profit before tax		4,658,338	2,984,985
Tax on profit	8	(941,312)	(668,304)
Profit after tax		3,717,026	2,316,681
Retained earnings at the beginning of the year		28,926,457	26,609,776
Profit for the year		3,717,026	2,316,681
Retained earnings at the end of the year		32,643,483	28,926,457

The notes on pages 14 to 29 form part of these financial statements.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED
REGISTERED NUMBER:05094961

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	9	1,286,410	1,655,734
Tangible assets	10	133,349	223,134
Investments	11	2,452	2,452
		<u>1,422,211</u>	<u>1,881,320</u>
Current assets			
Stocks	12	13,314,666	8,477,463
Debtors: amounts falling due within one year	13	20,921,498	19,247,150
Cash at bank and in hand	14	7,333,503	7,215,107
		<u>41,569,667</u>	<u>34,939,720</u>
Creditors: amounts falling due within one year	15	(9,473,795)	(7,366,495)
Net current assets		<u>32,095,872</u>	<u>27,573,225</u>
Total assets less current liabilities		<u>33,518,083</u>	<u>29,454,545</u>
Provisions for liabilities			
Deferred tax	16	-	(3,488)
Other provisions	17	(414,000)	(64,000)
		<u>(414,000)</u>	<u>(67,488)</u>
Net assets		<u><u>33,104,083</u></u>	<u><u>29,387,057</u></u>
Capital and reserves			
Called up share capital	18	821	821
Share premium account	19	100,072	100,072
Capital redemption reserve	19	359,707	359,707
Retained earnings	19	32,643,483	28,926,457
Shareholders' funds		<u><u>33,104,083</u></u>	<u><u>29,387,057</u></u>

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED
REGISTERED NUMBER:05094961

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

John F Owen
John F Owen (Dec 21, 2021 16:15 EST)

J F Owen
Director

Date: 21/12/2021

The notes on pages 14 to 29 form part of these financial statements.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

Original Additions (Beauty Products) Limited is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 05094961). The registered office address is 1st Floor Charter Building, Charter Place, Uxbridge, Middlesex, UB8 1JG.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Exemptions under the reduced disclosure framework

The Company has taken advantage of the following exemptions available under FRS 102:

- the exemption from preparing a statement of cash flows; and
- reduced disclosures for share-based payments and financial instruments (as equivalent disclosures have been given in the consolidated financial statements of PDC Brands UK Limited).

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of its parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2.4 Going concern

The board has reviewed forecasts, including the continued impact of the Covid-19 pandemic, and further information that has reassured it that there is a reasonable expectation that the Company will have adequate cash resources to meet its obligations as they fall due for a period of at least twelve months after the date on which the report and financial statements are signed. Also, if required, support from the parent company is available. For these reasons, the Company continues to adopt the going concern basis in the financial statements.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.6 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.8 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to profit or loss over its useful economic life of 20 years.

2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- over the term of the lease of 20 years
Fixtures, fittings and office equipment	- 25% straight-line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.11 Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss, as described below.

Non-financial assets

The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell and its value in use. An asset is impaired where the estimated recoverable value of the asset has been reduced.

The recoverable amount of goodwill is derived from measurement of the present value of the future cashflows of the cash-generating units ("CGUs") of which the goodwill is part. Any impairment loss is allocated first to the goodwill attached to that CGU, and thereafter to other assets within that CGU on a pro rata basis.

Financial assets

Financial assets that are measured at cost or amortised cost are assessed at the end of each reporting period for objective evidence of impairment. The impairment loss is measured as the difference between a financial asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the related contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the board's best estimate of its value, with the latter being an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

2.12 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, and are shown net of provisions for slow moving and obsolete stocks. Costs include materials, costs of assembly, freight and duty costs. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

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

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.15 Financial instruments

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

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Company's cash management.

Derivative financial instruments are classified as other financial instruments. They are measured at fair value on initial recognition and at the end of each reporting period, with changes in fair value recognised in profit or loss.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

2. Accounting policies (continued)

2.16 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are evaluated at each reporting date and are based on historical experience as adjusted for current market conditions and other factors. Management makes estimates and assumptions concerning the future in preparing the financial statements and the actual results will not always reflect the accounting estimates made. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the Company are outlined below.

Stock provision

At each reporting date, the Company's stock holding is analysed to identify items which may be obsolete and a provision is made against those items. The carrying value after provision totalled £13,314,666 (2019: £8,477,463).

Debtor provision

At each reporting date, the Company's trade debtor balance is reviewed to identify balances against which specific provisions are required. The carrying value after provision totalled £4,694,241 (2019: £3,766,764).

Retrospective and promotional discounts

Certain promotions are funded retrospectively, the cost of these promotions cannot be confirmed until the promotions are concluded and the customer submits a claim. At each reporting date, an estimate of the outstanding and uninvoiced charges is provided for in the Company's accounts.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. Turnover

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	29,207,397	34,586,163
Rest of Europe	10,348,992	4,373,218
Rest of the World	2,532,861	2,699,951
	<u>42,089,250</u>	<u>41,659,332</u>

5. Operating profit

The operating profit is stated after charging/(crediting):

	2020 £	2019 £
Depreciation of tangible fixed assets	156,559	98,882
Amortisation of intangibles, including goodwill	369,324	369,324
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	44,455	43,160
Exchange differences	(43,888)	190,784
Other operating lease rentals	768,649	747,824
	<u>768,649</u>	<u>747,824</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent company

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

6. Employees

Staff costs, including director's remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	3,500,459	3,262,816
Social security costs	388,200	377,011
Cost of defined contribution scheme	96,057	143,721
	<u>3,984,716</u>	<u>3,783,548</u>

The average monthly number of employees, including the director, during the year was as follows:

	2020 No.	2019 No.
Production and distribution	28	34
Sales and marketing	39	33
Office and administration	14	14
	<u>81</u>	<u>81</u>

7. Director's remuneration

	2020 £	2019 £
Director's emoluments	-	90,089
Directors pension costs	-	15,923
Compensation for loss of office	-	117,500
	<u>-</u>	<u>223,512</u>

During the year retirement benefits were accruing to Nil directors (2019: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £Nil (2019: £90,089).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2019: £15,923).

During the prior year, the director remunerated through the UK group resigned. From that point onwards all directors are remunerated from other group companies and it is not possible to split their emoluments between the UK group and other group companies.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the period	1,030,526	672,497
Adjustments in respect of previous periods	-	(31,689)
Total current tax	1,030,526	640,808
Deferred tax		
Origination and reversal of timing differences	(73,891)	(2,333)
Effect of tax rate change on opening balance	(1,246)	-
Adjustments in respect of prior periods	(14,077)	29,829
Total deferred tax	(89,214)	27,496
Taxation on profit on ordinary activities	941,312	668,304

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019: *higher than*) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	4,658,338	2,984,985
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	885,084	567,147
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	136,201	102,742
Adjustments to tax charge in respect of prior periods	-	(31,689)
Adjustments to tax charge in respect of previous periods - deferred tax	(14,077)	29,829
Other tax differences	(64,649)	-
Remeasurement of deferred tax for changes in tax rates	(1,247)	275
Total tax charge for the year	941,312	668,304

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. Taxation (continued)

Factors that may affect future tax charges

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate had not been substantively enacted at the balance sheet date, as a result deferred tax balances as at 31 December 2020 continue to be measured at 19%.

9. Intangible assets

	Goodwill £
Cost	
At 1 January 2020	7,386,411
At 31 December 2020	<u>7,386,411</u>
Amortisation	
At 1 January 2020	5,730,677
Charge for the year	369,324
At 31 December 2020	<u>6,100,001</u>
Net book value	
At 31 December 2020	<u><u>1,286,410</u></u>
At 31 December 2019	<u><u>1,655,734</u></u>

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings and office equipment £	Total £
Cost			
At 1 January 2020	139,885	616,766	756,651
Additions	-	66,774	66,774
At 31 December 2020	139,885	683,540	823,425
Depreciation			
At 1 January 2020	113,576	419,941	533,517
Charge for the year	26,309	130,250	156,559
At 31 December 2020	139,885	550,191	690,076
Net book value			
At 31 December 2020	-	133,349	133,349
At 31 December 2019	26,309	196,825	223,134

11. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2020	2,452
At 31 December 2020	2,452

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Eylure Limited	Dormant	Ordinary	100%
Naturelle Limited	Dormant	Ordinary	100%
City Chick Limited	Dormant	Ordinary	100%
Nail Basics Limited	Dormant	Ordinary	100%
Salon System Limited	Dormant	Ordinary	100%
Original Additions Limited	Dormant	Ordinary	100%
Original Additions LLC	Dormant	Ordinary	100%

The registered office address of the UK subsidiaries (Eylure Limited, Naturelle Limited, City Chick Limited, Nail Basics Limited, Salon System Limited and Original Additions Limited) is 1st Floor Charter Building, Charter Place, Uxbridge, Middlesex, UB8 1JG.

The registered office address of the US subsidiary (Original Additions LLC) is Cogency Global Inc., 850 New Burton Road Suit 201, Dover, Kent, 19904 DE.

12. Stocks

	2020 £	2019 £
Raw materials and consumables	1,469,818	280,157
Finished goods and goods for resale	11,844,848	8,197,306
	<u>13,314,666</u>	<u>8,477,463</u>

An impairment loss of £216,445 (2019: £199,276) was recognised in cost of sales in relation to the movement in provision against stock during the year due to slow-moving and obsolete stock.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

13. Debtors

	2020 £	2019 £
Trade debtors	4,694,241	3,766,764
Amounts owed by group undertakings	14,782,097	14,136,073
Other debtors	301,751	241,848
Prepayments and accrued income	1,057,683	1,102,465
Deferred taxation (Note 16)	85,726	-
	<u>20,921,498</u>	<u>19,247,150</u>

14. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>7,333,503</u>	<u>7,215,107</u>

An intercompany guarantee is in place with Original Additions Topco Limited as security on the bank accounts held by the Company.

15. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	2,099,174	1,871,614
Amounts owed to group undertakings	3,033,006	2,514,536
Corporation tax	921,817	534,169
Other taxation and social security	220,795	204,892
Other creditors	1,243,426	761,885
Accruals and deferred income	1,618,310	1,396,592
Derivative financial liabilities	337,267	82,807
	<u>9,473,795</u>	<u>7,366,495</u>

Included above are forward foreign exchange contracts held at fair value totalling £337,267 (2019: £82,807).

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

16. Deferred taxation

	2020 £	2019 £
(Liability)/asset at beginning of year	(3,488)	24,008
Credited/(charged) to profit or loss	89,214	(27,496)
Asset/(liability) at end of year	85,726	(3,488)

The deferred taxation balance is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(4,270)	(12,248)
Other short-term timing differences	89,996	8,760
	85,726	(3,488)

17. Other provisions

	Dilapidations provision £
At 1 January 2020	64,000
Charged to profit or loss	350,000
At 31 December 2020	414,000

The above provision relates to the contractual obligations of the Company on surrender of certain operating leases in respect of buildings to reinstate the premises to the same state and conditions as before the occupancy. The provision has been paid in full in 2021.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

18. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
331 Ordinary shares class A shares of £1.00 each	331	331
400 Ordinary shares class B shares of £1.00 each	400	400
90 Ordinary shares class C shares of £1.00 each	90	90
	<hr/>	<hr/>
	821	821
	<hr/>	<hr/>

Ordinary shareholders of any class are entitled to attend, speak and vote at general meetings. All ordinary shares in issue rank pari passu.

On winding up of the Company, ordinary shares are treated as one class and rank equally in respect of the distribution on wind up of any surplus assets and retained profits.

19. Reserves

Share premium account

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at an amount in excess of nominal value.

Capital redemption reserve

This reserve relates to the nominal value of shares that the Company has bought back.

Retained earnings

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

20. Share-based payments

Certain members of the Company have been awarded share appreciation rights in the ultimate parent entity. At the year end, 1,750 units (2019: 1,950) had been granted with a stated value of between \$964 and \$1,142. Of these units, two thirds vest over a 5 year period and one third are performance based subject to an exit event on a specified return of capital. 300 units were granted during the year and 500 lapsed. No charge has been recognised on the grounds of immateriality.

21. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund as well as to certain employees' personal schemes and amounted to £96,057 (2019: £143,721). Contributions totalling £50,599 (2019: £51,703) were payable to the fund at the balance sheet date.

ORIGINAL ADDITIONS (BEAUTY PRODUCTS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

22. Commitments under operating leases

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	288,622	583,938
Later than 1 year and not later than 5 years	41,154	320,390
	<u>329,776</u>	<u>904,328</u>

23. Related party transactions

The Company has taken advantage of the exemption in FRS 102 Section 33.1A to not disclose transactions with wholly owned group entities.

24. Post balance sheet events

In 2021, at the termination of the lease, the Company vacated its own operated distribution center in Hayes, and moved to a third party logistics model. Additionally in 2021 the Company entered into a lease for new premises for its head office, located in Uxbridge.

25. Controlling party

The immediate parent undertaking is Original Additions Topco Limited, a company registered in England and Wales.

The ultimate parent undertaking is Wellness Group Holding LP, a company registered in the United States of America.

The smallest group of undertakings for which group accounts for the year ending 31 December 2020 have been drawn up, is that headed by PDC Brands UK Limited. Copies of the consolidated financial statements can be obtained from Companies House.

The largest group of undertakings for which group accounts for the year ending 31 December 2020 have been drawn up, is that headed by Wellness Group Holdings LP. Copies of the consolidated financial statements can be obtained from c/o PDC Brands, 750 E Main St, Suite 1000, Stamford, CT 06902, USA.

The directors do not consider there to be an ultimate controlling party.