

Registered number: 01315581

AMPLIFON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



AMPLIFON LIMITED

COMPANY INFORMATION

DIRECTORS

G Manzo
V Milton
I Pazzi

COMPANY SECRETARY

V Milton

REGISTERED NUMBER

01315581

REGISTERED OFFICE

Gateway House
Styal Road
Manchester
M22 5WY

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
1 Hardman Square
Manchester
M3 3EB

AMPLIFON LIMITED

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AMPLIFON LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their strategic report of the company for the year ended 31 December 2018.

Principal activities

The principal activities of the company are as consultants, distributors and dealers of hearing aids. The company operates within the United Kingdom.

Business review

The trading results of the company for the year are set out on page 9 of the financial statements.

The key performance indicators for the combined businesses were:

	2018	2017	Change
Turnover	£34.7m	£34.9m	(£0.2m)
Loss before taxation	(£6.2m)	(£7.3m)	£0.9m
Turnover by head	£77k	£69k	£8k
Headcount (average)	449	506	(57)

Despite a competitive trading environment in 2018, the business continued to invest in the operations of the company, to establish the Amplifon brand as the recognised name for dedicated hearing solutions.

Amplifon makes significant investment in our people and our operational structure to ensure a platform for future stability and growth.

The net liabilities for the financial statements at the 31 December 2018 was £57.7m (2017 - net liabilities £51.3m).

Principal risks and uncertainties

The company is exposed to a number of financial risks including price risk, credit risk, and liquidity risk. The company does not use derivatives as part of its financial risks management.

Price risk

Our differentiated position within the market place allows us to minimise any risk from competitor pricing.

Credit risk

The company ensures that strong credit control processes are in place to minimise any credit risk.

Liquidity risk

The company is currently trading at a loss and cash flow is negative. The Directors have the full support of the parent company to continue to invest in the UK operations in preparation for future market growth. Details of this can be found in the accounting policies on page(s) 12-19.

With the continuing support from the ultimate parent, Amplifon S.p.A, the directors continue to invest and improve the operations of the company, to establish the Amplifon brand as the recognised name for dedicated hearing solutions, and, by working with legislators, to position the company for the future opportunities in the UK marketplace.

2018 saw a 0.07% reduction in sales due to a difficult trading year. The UK Hearing Aid market is dominated by the NHS. Amplifon operates within the private Hearing Aid market.

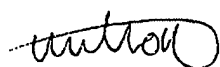
AMPLIFON LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Future developments

Amplifon Limited will continue to invest in operations of the business to ensure future stability and growth in the market place.

This report was approved by the board and signed by order of the board.



V Milton
Secretary

15 April 2019

AMPLIFON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

Dividends

The Directors do not recommend the payment of a dividend (2017- *£nil*).

Directors

The Directors who were in office during the year end up to the date of signing the financial statements:

I Pazzi
G Manzo
V Milton

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Future developments

An indication of the likely future developments of the business is included in the Strategic Report on pages 1-2.

Financial risk management

Details of financial risk management can be found in the Strategic Report on pages 1-2 and forms part of this report as by cross reference.

AMPLIFON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Employee involvement

It is the company's policy that employees should be kept as fully informed as is practicable about the company's progress through regular visits to branches by head office staff. Furthermore, regular meetings held at head office and in the field allow senior management to provide key business updates including financial and economic factors.

Regular manager meetings take place allowing managers to provide feedback from themselves and also their teams. This allows employees views to be taken into account when the company is making decisions that may affect them.

Employee's participation in the company performance is encouraged by the use of employee share schemes or by some other means.

Disabled employees

It is the policy of the company that there should be no unfair discrimination is considering applications for employment including any necessary re-training. All employees, whether or not disabled, are given equal opportunities to develop their experience and knowledge and to qualify for promotion in furtherance of their careers.

Persons who become disabled during the course of their employment with the company may be redeployed, if required, with due consideration being given to the individual's skills and abilities.

Qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was held during the year and remains in force as at the date of approving the financial statements.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, Amplifon S.p.A. The directors and company have received confirmation that Amplifon S.p.A. intends to support the company for at least 12 months from the date of these financial statements.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

AMPLIFON LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Post balance sheet events

There have been no significant events affecting the company since the year end.

Independent auditors

As a result of audit mandatory rotation rules and following a formal tender process by Amplifon S.p.A, it was proposed that KPMG LLP will replace PricewaterhouseCoopers LLP as the independent auditors of the whole Group at the forthcoming Annual General Meeting of Amplifon S.p.A.

This report was approved by the board and signed on by order of the board.



V Milton
Secretary

15 April 2019

AMPLIFON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMPLIFON LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018

Opinion

In our opinion, Amplifon Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

AMPLIFON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMPLIFON LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

AMPLIFON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMPLIFON LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Studholme

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

17 April 2019

AMPLIFON LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover	3	34,667	34,903
Cost of sales		(18,237)	(18,489)
Gross profit		16,430	16,414
Administrative expenses		(22,646)	(23,642)
Operating loss	4	(6,216)	(7,229)
Interest payable and similar expenses	8	(18)	(67)
Loss before taxation		(6,234)	(7,295)
Tax on loss	9	-	-
Loss for the financial year		(6,234)	(7,295)

There was no other comprehensive income for 2018 or 2017 other than those included in the statement of comprehensive income. The results above relate to continuing operations.

The notes on page(s) 12 to 30 form an integral part of these financial statements.

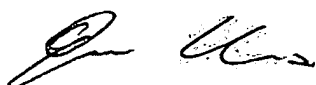
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**BALANCE SHEET
AS AT 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	10	84	159
Tangible assets	11	8,363	8,461
Investments	12	-	-
		<u>8,447</u>	<u>8,620</u>
Current assets			
Inventories	13	1,156	794
Debtors	14	10,458	9,630
Cash at bank and in hand	15	409	1,872
		<u>12,023</u>	<u>12,296</u>
Creditors: Amounts falling due within one year	16	<u>(77,486)</u>	<u>(71,418)</u>
Net current liabilities		<u>(65,463)</u>	<u>(59,122)</u>
Total assets less current liabilities		<u>(57,016)</u>	<u>(50,502)</u>
Creditors: Amounts falling due after more than one year	17	(159)	(351)
Provisions for liabilities	19	(485)	(460)
Net liabilities		<u><u>(57,660)</u></u>	<u><u>(51,313)</u></u>
Capital and reserves			
Other reserves	21	2,310	2,310
Called up share capital	22	1,800	1,800
Profit and loss account		(61,770)	(55,423)
Total Shareholders' deficit		<u><u>(57,660)</u></u>	<u><u>(51,313)</u></u>

The financial statements on page(s) 9-11 were approved by the board of directors' and were signed on its behalf by:

G Manzo
Director
15 April 2019



The notes on page(s) 12 to 30 form an integral part of these financial statements.

AMPLIFON LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total Shareholders' deficit £000
At 1 January 2018	1,800	2,310	(55,423)	(51,313)
Comprehensive expense for the year				
Loss for the financial year	-	-	(6,234)	(6,234)
Other comprehensive income for the year	-	-	-	-
Total comprehensive expense for the year	-	-	(6,234)	(6,234)
Contributions by and distributions to owners				
Share based payments	-	-	(111)	(111)
Total contributions by and distributions to owners	-	-	(111)	(111)
At 31 December 2018	1,800	2,310	(61,770)	(57,660)

The notes on page(s) 12 to 30 form an integral part of these financial statements

AMPLIFON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

1.1 Basis of preparation of financial statements

Amplifon Limited (the 'company') is a private company limited by shares (registered number 01315581) which is incorporated and domiciled in the United Kingdom. The company's registered office and principal place of business is Gateway House, Styal Road, Manchester, M22 5WY.

The financial statements have been prepared under the historical costs convention and in compliance with Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard in the United Kingdom 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in note 2.

The company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- from the financial instruments disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- FRS 102 paragraph 26.18(b) (the number and weighted average exercise prices of share options for each of the following groups of options),
- FRS 102 paragraph 26.19 - 26.21 (determination of fair values and information about modifications); and
- FRS 102 paragraph 26.23 (impact on profit or loss).

This information is included in the consolidated financial statements of Amplifon S.p.A. as at 31 December 2018 and these financial statements may be obtained from Amplifon S.p.A, Via Ripamonti 133, 20151 Milan, Italy.

AMPLIFON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.3 Related party transactions

As the company is a wholly owned subsidiary of the group headed by Amplifon S.p.A, the company has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Amplifon S.p.A, within which the results of this company are included, can be obtained from the address given in note 27.

1.4 Going concern

The company is dependent on the ongoing support from its parent company, Amplifon S.p.A.. The directors and company have received confirmation that Amplifon S.p.A. will continue to support the company for a period of at least 12 months from the date of these Financial Statements.

1.5 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

Turnover from the sale of hearing aids, hearing aid accessories and similar goods, is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on sale of the goods. In the case of hearing aids, this is when the hearing aid system has been fitted. Turnover from contracts to provide audiological services is recognised when the service is performed. Turnover from maintenance service contracts is recognised evenly over the life of the contract.

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;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the fair value of its identifiable assets and liabilities at the date of acquisition. Goodwill is amortised on a straight-line basis to the Statement of Comprehensive Income over its estimated useful economic life of 10 years. The useful economic life was reasonably estimated at acquisition based on the nature of the business and the industry in which it operates. It is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

AMPLIFON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.7 Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. 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.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

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. The estimated useful lives range as follows:

The estimated useful lives range as follows:

Freehold property	-	50 years
Short-term leasehold property	-	5 to 10 years
Motor vehicles and equipment	-	3 to 7 years

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 balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the statement of comprehensive income.

1.8 Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding

AMPLIFON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.9 Operating leases: Lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

1.10 Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the Statement of Comprehensive Income, to reduce the lease expense, on a straight-line basis over the period of the lease.

1.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.12 Inventory

Inventory is stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

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

1.13 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments, like loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payment discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

AMPLIFON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

Financial instruments (continued)

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated 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 contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.14 Functional and presentation currency

Functional and presentation currency

The company's functional and presentation 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. All foreign exchange differences arising in the normal course of the business are accounted for through the Statement of Comprehensive Income

AMPLIFON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.15 Provisions

Provisions 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 of the obligation can be estimated reliably, given that all provisions are short term reliable estimates no discounting is used, as the impact of discounting would be immaterial.

Reorganisation provisions are recognised when the company has a detailed, formal plan for the reorganisation and has raised a valid expectation in those affected by either starting to implement the plan or when the plan is publicly committed and therefore has a legal or constructive obligation to carry out the reorganisation.

1.16 Share based payments

Shares in Amplifon S.p.A are granted as incentives to employees. An annual charge is received from Amplifon S.p.A. in respect of these grants.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income account over the remaining vesting period.

AMPLIFON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

1.17 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 payments obligations.

The contributions are recognised as an expense in the Statement of comprehensive income account 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.

1.18 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a change 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.

1.19 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the exception of deferred tax assets.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Depreciation and residual values

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate.

AMPLIFON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Inventory provisioning

The company sells hearing aids and is subject to changing consumer demands and trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. See note 13 for the net carrying amount of the inventory and associated provision.

Dilapidations provision

As part of the company's property leasing arrangements there is an obligation to repair damages which incur during the life of the lease, such as wear and tear. The cost is charged to the statement of comprehensive income as the obligation arises. The provision is expected to be utilised between 2018 and 2027 as the leases terminate.

Onerous lease provisions

Where leasehold properties become vacant or a site is loss-making, the company provides for all costs, net of anticipated income, to the end of the lease or the anticipated date of the disposal or sublease.

Returns provision

The company bases its estimate of returns on historical results, taking into consideration the type of transaction and the specifics of each arrangement.

3. Turnover

The whole of the turnover is attributable to the one principal activity of the company.
All turnover arose within the United Kingdom.

4. Operating loss

The operating loss is stated after charging / (crediting):	2018	2017
	£000	£000
Depreciation of tangible fixed assets - owned	1,619	1,378
Depreciation of tangible fixed assets - under finance lease	600	1,045
Impairment of tangible fixed assets/(impairment reversed)	85	(78)
Foreign exchange income	(23)	(3)
Impairment of debtors	109	10
Impairment of stocks	311	360
Amortisation of intangible assets, including goodwill	75	72
Loss on disposal of fixed assets	34	40
Other operating lease rentals	3,777	3,769
Share based payment (see note 23)	<u>383</u>	<u>579</u>

AMPLIFON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. Auditors' remuneration

	2018 £000	2017 £000
Fees payable to the company's auditors and its associates for the audit of the company's annual financial statements	97	97
	<u>97</u>	<u>97</u>

There were no other non audit services provided by the auditors to the company in the year (2017: *£nil*)

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £000	2017 £000
Wages and salaries	13,907	14,417
Social security costs	1,981	2,002
Other pension costs	211	131
	<u>16,099</u>	<u>16,550</u>

Key management compensation

Key management includes the directors and members of senior management. The total compensation paid or payable to key management for employee services during the year is shown below:

	2018 £000	2017 £000
Wages and salaries	1,025	1,028
Share based compensation	148	222
Social security costs	40	44
Other pension costs	9	6
	<u>1,222</u>	<u>1,300</u>

AMPLIFON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Employees (continued)

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

	2018 No.	2017 No.
Administration	70	68
Sales and distribution	379	438
	<u>449</u>	<u>506</u>

7. Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	514	527
Compensation for loss of office	-	125
Social security costs	22	28
Other pension costs	7	4
Share based compensation	148	169
	<u>691</u>	<u>853</u>

The number of directors who exercised share options in the year was 1 at £148,264 (2017 – 1 at £169,648).

Highest-paid director

	2018 £000	2017 £000
Directors' emoluments	383	376
Social security costs	-	-
Other pension costs	4	2
	<u>387</u>	<u>378</u>

The highest-paid director did not exercise share options in the year (2017 – £nil).

8. Interest payable and similar expenses

	2018 £000	2017 £000
Finance leases and hire purchase contracts	18	67
	<u>18</u>	<u>67</u>

AMPLIFON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Tax on loss

a. Tax expense included in the profit or loss

	2018	2017
	£000	£000
Current tax:		
- UK Corporation tax on profits for the year	-	-
- Adjustment in respect of prior periods	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax:		
- Origination and reversal of timing differences	-	-
- Impact on change in tax rate	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on loss	<u>-</u>	<u>-</u>

b. Factors affecting tax charge for the year

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantially enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

	2018	2017
	£000	£000
Loss before taxation	<u>(6,234)</u>	<u>(7,295)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017-19.25%)	(1,185)	(1,404)
Effects of:		
Expenses not deductible for tax purposes	17	17
Capital allowances for year in excess of depreciation	350	318
Share based payment	74	111
Group relief	83	59
Unrelieved tax losses carried forward	661	899
Total tax charge for the year	<u>-</u>	<u>-</u>

AMPLIFON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Tax on loss on ordinary activities (continued)

c. Factors that may affect future tax charges

The company has £10.4m (2017- £9.9m) in respect of unrecognised deferred tax assets as at 31 December 2018. This comprises the following items: depreciation in excess of capital allowances £0.2m (2017- £0.9m), trading losses £10.1m (2017- £8.85m) and non-trading losses of £0.1m (2017- £0.15m).

The deferred tax asset is unrecognised until such time that suitable tax profits from which the future reversal of the underlying timing differences can be deducted, can be guaranteed interest.

10. Intangible assets

	Goodwill £000	Licenses £000	Software £000	Total £000
Cost or valuation				
At 1 January 2018	158	199	1,078	1,435
Additions	-	-	-	-
Disposals	-	(3)	-	(3)
At 31 December 2018	158	196	1,078	1,432
Accumulated amortisation				
At 1 January 2018	158	176	942	1,276
Charge owned for the year	-	14	61	75
Disposals	-	(3)	-	(3)
At 31 December 2018	158	187	1,003	1,348
Net book value				
At 31 December 2018	-	9	75	84
<i>At 31 December 2017</i>	<i>-</i>	<i>23</i>	<i>136</i>	<i>159</i>

AMPLIFON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Tangible assets

	Freehold property £000	Short-term leasehold property £000	Motor vehicles & equipment £000	Total £000
Cost or valuation				
At 1 January 2018	446	12,273	6,963	19,682
Additions	-	1,341	899	2,240
Disposals	-	(376)	(321)	(697)
At 31 December 2018	<u>446</u>	<u>13,238</u>	<u>7,541</u>	<u>21,225</u>
Accumulated depreciation				
At 1 January 2018	105	6,581	4,535	11,221
Charge owned for the year	11	1,034	1,174	2,219
Disposals	-	(376)	(287)	(663)
Impairment		85	-	85
At 31 December 2018	<u>116</u>	<u>7,324</u>	<u>5,422</u>	<u>12,777</u>
Net book value				
At 31 December 2018	<u><u>330</u></u>	<u><u>5,914</u></u>	<u><u>2,119</u></u>	<u><u>8,363</u></u>
<i>At 31 December 2017</i>	<u><u>341</u></u>	<u><u>5,692</u></u>	<u><u>2,428</u></u>	<u><u>8,461</u></u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £000	2017 £000
Motor vehicles	<u>529</u>	<u>1,163</u>
	<u><u>529</u></u>	<u><u>1,163</u></u>

AMPLIFON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

12. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2018	-
At 31 December 2018	-
Impairment	
At 1 January 2018	-
At 31 December 2018	-
Net book value	
At 31 December 2018	-
At 31 December 2017	-
Subsidiary undertakings	

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Amplifon Ireland Limited 34, Lower Abbey St, Dublin	Republic of Ireland	Ordinary	100 %	Consultants, distributors and dealers of hearing aids

13. Inventories

	2018 £000	2017 £000
Finished goods and goods for resale	1,156	794
	1,156	794

Inventory recognised in cost of sales during the year was £4,411k (2017 - £4,674k).

An impairment loss of £311k (2017- £360k) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

There is no significant differences between the replacement cost of goods for resale and their carrying value.

AMPLIFON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Debtors

	2018 £000	2017 £000
Due within one year		
Trade debtors	1,436	1,021
Amounts owed by group undertakings	6,840	6,580
Other debtors	6	118
Prepayments and accrued income	2,176	1,911
	<u>10,458</u>	<u>9,630</u>

Trade debtors are stated after provisions for impairment of £109k (2017- £10k).

Amounts owed by group companies are unsecured, interest free and have no fixed date of repayment.

15. Cash at bank and in hand

	2018 £000	2017 £000
Cash at bank and in hand	409	1,872
	<u>409</u>	<u>1,872</u>

16. Creditors: Amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	4,342	3,932
Amounts owed to group undertakings	70,719	64,395
Taxation and social security	1,105	1,072
Obligations under finance lease and hire purchase contracts	380	674
Accruals and deferred income	940	1,345
	<u>77,486</u>	<u>71,418</u>

Trade and other creditors are payable at various date in the three months after the end of the financial year in accordance with the creditors usual and customary credit terms.

Creditors for tax and social insurance are payable in the timeframe set down in the relevant legislation.

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

AMPLIFON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

17. Creditors: Amounts falling due after more than one year

	2018	2017
	£000	£000
Net obligations under finance leases and hire purchase contracts	159	351
	<u>159</u>	<u>351</u>

18. Hire purchase & finance leases

The future minimum lease payments under hire purchase are as follows:

	2018	2017
	£000	£000
Within one year	380	674
Between 1-2 years	159	325
Between 2-5 years	-	27
	<u>539</u>	<u>1,026</u>

19. Provisions for liabilities

The company had the following provisions during the year:

	Provision for dilapidations £000	Provision for returns £000	Onerous lease provision £000	Total £000
At 1 January 2018	251	209	-	460
Additions charged in statement of comprehensive income	150	66	10	226
Amount utilised	(146)	(55)	-	(201)
At 31 December 2018	<u>255</u>	<u>220</u>	<u>10</u>	<u>485</u>

AMPLIFON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

20. Financial instruments

The company has the following financial instruments:

	Note	2018 £000	2017 £000
Financial assets			
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	14	892	1,021
- Amounts owed by Group undertakings	14	6,840	6,580
- Other debtors	14	550	118
		<u>8,282</u>	<u>7,719</u>

Financial liabilities

Financial liabilities measured at amortised cost

- Trade creditors	16	(4,342)	(3,932)
- Amounts owed to group undertakings	16	(70,719)	(64,395)
- Accruals and deferred income	16	(940)	(1,345)
- Obligations under finance lease and hire purchase contracts	18	(380)	(1,026)
		<u>(76,381)</u>	<u>(70,698)</u>

The company has no derivative financial instruments (2017: none).

21. Other reserves

The capital reserve represents non-repayable capital contributions received from a former holding company prior to its acquisition by Ultravox Holdings Limited. The contributions were made in the year ended 30 September 1991.

AMPLIFON LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

22. Called Up Share capital

	2018 £000	2017 £000
Allotted and fully paid		
1,800,000 (2017 - 1,800,000) Ordinary shares of £1 each	<u>1,800</u>	<u>1,800</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends, voting rights or the repayment of capital.

23. Share based payments

Certain employees participate in a Performance Stock Grant Plan which provides additional remuneration for those employees who are key to the operations of the Group.

The options are granted with a £nil exercise price and are exercisable three/four years after the date of grant and expire two years after the date of vesting.

Employees are not entitled to dividends until the shares are exercised. Vesting of the options is subject to continued employment within the Group and meeting agreed targets (non-market performance conditions). The Group makes annual grants in April each year.

A reconciliation of share option movements over the year to 31 December 2018 is shown below:

	2018 No Weighted average exercise price	2017 No Weighted average exercise price
Outstanding at 1 January	316,000	407,000
Granted	48,950	74,000
Transfers	-	8,000
Forfeited	(13,000)	(24,000)
Exercised	(85,000)	(149,000)
Outstanding at 31 December	266,950	316,000
Exercisable at 31 December	-	-

An annual charge is received from Amplifon S.p.A. in respect of these grants. Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period.

The total charge for the year was £383,000 (2017 - £579,000).

AMPLIFON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

24. Contingent liabilities

The company has given its bankers unlimited cross guarantees in favour of all UK group companies. Group borrowings subject to cross guarantees at the yearend amounted to £nil (2017- £nil).

25. Pension commitments

The company operates a defined contributions 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 and amounted to £211,488 (2017- £131,107). Contributions totalling £44,253 (2017- £28,929) were payable to the fund at the balance sheet date.

26. Commitments under operating leases

At 31 December 2018 the company had total minimum lease commitments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Payments Due		
Not later than 1 year	3,326	3,245
Later than 1 year and not later than 5 years	4,198	5,407
Later than 5 years	50	75
	<u>7,574</u>	<u>8,727</u>

The company had no further capital commitments (2017: nil).

27. Controlling party

The company is a subsidiary undertaking of Amplifon United Kingdom Limited, a company incorporated and registered in England and Wales. The ultimate parent company and controlling party of Amplifon United Kingdom Limited is Amplifon S.p.A, a company incorporated and registered in Italy.

The largest and smallest group in which the results of the company are consolidated is that headed by Amplifon S.p.A. The consolidated financial statements of the group are available to the public and may be obtained from Amplifon S.p.A, Via Ripamonti 133, 20151 Milan, Italy.

28. Related party disclosures

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.