

Company Registration No. 04611579 (England and Wales)

Silver Cross (UK) Limited
Annual Report And Financial Statements
For The Year Ended 31 December 2020

SILVER CROSS (UK) LIMITED

COMPANY INFORMATION

Directors	Mr C A Walsh Mr N J Paxton Mr X Zhang Mr W Zhang S Xiaoting Mr P J Taylor Q Jiabei
Secretary	Mr C A Walsh
Company number	04611579
Registered office	Micklethorn Broughton Skipton BD23 3JA
Auditor	Garbutt & Elliott Audit Limited 33 Park Place Leeds LS1 2RY

SILVER CROSS (UK) LIMITED

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SILVER CROSS (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

The core strategy of the business is to provide consumers with innovative, award-winning nursery products, including prams, home furniture, textiles and car safety products. This is achieved by focussed investment in research and development, supported by award winning customer service and a strategic approach to brand and marketing activities.

As reported in the Statement of Comprehensive Income on page 10, revenue declined by 17.1% to £24.17m (2019 - £29.16m) in the year, with an improvement in gross profit margin to 41.3% (2019 - 39.7%) and an operating profit before impairments of £0.29m (2019 - £7.53m loss). This represents a creditable result, given the Covid-related backdrop of sustained retail closures and subsequent limitations on consumer shopping activity, compounded by disruptions to logistics.

Whilst trading conditions were both difficult and unpredictable throughout the majority of the year, the Board take positives from the ability to adapt the marketing, sales and operational strategy to capture opportunities to shore up revenue, enhance margins and optimise the cost base. Even with the challenging conditions, the business has delivered stability in working capital and a healthy financial position. At the year end, net assets were £12.28m (2019 - £11.92m), whilst cash balances were £2.24m (2019 - £0.83m).

The Board remain confident that the investments made throughout 2020 in new product development and high quality brand assets, along with a refocus of the online and offline retail channel strategy, will yield enhanced financial performance in future years both domestically and internationally.

Principal risks and uncertainties

The Company finances its operations through retained profits, with no long-term bank borrowings. Management's objectives are to retain sufficient liquidity to enable the Company to meet all its day to day obligations, along with investing in new markets and regions to allow for future growth. In addition to retained profits, to enhance liquidity the Company's strategy is to maintain sufficient available working capital facilities with its banking partners.

Where the Company has surplus funds, these are mainly held in GBP and USD bank accounts. Forward contracts are used to mitigate the Profit and Loss impact of fluctuations in currency exchange rates.

SILVER CROSS (UK) LIMITED

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

Directors' assessment of key risks

Directors assessment of the risks relating to Covid 19

As a result of the virus outbreak in the UK in spring 2020, the Management team took immediate measures both to safeguard the wellbeing of employees and also to adapt the business to the evolving circumstances. A number of key risks were identified, and scenario-based forecasts were produced to illustrate the potential impact on liquidity and financial performance. The main variables considered were potential stock outages, warehouse/logistics disruptions, demand softening and customer payment delays.

As the first lock-down in the UK commenced, these risks were addressed and consequently performance was encouraging during this period. Whilst certain retail channels struggled in 2020, others prospered and the ability of our warehousing and logistics partners to continue operating as normal was hugely important. Overall, demand for our products proved to be resilient and our brand values – Crafted, Trusted, Loved – supported by our award-winning customer service, resonated with consumers more than ever.

Looking forward into 2021 and beyond, the lasting economic impact of the outbreak is yet to be determined. There remains also the threat of further outbreaks of the virus, which could again have a detrimental impact on trading conditions, albeit the vaccination programme has greatly reduced this risk. Management are confident that with renewed focus and agility, the business is better equipped than ever to adapt to such challenges, to capitalise on new opportunities and to pursue longer-term strategic objectives.

Directors' assessment of the risks attached to the UK's exit from the EU

The UK has now formally left the EU and the 'transitional period' ended in December 2020. However, a degree of residual uncertainty remains, particularly with regards to supply chain issues that compound the challenges already stemming from the global shipping crisis. Whilst future financial performance may be affected, management are confident that the operational model is sufficiently resilient to withstand such disruptions without any major impact to the health of the business.

Key performance indicators

Financial key performance indicators

Management use a range of performance measures to monitor and manage the business. These measures include, but are not limited to, profit ratios, returns on investment, liquid ratios, debtor days and stock turnover. These KPI's are reported on frequently to management for each aspect of the business. For the year ended 31 December 2020, management consider the financial KPI performance of the business to be satisfactory.

Other key performance indicators

Objectives of the business also include non-financial measures. Market share, product returns, customer service feedback and employee productivity are all monitored, reported on and acted upon, to ensure the business is not only achieving its goals from a financial perspective but also other areas that contribute to the future success of the Company. For the year ended 31 December 2020, management consider the financial KPI performance of the business to be satisfactory.

Going concern statement

To assess the appropriateness of the preparation of the accounts on a going concern basis, a range of financial forecasts have been prepared to model hypothetical scenarios reflecting material deterioration in demand, or ability to meet demand, amongst other factors. Based on this assessment, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future.

SILVER CROSS (UK) LIMITED

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

Future developments

The directors believe that the forthcoming financial year will remain challenging, whilst the impact of Covid 19 restrictions abates, economic conditions remain uncertain and the global shipping disruptions are also a significant concern. Overall, the directors consider that the Company is well placed in terms of strategic and market position to maximise its ability to grow sales and increase profitability.

On behalf of the board

Mr C A Walsh
Director

5 October 2021

SILVER CROSS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activity of the company continued to be that of the provision of innovative nursery products, including prams, home furniture, clothing and car safety products.

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid (2019 - £2.4m interim dividend). The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr C A Walsh
Mr N J Paxton
Mr X Zhang
Mr W Zhang
S Xiaoting
Mr P J Taylor
Q Jiabei
Mr W Lockwood

(Resigned 26 May 2020)

Auditor

Garbutt & Elliott Audit Limited was appointed as auditor to the company and deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr C A Walsh
Director

5 October 2021

SILVER CROSS (UK) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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. They 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.

SILVER CROSS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SILVER CROSS (UK) LIMITED

Opinion

We have audited the financial statements of Silver Cross (UK) Limited (the 'company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and 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.

Other information

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

SILVER CROSS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SILVER CROSS (UK) LIMITED

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 and the directors' report.

We have nothing to report in respect of the following matters where 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.

SILVER CROSS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SILVER CROSS (UK) LIMITED

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

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management, and from inspection of the company's regulatory and legal correspondence. We discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance during the audit.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation, taxation legislation and further laws and regulations that could indirectly affect the financial statements, comprising environmental and employment legislation and health and safety and, in the current climate, Covid regulations. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These procedures did not identify any potentially material actual or suspected non-compliance.

To identify risks of material misstatement due to fraud we considered the opportunities, incentives and pressures that may exist within the company to commit fraud. Our risk assessment procedures included: enquiry of directors to understand the high-level policies and procedures in place to prevent and detect fraud, reading Board minutes and considering performance targets and incentive schemes in place for management. We communicated identified fraud risks throughout our team and remained alert to any indications of fraud during the audit.

As a result of these procedures, we identified the greatest potential for fraud in the following areas:

- revenue recognition and in particular the risk that revenue is recorded in the wrong period; and
- subjective accounting estimates

As required by auditing standards we also identified and addressed the risk of management override of controls.

We performed the following procedures to address the risks of fraud identified:

- testing the timing and recognition of revenue and, in particular, that it was appropriately recognised through sales cut off testing and testing of post year end credit notes.
- identifying and testing high risk journal entries through vouching the entries to supporting documentation.
- assessing significant accounting estimates for bias.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

SILVER CROSS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SILVER CROSS (UK) LIMITED

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.

Chris Butt (Senior Statutory Auditor)
For and on behalf of Garbutt & Elliott Audit Limited

7 October 2021

Chartered Accountants
Statutory Auditor

33 Park Place
Leeds
LS1 2RY

SILVER CROSS (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Notes	£000	as restated £000
Turnover	3	24,169	29,163
Cost of sales		(14,182)	(17,581)
Gross profit		9,987	11,582
Administrative expenses		(10,218)	(19,487)
Other operating income		519	380
Operating profit/(loss)	4	288	(7,525)
Interest receivable and similar income	8	1	5
Amounts written off investments	9	136	(214)
Profit/(loss) before taxation		425	(7,734)
Tax on profit/(loss)	10	(68)	957
Profit/(loss) for the financial year		357	(6,777)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SILVER CROSS (UK) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2020

		2020	2019
	Notes	£000	as restated £000
Fixed assets			
Intangible assets	12	13	33
Tangible assets	13	350	692
		<u>363</u>	<u>725</u>
Current assets			
Stocks	15	6,542	6,648
Debtors	16	15,543	15,109
Cash at bank and in hand		2,243	826
		<u>24,328</u>	<u>22,583</u>
Creditors: amounts falling due within one year	17	<u>(11,996)</u>	<u>(10,944)</u>
Net current assets		<u>12,332</u>	<u>11,639</u>
Total assets less current liabilities		<u>12,695</u>	<u>12,364</u>
Provisions for liabilities			
Provisions	19	418	444
		<u>(418)</u>	<u>(444)</u>
Net assets		<u>12,277</u>	<u>11,920</u>
Capital and reserves			
Called up share capital	22	1	1
Other reserves		26	26
Profit and loss reserves		12,250	11,893
Total equity		<u>12,277</u>	<u>11,920</u>

The financial statements were approved by the board of directors and authorised for issue on 5 October 2021 and are signed on its behalf by:

Mr C A Walsh
Director

Company Registration No. 04611579

SILVER CROSS (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

		Share capital	Other reserves	Profit and loss reserves	Total
	Notes	£000	£000	£000	£000
As restated for the period ended 31 December 2019:					
Balance at 1 January 2019		1	26	21,289	21,316
Prior year restatement	26	-	-	(219)	(219)
As restated		1	26	21,070	21,097
Year ended 31 December 2019:					
Loss and total comprehensive loss for the year		-	-	(6,777)	(6,777)
Dividends	11	-	-	(2,400)	(2,400)
Balance at 31 December 2019		1	26	11,893	11,920
Year ended 31 December 2020:					
Profit and total comprehensive income for the year		-	-	357	357
Balance at 31 December 2020		1	26	12,250	12,277

SILVER CROSS (UK) LIMITED

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

1 Accounting policies

Company information

Silver Cross (UK) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Micklethorn, Broughton, Skipton, BD23 3JA.

1.1 Accounting convention

These financial statements have been prepared in accordance with "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: The disclosure requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b), and 12.29A;
- Section 26 'Share based Payment': Share based payment arrangements required under FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Fosun International Limited as at 31 December 2020. These consolidated financial statements are available from www.fosun.com.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	33% straight line
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	11 - 33% straight line
Plant and machinery	33% straight line
Fixtures and fittings	25 - 33% straight line
Office equipment	25 - 33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.13 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.17 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock provisions

At each reporting date an assessment is made for provisions required to recognise a fair valuation of damaged, slow moving or obsolete stock. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the profit or loss and provided for in the balance sheet. Reversals of impairment losses are also recognised in profit or loss when they arise.

Bad and doubtful debts provisions

Outstanding trade debtor balances are reviewed on a line by line basis by management to identify possible amounts where a provision is required. Management closely manage the collection of trade debtors and therefore are able to identify balances where there is uncertainty about its recoverability, and determine what provision is required (if any).

Warranty provision

The Company holds a warranty provision to recognise anticipated future costs related to product returns. The provision is calculated based on past performance and experience. There is uncertainty surrounding the anticipated timing and ultimate cost of the returns.

3 Turnover and other revenue

	2020 £000	2019 £000
Turnover analysed by class of business		
Product sales	24,169	29,163
	<u> </u>	<u> </u>
	2020 £000	2019 £000
Other significant revenue		
Royalty income	347	380
Grants received	172	-
	<u> </u>	<u> </u>
	2020 £000	2019 £000
Turnover analysed by geographical market		
United Kingdom	24,169	29,163
	<u> </u>	<u> </u>

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

4 Operating profit/(loss)

	2020	2019
	£000	£000
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	127	147
Research and development costs	46	93
Government grants	(172)	-
Fees payable to the company's auditor for the audit of the company's financial statements	31	122
Depreciation of owned tangible fixed assets	439	577
Amortisation of intangible assets	32	26
Impairment of stocks recognised or reversed	18	-
Operating lease charges	204	154
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2020	2019
	£000	£000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	31	22
	<u> </u>	<u> </u>

6 Employees

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

	2020	2019
	Number	Number
Total	65	70
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2020	2019
	£000	£000
Wages and salaries	2,919	3,251
Social security costs	311	329
Pension costs	50	51
	<u> </u>	<u> </u>
	3,280	3,631
	<u> </u>	<u> </u>

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

7 Directors' remuneration

	2020 £000	2019 £000
Remuneration for qualifying services	742	730
Company pension contributions to defined contribution schemes	6	5
	<u>748</u>	<u>735</u>

The highest paid director received remuneration of £329,819 (2019: £273,000).

8 Interest receivable and similar income

	2020 £000	2019 £000
Interest on loans	(1)	(5)
	<u></u>	<u></u>

9 Amounts written off investments

	2020 £000	2019 £000
Fair value gains/(losses) on financial instruments		
Gain/(loss) on financial assets	136	(214)
	<u></u>	<u></u>

10 Taxation

	2020 £000	2019 £000
Current tax		
UK corporation tax on profits for the current period	141	(957)
	<u></u>	<u></u>
Deferred tax		
Origination and reversal of timing differences	(73)	-
	<u></u>	<u></u>
Total tax charge/(credit)	<u>68</u>	<u>(957)</u>

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

10 Taxation

(Continued)

The actual charge/(credit) for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £000	2019 £000
Profit/(loss) before taxation	425	(7,734)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	81	(1,469)
Adjustments in respect of prior years	4	512
Effect of change in corporation tax rate	(17)	-
Taxation charge/(credit) for the year	68	(957)

The UK corporation tax rate was 19% throughout the year.

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was enacted in March 2017. A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantially enacted on 17 March 2020. The rate applicable from 1 April 2020 remains at 19%, rather than the previously enacted reduction to 17%.

The UK budget on 3 March 2021 announced the intention to increase the tax rate from the current rate of 19% to 25%, with effect from April 2023. As this occurred after the year end, all deferred tax balances at the reporting date are measured at 19% (2019: 17%).

11 Dividends

	2020 £000	2019 £000
Interim paid	-	2,400

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

12 Intangible fixed assets

	Software £000
Cost	
At 1 January 2020	73
Transfers	108
	<hr/>
At 31 December 2020	181
	<hr/>
Amortisation and impairment	
At 1 January 2020	40
Amortisation charged for the year	32
Transfers	96
	<hr/>
At 31 December 2020	168
	<hr/>
Carrying amount	
At 31 December 2020	13
	<hr/> <hr/>
At 31 December 2019	33
	<hr/> <hr/>

The transfers in of £108k relate to software previously held within fixed assets. See note 13 for the corresponding entry out of fixed assets.

13 Tangible fixed assets

	Leasehold land and buildings	Plant and machinery	Fixtures and fittings	Office equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2020	55	3,883	58	335	4,331
Additions	-	101	3	5	109
Transfers	-	-	-	(108)	(108)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	55	3,984	61	232	4,332
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment					
At 1 January 2020	43	3,244	47	305	3,639
Depreciation charged in the year	8	417	7	7	439
Transfers	-	-	-	(96)	(96)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	51	3,661	54	216	3,982
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount					
At 31 December 2020	4	323	7	16	350
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2019	12	639	11	30	692
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

14	Financial instruments		
		2020	2019
		£000	£000
	Carrying amount of financial liabilities		
	Measured at fair value through profit or loss		
	- Other financial liabilities	93	243
		<u> </u>	<u> </u>
15	Stocks		
		2020	2019
		£000	£000
	Finished goods and goods for resale	6,542	6,648
		<u> </u>	<u> </u>
16	Debtors		
		2020	2019
		£000	£000
	Amounts falling due within one year:		
	Trade debtors	3,328	3,435
	Corporation tax recoverable	698	-
	Amounts owed by group undertakings	10,866	8,717
	Other debtors	204	1,111
	Prepayments and accrued income	164	1,463
		<u> </u>	<u> </u>
		15,260	14,726
	Deferred tax asset (note 20)	198	125
		<u> </u>	<u> </u>
		15,458	14,851
		<u> </u>	<u> </u>
		2020	2019
		£000	£000
	Amounts falling due after more than one year:		
	Other debtors	85	258
		<u> </u>	<u> </u>
	Total debtors	<u>15,543</u>	<u>15,109</u>

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

17 Creditors: amounts falling due within one year

	Notes	2020 £000	2019 £000
Bank loans	18	-	63
Trade creditors		2,629	2,675
Amounts owed to group undertakings		6,035	5,761
Corporation tax		141	-
Other taxation and social security		376	106
Derivative financial instruments		93	243
Other creditors		2,039	1,792
Accruals and deferred income		683	304
		<u>11,996</u>	<u>10,944</u>

18 Loans and overdrafts

	2020 £000	2019 £000
Bank loans	-	63
	<u> </u>	<u> </u>
Payable within one year	-	63
	<u> </u>	<u> </u>

19 Provisions for liabilities

	2020 £000	2019 £000
Warranty provision	418	444
	<u> </u>	<u> </u>
Movements on provisions:		Warranty provision £000
At 1 January 2020		444
Additional provisions in the year		725
Utilised		(751)
		<u> </u>
At 31 December 2020		418
		<u> </u>

The company offers 3 year warranty on the majority of products and therefore holds the above warranty provision. Management estimates the warranty provision based on historical warranty claim information, as well as recent trends.

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Assets 2020 £000	Assets 2019 £000
Balances:		
Accelerated capital allowances	198	125
	<u> </u>	<u> </u>
Movements in the year:		2020 £000
Asset at 1 January 2020		(125)
Credit to profit or loss		(73)
		<u> </u>
Asset at 31 December 2020		(198)
		<u> </u>

21 Retirement benefit schemes

	2020 £000	2019 £000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	50	-
	<u> </u>	<u> </u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

22 Share capital

	2020 Number	2019 Number	2020 £000	2019 £000
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	1,000	1,000	1	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

23 Financial commitments, guarantees and contingent liabilities

At the balance sheet date the company was committed to purchase \$3.60m (2019 - \$5.95m) in exchange for £2.73m (2019 - £4.72m).

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

24 Operating lease commitments

Lessee

	2020 £000	2019 £000
Within one year	160	157
Between two and five years	93	245
	<u>253</u>	<u>402</u>

25 Ultimate controlling party

The Company's immediate parent is Silver Cross Nurseries Limited, which itself is an indirect subsidiary of Fosun International Limited, a company registered in Hong Kong. The principal place of business of Fosun International Limited is, Tower S1, Bund Finance Center, 600 Zhongshan No. 2 Road (E), Shanghai, China.

The ultimate parent and controlling company is Fosun International Limited, a company incorporated in Hong Kong. Fosun International Limited prepares group financial statements, which include the results of the Company. Copies of the group's financial statements for Fosun International Limited can be obtained from www.fosun.com.

26 Prior period adjustment

In the current year, management have performed an exercise to identify all FX movements in relation to intercompany balances. This has resulted in a foreign exchange loss of £366,000 being identified which relates to previous years.

£147,000 of this loss relates to 2019 and £219,000 relates to 2018 and previous years. Therefore this has been adjusted through the 2019 profit and loss and reserves.

Reconciliation of changes in equity

	1 January 2019 £000	31 December 2019 £000
Adjustments to prior year		
FX loss in relation 2019	-	(147)
FX loss in relation to 2018 and previous	(219)	(219)
Total adjustments	<u>(219)</u>	<u>(366)</u>
Equity as previously reported	21,316	12,286
Equity as adjusted	<u>21,097</u>	<u>11,920</u>
Analysis of the effect upon equity		
Profit and loss reserves	<u>(219)</u>	<u>(366)</u>

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

26 Prior period adjustment

(Continued)

Reconciliation of changes in loss for the previous financial period

	2019 £000
Adjustments to prior year	
FX loss in relation 2019	(147)
Loss as previously reported	(6,630)
	<hr/>
Loss as adjusted	(6,777)
	<hr/>

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