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Success Bidco 2 Limited  
Annual report (Amended)  
for the year ended 31 December 2018

Registered Number 10110298

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Success Bidco 2 Limited  
Annual report  
for the year ended 31 December 2018  
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# **Success Bidco 2 Limited**

## **Directors and advisers for the year ended 31 December 2018**

### **Directors**

Steve Parkin

James Taylor (appointed 23 February 2018)

### **Registered office**

Mayborn House

Balliol Business Park

Benton Lane

Newcastle upon Tyne

NE12 8EW

United Kingdom

### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered accountants and statutory auditors

Central Square South

Orchard Street

Newcastle upon Tyne

NE1 3AZ

United Kingdom

### **Solicitors**

DLA Piper UK LLP

1 St Peters Square

Manchester

M2 3DE

United Kingdom

### **Bankers**

HSBC Bank plc

8 Canada Square,

London,

E14 5HQ

United Kingdom

## Success Bidco 2 Limited

### Strategic report for the year ended 31 December 2018

The directors present the strategic report for the group and company for the year ended 31 December 2018. These financial statements consolidate the results of Success Bidco 2 Limited and its subsidiaries for the year ended to 31 December 2018.

#### Principal activities and review of the business

Success Bidco 2 Limited is a holding company, which indirectly holds 100% of the Mayborn Group of companies. The company is a wholly owned subsidiary of Shanghai Jahwa United Co., Ltd, a personal care company, quoted on the Shanghai stock exchange, which is itself controlled by Ping An Insurance (Group) Company of China Limited, a large Chinese insurance company.

The group's principal activities are the design, manufacture and distribution of baby feeding, hygiene, sleep time and accessory products. The principal activity of the company is to carry on the business of a holding company. The directors do not anticipate any changes to this in the future.

The Group has recorded Revenue of £185,267,000, up 12% on 2017, demonstrating the continued demand for the Groups product. Net assets of the Group stand at £183,024,000 (2017: £168,704,000).

During 2018 the Group continued to develop its businesses in the UK, China, Europe, Asia, Australia and North America by expanding distribution, developing new innovative products and improving awareness of the brand. In February 2018, the Group acquired the trade of the distributor in Italy and has taken direct control of that market.

In December 2017, the group acquired 100% of the shareholding of the Gro Group of companies. This was a significant step in the growth strategy, expanding our category footprint into sleep time and complementing the existing category portfolio of products.

#### Business environment, principal risks and uncertainties

The group operates in the baby accessories sector, with the Tommee Tippee brand of feeding, comfort and hygiene products and the Gro brand of sleep; both are leading brands in a number of markets. Quality and reliability of product and brand reputation is critical in this sector and the group has in place robust processes to mitigate this risk by ensuring high quality standards are maintained.

The market is fragmented but is expected to consolidate over the next few years driven by the cost of developing and launching new products and costs of satisfying the requirements of sophisticated consumers shopping both online and in store.

The retail channels for the baby accessories sector continue to evolve, with consumers continuing to move online. There continues to be challenges for our retail partners on the high street and we are working closely with these partners to mitigate any risks this may present. In response to this, the group has established a multi-channel strategy which will enable it to become one of the few branded baby product suppliers with the range and ability to service all retail channels, regardless of where the consumer decides to shop.

The group's overriding strategy is to achieve attractive and sustainable growth and returns through its leadership in established markets and its challenger position in its newer markets.

# Success Bidco 2 Limited

## Strategic report for the year ended 31 December 2018 (continued)

### Business environment, principal risks and uncertainties (continued)

There are three key elements to the group's growth strategy. They are:

- Accelerate growth through increasing depth and breadth of distribution within existing channels and with existing customers;
- Drive innovation through high quality products that deliver unique benefits to mother and baby, supported by creative brand communications;
- Drive supply chain efficiencies through new product development and value engineering.

The group continues to invest in the creation, research, design and development of products to ensure that they remain innovative and functionally superior to those of our competitors and that they deliver category.

Financial risks and their management are discussed in the directors' report. The main risks focus on Liquidity, Foreign Exchange, Credit and Interest Rate risks. These are all managed effectively by the Board and Management Team. The Group look to take mitigating actions and interventions to minimise these risks. All the risks are continually assessed and reviewed.

### Key performance indicators ("KPIs")

The directors believe that the key performance indicators are revenue growth and profitability growth

Revenue reported for the year was £185.3m (2017: £165.7m) and operating profit (before exceptional items) was £21.1m (2017: £17.5m).

On behalf of the board



Steve Parkin  
Director  
7 May 2019

## **Success Bidco 2 Limited**

### **Directors' report for the year ended 31 December 2018**

The directors present their report and the audited consolidated financial statements of the group and company for the year ended 31 December 2018.

#### **Results and dividends**

The results for the group show operating profit (before exceptional items) of £21.1m (2017: £17.5m) for the year to 31 December on sales of £185.3m. Net cash generated from operating activities for the year was £22.1m (2017: £10.8m). As at 31 December 2018 the group had cash on balance sheet of £30.3m (2017: £20.9m). The directors do not recommend the payment of a dividend.

#### **Amended accounts**

The accounts have been amended to make a minor correction in the disclosures in note 11. These accounts replace the original filed accounts and are now the statutory accounts. They are prepared on the same basis as the original accounts, and no adjustments have been made to any financial information disclosed.

#### **Future developments**

Management are confident that the group will continue to grow in line with its plans. Significant revenue and profit growth will be maintained, driven by a robust innovation pipeline, continued global distribution and market share gains and productivity improvements.

#### **Employees training and development**

We have consistently sought to recruit and retain the best employees in order to provide and exceed the service levels which our customers expect. The Board firmly believes that our employees are the foundation on which the group's success is built.

The group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled, the group continues employment wherever possible.

The group is committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests.

#### **Research and development**

The group continues to invest in the creation, research, design and development of products to ensure that they remain innovative and functionally superior to those of our competitors and that they deliver category enhancing value to the consumer. Costs of research are expensed as incurred and development costs capitalised.

#### **Going concern**

The directors are of the opinion that the financial statements should be prepared on a going concern basis. In forming this opinion, the Board has taken account of the fact that the implementation of its plans to realise a positive return on the company's investment are still at an early stage and there are no reasons to believe that objectives will not be achieved.

## **Success Bidco 2 Limited**

### **Directors' report for the year ended 31 December 2018 (continued)**

#### **Financial risk management**

The group's operations expose it to a variety of financial risks that include the effects of changes in currency risk, price risk, credit risk, liquidity risk and interest rate cash flow risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by closely monitoring levels of debt finance.

Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the group's finance department.

#### *Currency risk*

The group actively manages its primary foreign currency exposure through a series of structured forward contracts, reviewed and updated on a quarterly basis.

#### *Commodity price risk*

The group is exposed to commodity price risk as a result of its operations. However, given the size of the group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

#### *Credit risk*

The group has implemented policies that require appropriate credit checks on potential customers before sales are made and credit insurance whenever possible. Where debt finance is utilised, this is subject to pre-approval by the board of directors and such approval is limited to financial institutions with an investment grade rating or better.

#### *Liquidity risk*

The group is highly cash generative and forward looking cash flows indicate that the group is well funded with very low liquidity risk.

#### *Interest rate cash flow risk*

The group's senior debt interest payable is calculated with reference to LIBOR. The group has taken out interest rate hedging on 75% (2017: 75%) of the senior debt balance to manage the exposure to interest rate movements.

#### **Directors**

The directors who held office during the year and up to the date of signing the financial statements are listed in the Directors and advisors for the year on page 1.

#### **Reappointment of Auditors**

It is the intention of the directors to reappoint PwC as auditors for the next financial year.

## Success Bidco 2 Limited

### Directors' report for the year ended 31 December 2018 (continued)

#### Statement of Directors' Responsibility in respect of the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and company and of the profit or loss of the group and company for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

On behalf of the board



Steve Parkin  
Director  
7 May 2019



## **Success Bidco 2 Limited**

# **Independent auditors' report to the members of Success Bidco 2 Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion, Success Bidco 2 Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; 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 (the "Annual Report"), which comprise: the Consolidated and Company Statements of financial position as at 31 December 2018; the Consolidated Statement of comprehensive income, the Consolidated and Company Statements of cash flows, and the Consolidated and Company Statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

### **Basis for opinion**

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

### *Independence*

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

### **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 group's and 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 group's and 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 group's trade, customers, suppliers and the wider economy.

## **Success Bidco 2 Limited**

### **Independent auditors' report to the members of Success Bidco 2 Limited (continued)**

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

#### **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' Responsibility in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Success Bidco 2 Limited**

### **Independent auditors' report to the members of Success Bidco 2 Limited (continued)**

#### **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](http://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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jonathan Greenaway (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
7 May 2019

## Success Bidco 2 Limited

### Consolidated statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	1	185,267	165,732
Cost of sales		(90,832)	(83,058)
<b>Gross Profit</b>		<b>94,435</b>	<b>82,674</b>
Admin expenses		(39,035)	(32,670)
Exceptional admin expenses	3	(929)	(3,514)
Total admin expenses		(39,964)	(36,184)
Distribution cost		(34,397)	(32,692)
Other income		119	159
<b>Operating profit</b>	4	<b>20,193</b>	<b>13,957</b>
Finance costs	5	(9,219)	(8,560)
Finance income	5	186	121
<b>Profit before taxation</b>		<b>11,160</b>	<b>5,518</b>
Taxation	6	(2,628)	(1,023)
<b>Profit for the year</b>		<b>8,532</b>	<b>4,495</b>
<b>Other comprehensive income/(expense), net of tax</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements on defined benefit pension scheme	7	224	1,282
Tax on items that will not be reclassified to profit or loss		(38)	(218)
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Exchange differences on translation of foreign operations		788	(2,129)
Cash flow hedges		833	(848)
Tax on items that may be subsequently reclassified to profit or loss		(142)	144
<b>Other comprehensive income/(expense) for the year</b>		<b>1,665</b>	<b>(1,769)</b>
<b>Total comprehensive income for the year</b>		<b>10,197</b>	<b>2,726</b>

## Success Bidco 2 Limited

### Consolidated Statement of financial position as at 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	13,799	11,586
Intangible assets and goodwill	9	286,334	284,793
Deferred tax assets	12	720	1,366
Retirement benefit surplus	7	5,496	4,996
Derivative financial instruments	15	366	476
Other non-current assets		483	628
<b>Total non-current assets</b>		<b>307,198</b>	<b>303,845</b>
<b>Current assets</b>			
Inventories	13	22,538	19,562
Trade and other receivables	14	37,348	43,230
Derivative financial instruments	15	6	-
Restricted cash	16	4,000	4,600
Cash and cash equivalents		30,319	20,902
<b>Total current assets</b>		<b>94,211</b>	<b>88,294</b>
<b>Total assets</b>		<b>401,409</b>	<b>392,139</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	(53,092)	(55,586)
Derivative financial instruments	15	-	(937)
Borrowings	18	(31,253)	(33,363)
<b>Total current liabilities</b>		<b>(84,345)</b>	<b>(89,886)</b>
<b>Net current assets/(liabilities)</b>		<b>9,866</b>	<b>(1,592)</b>
<b>Non-current liabilities</b>			
Borrowings	18	(123,619)	(122,868)
Deferred tax liabilities	12	(10,421)	(10,681)
<b>Total non-current liabilities</b>		<b>(134,040)</b>	<b>(133,549)</b>
<b>Total liabilities</b>		<b>(218,385)</b>	<b>(223,435)</b>
<b>Net Assets</b>		<b>183,024</b>	<b>168,704</b>
<b>Equity</b>			
Called up share capital	19	160,216	160,216
Capital contribution	20	9,123	5,001
Hedging reserve		536	(155)
Other reserves		(3,708)	(3,708)
Retained earnings		16,857	7,350
<b>Total equity</b>		<b>183,024</b>	<b>168,704</b>

**Success Bidco 2 Limited**

**Consolidated Statement of financial position as at 31 December 2018  
(continued)**

The notes on pages 28 to 63 form an integral part of these financial statements. These financial statements on pages 10 to 63 were approved by the board of directors on 7 May 2019 and were signed on its behalf by



**Steve Parkin**  
**Director**  
**Success Bidco 2 Limited**

**Registered Number 10110298**

## Success Bidco 2 Limited

### Consolidated Statement of changes in equity for the year ended 31 December 2018

	Called up share capital £'000	Capital Contribution £'000	Hedging reserve £'000	Retained earnings £'000	Other reserve £'000	Total equity £'000
<b>At 1 January 2017</b>	<b>156,508</b>	<b>1,083</b>	<b>549</b>	<b>3,920</b>	<b>-</b>	<b>162,060</b>
Profit for the year	-	-	-	4,495	-	4,495
Redenomination of share capital	3,708	-	-	-	(3,708)	-
Capital contribution from parent company	-	3,918	-	-	-	3,918
Movement on hedging reserve	-	-	(848)	-	-	(848)
Tax on items that may be subsequently reclassified profit or loss	-	-	144	-	-	144
Exchange differences on translating foreign currency operations	-	-	-	(2,129)	-	(2,129)
Remeasurements on defined benefit pension scheme	-	-	-	1,282	-	1,282
Tax on items that will not be reclassified to profit or loss	-	-	-	(218)	-	(218)
<b>At 31 December 2017</b>	<b>160,216</b>	<b>5,001</b>	<b>(155)</b>	<b>7,350</b>	<b>(3,708)</b>	<b>168,704</b>
Profit for the year	-	-	-	8,532	-	8,532
Capital contribution from parent company	-	4,122	-	-	-	4,122
Movement on hedging reserve	-	-	833	-	-	833
Tax on items that may subsequently be reclassified to profit or loss	-	-	(142)	-	-	(142)
Exchange differences on translating foreign curren operations	-	-	-	789	-	789
Remeasurements on defined benefit pension scheme	-	-	-	224	-	224
Tax on items that will not be reclassified to profit or loss	-	-	-	(38)	-	(38)
<b>At 31 December 2018</b>	<b>160,216</b>	<b>9,123</b>	<b>536</b>	<b>16,857</b>	<b>(3,708)</b>	<b>183,024</b>

## Success Bidco 2 Limited

### Consolidated Statement of cash flows for the year ended 31 December 2018

	2018 £'000	2017 £'000
<b>Cash flows from operating activities:</b>		
Profit before taxation	11,160	5,518
<i>Adjustments for:</i>		
Depreciation and amortisation	6,552	5,253
Payments into pension scheme in excess of current service cost	(135)	88
Pension interest less expected return on scheme assets	(142)	(106)
Finance costs	9,033	8,439
Foreign exchange	788	(1,368)
Share based payment	2,230	(1,687)
Loss on disposal of fixed assets	77	348
<i>Changes in working capital:</i>		
Decrease/(increase) in inventories	(1,732)	2,281
Decrease/(increase) in trade and other receivables	6,158	(6,412)
Increase/(decrease) in trade and other payables	(3,910)	5,683
<b>Cash generated from operating activities</b>	<b>30,079</b>	<b>18,037</b>
Interest paid	(6,580)	(6,899)
Interest received	187	121
Tax paid	(1,557)	(488)
<b>Net cash generated from operating activities</b>	<b>22,129</b>	<b>10,771</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(5,111)	(4,454)
Proceeds from sale of property, plant and equipment	-	30
Purchase of intangible assets	(3,274)	(2,264)
Investment in subsidiary net of cash acquired	(2,582)	(9,176)
Decrease/(increase) in restricted cash	600	(600)
<b>Net cash used in investing activities</b>	<b>(10,367)</b>	<b>(16,464)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	-	8,451
Proceeds from issue of share capital	-	-
Capital contribution	-	3,918
Repayment of borrowings	(2,110)	(9,823)
<b>Net cash generated from financing activities</b>	<b>(2,110)</b>	<b>2,546</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9,652</b>	<b>(3,147)</b>
Cash and cash equivalents at beginning of the year	20,902	24,484
Exchange movements on foreign currencies	(235)	(435)
<b>Cash and cash equivalents at end of the year</b>	<b>30,319</b>	<b>20,902</b>



## Success Bidco 2 Limited

### Company Statement of financial position as at 31 December 2018

		2018	2017
	Note	£'000	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	10	201,929	201,929
Derivative financial instruments	15	366	476
Other non-current assets		483	628
<b>Total non-current assets</b>		<b>202,778</b>	<b>203,033</b>
<b>Current assets</b>			
Trade and other receivables	14	25,779	33,674
Restricted cash	16	4,000	4,000
Cash and cash equivalents		2,706	669
<b>Total current assets</b>		<b>32,485</b>	<b>38,343</b>
<b>Total assets</b>		<b>235,263</b>	<b>241,376</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	(4,777)	(4,435)
Borrowings	18	(31,253)	(31,253)
<b>Total current liabilities</b>		<b>(36,030)</b>	<b>(35,688)</b>
<b>Net current (liabilities)/assets</b>		<b>(3,545)</b>	<b>2,655</b>
<b>Non-current liabilities</b>			
Borrowings	18	(123,619)	(122,868)
Deferred tax liabilities	12	(62)	(81)
<b>Total non-current liabilities</b>		<b>(123,681)</b>	<b>(122,949)</b>
<b>Total liabilities</b>		<b>(159,711)</b>	<b>(158,637)</b>
<b>Net assets</b>		<b>75,552</b>	<b>82,739</b>
<b>Equity</b>			
Called up share capital	19	160,216	160,216
Hedging reserve		304	395
Other reserve		(3,708)	(3,708)
Accumulated losses		(74,164)	(4,322)
Loss for the year		(7,096)	(69,842)
<b>Total equity</b>		<b>75,552</b>	<b>82,739</b>

**Success Bidco 2 Limited**

**Company Statement of financial position as at 31 December 2018  
(continued)**

The notes on pages 28 to 63 form an integral part of these financial statements. These financial statements on pages 10 to 63 were approved by the board of directors on 7 May 2019 and were signed on its behalf by

A handwritten signature in black ink, consisting of a stylized 'S' followed by a series of loops and a long horizontal stroke extending to the right.

**Steve Parkin**  
**Director**

**Success Bidco 2 Limited**

**Registered Number 10110298**

## Success Bidco 2 Limited

### Company Statement of Cash Flows for the year ended 31 December 2018

	2018 £'000	2017 £'000
<b>Cash flows from operating activities:</b>		
Loss before taxation	(7,096)	(69,842)
<i>Adjustments for:</i>		
Finance costs	6,464	3,577
<i>Changes in working capital:</i>		
Increase in trade and other payables	373	185
Decrease in trade and other receivables	408	1,386
Decrease in intercompany receivables	8,463	-
Increase/ (decrease) in intercompany payables	(31)	57,295
<b>Cash generated from/(used in) operating activities</b>	<b>8,581</b>	<b>(7,399)</b>
Interest paid	(6,546)	(6,171)
<b>Net cash generated from/ (used in) operating activities</b>	<b>2,035</b>	<b>(13,570)</b>
<b>Cash flows from investing activities:</b>		
Interest received	2	-
<b>Net cash generated from investing activities</b>	<b>2</b>	<b>-</b>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	-	6,597
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>6,597</b>
<b>Net movement in cash and cash equivalents</b>	<b>2,037</b>	<b>(6,973)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>669</b>	<b>7,642</b>
<b>Cash and cash equivalents at end of the year</b>	<b>2,706</b>	<b>669</b>

## Success Bidco 2 Limited

### Company Statement of changes in equity for the year ended 31 December 2018

Company	Called up share capital £'000	Hedging reserve £'000	Accumulated losses £'000	Other Reserve £'000	Total equity £'000
At 1 January 2017	156,508	274	(4,322)	-	152,460
Loss for the year	-	-	(69,842)	-	(69,842)
Redenomination of share capital	3,708	-	-	(3,708)	-
Movement on hedging reserve	-	145	-	-	145
Tax on items that may be subsequently reclassified to profit or loss	-	(24)	-	-	(24)
<b>At 31 December 2017</b>	<b>160,216</b>	<b>395</b>	<b>(74,164)</b>	<b>(3,708)</b>	<b>82,739</b>
Loss for the year	-	-	(7,096)	-	(7,096)
Movement on hedging reserve	-	(110)	-	-	(110)
Tax on items that may be subsequently reclassified to profit or loss	-	19	-	-	19
<b>At 31 December 2018</b>	<b>160,216</b>	<b>304</b>	<b>(81,260)</b>	<b>(3,708)</b>	<b>75,552</b>

## **Success Bidco 2 Limited**

### **Statement of accounting policies for the year ended 31 December 2018**

Success Bidco 2 Limited is a private company limited by shares which is incorporated and domiciled in England, within the UK. The principal accounting policies adopted in the preparation of these financial statements are set out below.

#### **Basis of preparation**

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRSs") and International Financial Reporting Standards Interpretation Committee ("IFRS IC") interpretations, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. No IFRSs have been adopted before their effective date. The financial statements have been prepared on the going concern basis and under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivatives) through fair value through profit or loss. A summary of the more important accounting policies is set out below together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year. All accounting policies have been applied consistently in all years presented with the exception of those standards that are newly adopted in the year.

#### **Going concern**

The groups and companies financial statements have been prepared on a going concern because:

- Recognition has been given to the plans that are in place which it is considered will achieve positive returns to enable the group to fully discharge its liabilities; and
- The directors have reviewed cash flow forecasts and are satisfied that the group is expected to generate sufficient cash flow in the next year to enable all liabilities falling due for at least 12 months from the date the financial statements are approved to be met.

#### **Consolidation**

In accordance with s408 of the Companies Act 2006, the parent company does not publish its own statement of comprehensive income. See the statement of financial position for the company result.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiary undertakings are accounted for using acquisition accounting from the effective date of the acquisition until the effective date of disposal.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

## **Success Bidco 2 Limited**

### **Statement of accounting policies for the year ended 31 December 2018 (continued)**

#### **Changes in accounting policy and disclosures**

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) as they apply to the financial statements of the Group for the year ended 31 December 2018 and applied in accordance with the Companies Act 2006 as applicable to companies using IFRS and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and under the historic cost convention. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018.

#### **New and amended standards adopted by the group**

The group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2018:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- Amendments to IFRS2 – Classification and Measurement of Share-based payment Transactions
- Annual Improvements to IFRS Standards 2014-2016 cycle
- Amendments to IAS40 – Transfers to Investment Property
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2015-2017 cycle

The group has adopted the new standards IFRS 9 and IFRS 15 on a full retrospective basis. The adoption of IFRS 9 and IFRS 15 has not had any material impact on the group's financial position or statement of comprehensive income in the current or prior year and accordingly no material judgements have been made on transition nor have any amounts been restated in the financial statements with respect of the current or prior year.

Neither the group or company has elements of revenue that include a significant financing component as all revenue accrues in under 1 year. As such the practical expedient under IFRS15 (para129) has been applied.

All costs of acquiring a contract have been included as an expense as any amortisation year of this asset would be under 1 year. As such the practical expedient under IFRS15 (para130) has been applied.

#### **Standards and interpretations not yet effective**

The following IFRSs, IASs and IFRS IC interpretations and amendments have been issued but have not been early adopted by the group:

Effective from 1 January 2019:

IFRS 3 – Business Combinations – Annual Improvements 2015 -17 Cycle

## **Success Bidco 2 Limited**

### **Statement of accounting policies for the year ended 31 December 2018 (continued)**

#### **Standards and interpretations not yet effective (Continued)**

- IFRS 9 – Financial Instruments – Amendments to prepayment features with negative compensation and modifications of financial liabilities
- IFRS 11 – Joint Arrangements – Annual Improvements 2015 -17 Cycle
- IAS 12 – Income Taxes – Annual Improvements 2015 -17 Cycle
- IFRS 16 - ‘Leases’ will be effective for the year ending 31 December 19. As such, the Group and Company has not yet undertaken an impact assessment, and will do so in the coming year.
- IAS 19 – Employee Benefits – Amendments to plan amendments, curtailments and settlements
- IFRIC 2 – Uncertainty over Income Tax Treatments – Clarification of the accounting for uncertainties in income taxes
- IAS 23 – Borrowing Costs – Annual Improvements 2015 -17 Cycle
- IAS 28 – Investments in Associates and Joint Ventures – Amendments to Long-term interest in associates and joint ventures

#### Effective from 1 January 2020:

- IAS 1 – Presentation of Financial Statements – Amendments to the definition of material
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors - Amendments to the definition of material
- IFRS 3 – Business Combinations – Amendments to clarify the definition of a business

#### Effective from 1 January 2021:

- IFRS 17 – Insurance contracts

#### Deferred until further notice:

- IFRS 10 – Consolidated Financial Statements – Amendments to the sale or contribution of assets between an investor and its associate or joint venture

The adoption of the above standards and amendments, with the exception of IFRS 16 are not expected to have a material impact on the group's financial statements.

## **Success Bidco 2 Limited**

### **Statement of accounting policies for the year ended 31 December 2018 (continued)**

#### **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. All revenue of the group is from sales of baby feeding, sleep time, hygiene and accessory products at a point in time with the delivery of the product seen as the only performance obligation under the contract. Payment terms provided for the group's receivables are generally 30 – 60 days from date of invoice.

Revenue is recognised on delivery when control of the goods has passed to the buyer. Revenue is recorded net of value added tax, discounts and rebates. Any rebates or discounts are recognised on sales to the extent that it is deemed highly likely that the revenue will not subsequently reverse and are recognised in line with the sale of the underlying item.

All unused product can be returned to the Group in exchange for a credit or a refund and standard warranties are given across the product range. These costs and allowances are set against Gross Revenue to result in the Revenue recognised in these Statements.

#### **Other operating income**

Other operating income primarily represents foreign exchange gains arising from operating activities.

#### **Foreign currency accounting**

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Exchange differences arising from the retranslation of the opening net assets of subsidiaries and joint ventures which have currencies of operation other than sterling are taken to reserves, together with the differences arising when the profit and loss accounts are translated at average rates and compared with rates ruling at the year end. Other exchange differences are taken to the statement of comprehensive income.

#### **Intangible assets**

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Under IFRS 3 Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Acquired brands are shown at historical cost. They have finite useful economic lives and are carried at cost less accumulated amortisation. Brands are amortised on a straight line basis to allocate the cost of a brand over its estimated useful life of between 10 and 30 years. Patents are amortised on a straight line basis to allocate the cost of a patent over its useful life of 20 years. Software is capitalised on the basis of costs incurred to acquire and bring it into use and amortised on a straight line basis over their useful economic lives of 4 years. Customer lists are capitalised as part of any acquired intangible at cost and amortised over their useful life of between 1 to 5 years.

#### **Investments**

The investment in subsidiary undertakings is carried in the statement of financial position at cost, less any impairment in value. The carrying value of investments is reviewed for impairment annually.



## **Success Bidco 2 Limited**

### **Statement of accounting policies for the year ended 31 December 2018 (continued)**

#### **Cost of raising finance**

The finance costs of raising debt are capitalised and offset against the value of the loan raised. The capitalised cost is then amortised at the effective interest rate over the year of the loan. The cost of the amortisation is charged as an expense in the year.

#### **Research and development costs**

Research costs are expensed as incurred. Development costs are capitalised per IAS 38. Development costs are amortised on the launch of the project on a straight-line basis. The costs are amortised over their economic life, which is deemed to be 5 years.

#### **Operating leases**

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating leases are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

#### **Property, plant and equipment**

Plant and equipment is included at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to the working condition for its intended use. Depreciation is calculated to write each asset to its estimated residual value and is provided on a straight line basis over the expected useful economic life of the asset as follows:

Leasehold property     -     over 5 to 25 years

Plant and equipment   -     over 4 to 10 years

Assets under construction are not depreciated.

The carrying values of tangible fixed assets are reviewed for impairment either annually, or when events or changes in circumstances indicate the carrying value may not be recoverable (whichever is the earlier). If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

#### **Inventories**

Inventories are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective inventory. Cost is on a standard and weighted average basis and includes an addition for overheads where appropriate. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventory provisions are based on group current stock levels compared with future sales forecast.

#### **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. A provision for impairment of trade receivables is established when there is evidence that the company will not be able to collect all amounts due according to the original terms of the receivables or where it is calculated that there is an expected element of future credit loss. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within "other operating charges". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "other operating charges" in the statement of comprehensive income.

## **Success Bidco 2 Limited**

### **Statement of accounting policies for the year ended 31 December 2018 (continued)**

#### **Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **Derivative financial instruments**

The group uses forward contracts to manage its exposure to foreign exchange rate and interest rate swaps to manage interest rate fluctuations. 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. The method of recognising the resultant gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group designates certain derivatives as cash flow hedges, being hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

The group documents at the inception of the transaction the economic relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The strategy is to identify material cash flow that are influenced by changes in Foreign Exchange rates. The Group take out hedging instruments against these exposures to Foreign Exchange movements, in order to protect future cash flows with certainty. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within "other gains/losses". Amounts accumulated in equity are recycled in the statement of comprehensive income in the years when the hedged item affects profit or loss. When a hedging instrument expires, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

Changes in the fair value of those derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of comprehensive income.

The fair value of the forward currency contracts and interest rate swaps is estimated using a discounted cash flow technique.

#### **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand, and short term deposits with a maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

#### **Restricted Cash**

Restricted cash relates to amounts held on deposit that do not meet the definition of cash and cash equivalents on the basis they are not available on demand nor readily convertible into on demand deposits for use against the liabilities of the business within 3 months or less.

#### **Operating leases**

Rental costs under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

## **Success Bidco 2 Limited**

### **Statement of accounting policies for the year ended 31 December 2018 (continued)**

#### **Pensions**

The group operates a defined benefit pension scheme, the Baby & Child Retirement Plan, and a stakeholder plan. Contributions to the stakeholder scheme are charged to employee costs in the year in which they fall due.

*The Baby & Child Retirement Benefit Plan is accounted for in full in this group's financial statements as the majority of the scheme participants are employees of the group, and although the scheme also relates to other group companies, the directors believe that these amounts are not material to the individual financial statements of the companies involved.*

The group recognises the pension deficit or surplus in the statement of financial position. The surplus is the fair value of the scheme's assets less the present value of the accrued defined benefit obligations. Any surplus arising on the defined benefit pension scheme is restricted to the present value of the amount recoverable through future reductions in employer contributions. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality, long-dated corporate bonds that are denominated in the currency in which the benefits are paid.

The current service costs, past service costs, gains and losses on settlements and curtailments, and the interest cost on plan liabilities net of expected return on plan assets are included in employee costs. Re-measurement gains and losses are recognised as other comprehensive income in the year in which they arise.

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Preference shares attract a guaranteed dividend at a rate of 8%, have no voting rights and can be redeemed by the company at any time. On this basis they are accounted for as debt rather than equity.

#### **Share Based Payments**

The group has cash and equity settled share based payment schemes in issue. The term "cash-settled share-based payment" refers to a transaction of payment of cash or any other asset obligation calculated and determined on the basis of shares or other equity instruments undertaken by the enterprise in return for services.

A cash-settled share-based payment shall be measured in accordance with the fair value of the liability calculated and recognised based on the shares or other equity instruments undertaken by an enterprise.

For cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the enterprise shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. If the right may not be exercised until the vesting year comes to an end or until the specified performance conditions are met, at each balance sheet date within the vesting year, the services obtained in the current year shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the enterprise.

If, at the balance sheet date, the subsequent information indicates that the fair value of the current liability undertaken by the enterprise are different from the previous estimates, an adjustment shall be made and on the vesting date the estimate shall be adjusted to equal the actually exercisable right. An enterprise shall, at each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

The term "equity-settled share-based payment" refers to a transaction in which the Group grants shares or other equity instruments as a consideration in return for services.

## **Success Bidco 2 Limited**

### **Statement of accounting policies for the year ended 31 December 2018 (continued)**

#### **Share Based Payments (continued)**

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees.

During the year that the performance conditions and service life conditions are met, the costs or expenses of equity-settled share-based payments shall be recognised, and the capital reserve is increased correspondingly. Before the vesting date, the accumulating amount recognised in the equity-settled share-based payments at each balance sheet date reflects the expired part within the vesting year and the best estimate for the number of equity instrument of final exercise carried out by the Group.

If an enterprise modifies terms and conditions of equity-settled share-based payments in an unfavourable manner to the employees, the enterprise shall continue to account for the services obtained as if the changes never happen, unless the enterprise cancels all or part of equity instruments granted. In addition, any modification newly added with the fair value of the granted equity instruments or the changes being in favour of workers at the modification date shall be recognised as service addition.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognised immediately. If the workers and other parties can select to meet non-exercise conditions but they do not meet the conditions within the vesting year, the equity-settled share-based payments are cancelled. However, if new equity instruments are granted, and the new instruments are used for replacing the cancelled equity instruments at the granting date, the granted and replaced equity instruments shall be processed in the same method that the provisions of the original equity instruments are processed and the conditions are modified.

#### **Deferred tax**

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

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is recognised in respect of timing differences arising from the unremitted earnings of subsidiaries and joint ventures, except where the entity can control the reversal of the timing difference and it will not reverse in the foreseeable future.

## **Success Bidco 2 Limited**

### **Statement of accounting policies for the year ended 31 December 2018 (continued)**

#### **Exceptional Items**

Exceptional costs incurred by the Group are separately identified on the face of the consolidated statement of comprehensive income, to provide a better understanding of the financial performance of the business. Exceptional items are one off costs / incomes which are material both in size and nature.

#### **Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances.

#### *Pension assumptions - estimate*

Changes in assumptions made in valuing the defined benefit pension deficit could have a significant effect on profit for the year and the financial position. These assumptions are reviewed on an annual basis and the most appropriate assumptions selected based on actuarial advice. The assumptions used at the year-end are disclosed in note 7.

#### *Management Incentive Programme - judgement*

The valuation of the liability relating to the Management Incentive Programme requires assumptions to be made about the future business performance of the enlarged group. Changes to these assumptions can have a significant impact on the results for the year.

#### *Goodwill Impairment - judgement*

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

#### *Useful economic lives of Intangible Assets - estimate*

The group estimates the expected useful life of intangible assets in order to calculate amortisation.

#### *Capital management*

The Group's manages its capital to ensure its going concern status, maximise returns for shareholders and benefit all other stakeholders by maintaining an optimal capital structure and reduce its subsequent cost of capital.

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018

#### 1 Revenue

The group's operations relate entirely to the Mayborn Baby and Child business, being one class of business. All revenue is derived from the sale of goods at a point in time.

##### Geographical analysis

The group's principal operations are located in the UK, North America, Hong Kong, Morocco, France, Australia and China. The following table shows an analysis of the group's sales by geographical market.

	2018 £'000	2017 £'000
United Kingdom	68,408	57,682
Europe	31,656	29,966
The Americas	47,416	43,933
Far East/Australasia	29,474	27,806
Africa/Middle East	8,313	6,345
	185,267	165,732

No contract assets or liabilities have been recognised in the Balance sheet of the Group or the company. Their impact, if any is immaterial. The right for payment of goods is unconditional, except for the passage of time. Therefore, all rights to payment have been recorded as trade receivables.

No assets related to costs to obtain or fulfil a contract have been recognised. Their impact, if any are not deemed material.

#### 2 Employee benefit costs

	2018 £'000	2017 £'000
Wages and salaries	26,581	24,131
Social security costs	2,768	2,496
Other pension costs	1,325	1,423
	30,674	28,050

The company had no employees during this year (2017: nil).

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

By activity	2018 Number	2017 Number
Production	884	915
Selling and distribution	142	173
Administration	211	221
	1,237	1,309

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 2 Employee benefit costs (continued)

##### Directors' emoluments

	2018 £'000	2017 £'000
<b>Director:</b>		
Aggregate emoluments	943	330

Retirement benefits are accruing to no directors under a defined benefit scheme (2017: one).

The highest paid director received aggregate emoluments of £693,000 (2017 £330,000).

#### 3 Exceptional items

The group has incurred the following exceptional costs in the year:

	2018 £'000	2017 £'000
Product recall costs	(221)	220
Strategic review of the business costs	600	752
Litigation costs	408	178
Restructuring costs	50	1,428
Deal related costs	92	936
	929	3,514

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 4 Operating Profit

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

	2018 £'000	2017 £'000
Changes in inventories of finished goods and WIP	(3,141)	2,372
Raw materials and consumables used	82,980	68,587
Employee benefit expense	30,674	28,050
Depreciation and amortisation	6,552	5,253
Transportation expense	4,255	3,823
Advertising cost	14,121	12,936
Operating lease payments	1,893	2,015
Exceptional costs	929	3,514
Other expense	26,930	25,384
Other income	(119)	(159)
<b>Total cost of sales, distribution costs, exceptional admin expenses, admin expenses and other income</b>	<b>165,074</b>	<b>151,775</b>

Auditors' remuneration is analysed as follows:

	2018		2017	
	Group £'000	Company £'000	Group £'000	Company £'000
<b>Audit services:</b>				
Fees payable to the company's auditors for the audit of the parent company and consolidated financial statements	23	6	23	6
<b>Non audit services:</b>				
Audit of the company's subsidiaries	284	-	274	-
Other assurance services	-	-	150	-
Other non audit	180	-	245	-



## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 5 Finance income / (costs)

	2018 £'000	2017 £'000
Bank interest receivable	186	121
<b>Finance income</b>	<b>186</b>	<b>121</b>
Interest on loans	6,308	5,900
Amortisation of deferred finance costs	751	678
Bank interest payable	28	25
Bank guarantee fees	165	161
Bank commitment fees	77	111
Discount unwind – on management incentive plan	1,890	1,685
<b>Finance costs</b>	<b>9,219</b>	<b>8,560</b>

All interest receivable and payable is calculated using the expected interest rate method.

#### 6 Taxation

##### (a) Analysis of charge in the year

The analysis of the group taxation charge during the year was as follows:

	2018 £'000	2017 £'000
<b>Current tax:</b>		
UK corporation tax	1,164	288
Overseas tax	925	1,130
Adjustment in respect of prior years	326	112
<b>Total current tax charge</b>	<b>2,415</b>	<b>1,530</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences (note 12)	213	(507)
<b>Total tax charge (note 6(b))</b>	<b>2,628</b>	<b>1,023</b>

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 6 Taxation (continued)

##### (b) Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK: 19% (2017: 19.25%). The differences are explained below.

	2018 £'000	2017 £'000
<b>Profit before tax</b>	<b>11,160</b>	<b>5,518</b>
Multiplied by the standard rate of corporation tax in the UK: 19% (2017: 19.25%)	<b>2,120</b>	<b>1,062</b>
<i>Effects of:</i>		
Difference in foreign tax rates	<b>301</b>	<b>305</b>
Changes in taxation rates	<b>(50)</b>	<b>33</b>
Adjustment in relation to prior years	<b>513</b>	<b>412</b>
Utilisation of tax losses	<b>(1,093)</b>	<b>(1)</b>
Expenses not allowed/(allowed) for tax purposes	<b>837</b>	<b>(788)</b>
<b>Total charge</b>	<b>2,628</b>	<b>1,023</b>

##### (c) Factors affecting future tax charges

Certain companies within the group have unutilised tax losses brought forward, which may be used in future years to reduce tax charges if taxable profits arise in those companies.

A reduction to the UK corporation tax rate was substantially enacted for accounting purposes on 26 October 2015, such that the main rate will reduce to 19% from 1 April 2017 and remain at this rate for the financial years beginning 1 April 2018 and 1 April 2019. In the 2017 budget it was also announced that the corporation tax rate will be reduced by a further 2% to 17% for the financial year beginning 1 April 2020.

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 7 Retirement benefits

The group operates a defined benefit scheme, the Baby & Child Retirement Benefit Plan. Expected contributions to the defined benefit plan for the year ending 31 December 2018 are £535,000 (2017: £535,000).

The assets of the scheme are administered by trustees. The scheme is closed to new employees. There is no liability for post-employment medical benefits recognised in the group on the basis of mortality.

The contribution payable for the year is based upon the pensionable salaries of those employees who are members of the schemes. Contributions at a rate of 0% (2017: 22.4%) of pensionable salaries have been agreed for future years.

The amounts recognised in the statement of financial position are determined as follows:

	<b>2018</b> <b>£'000</b>	2017 £'000
Present value of funded obligations	<b>(26,869)</b>	(29,701)
Fair value of plan assets	<b>32,365</b>	34,697
<b>Pension surplus</b>	<b>5,496</b>	4,996

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 7 Retirement benefits (continued)

The amounts recognised in the statement of comprehensive income are as follows:

	2018 £'000	2017 £'000
Current service cost	-	258
Past service cost	400	-
Interest income on net surplus	(142)	(106)
<b>Total included in employee benefit costs</b>	<b>258</b>	<b>152</b>
Remeasurement profit	224	1,282
Deferred tax thereon (note 12)	(38)	(218)
<b>Net total included within other comprehensive income</b>	<b>186</b>	<b>1,064</b>
<b>Cumulative remeasurement recognised in the statement of other comprehensive income</b>	<b>1,165</b>	<b>979</b>

The movement in the present value of scheme liabilities over the year is as follows:

	2018 £'000	2017 £'000
At 1 January	29,701	31,162
Current service cost	-	258
Past service cost	400	-
Interest cost	771	853
Employee contributions	-	72
Remeasurement loss from change in financial assumptions	(1,495)	510
Remeasurement gain from changes in demographic assumptions	(150)	(261)
Experiences gains arising on liabilities	-	(1,443)
Benefits paid	(2,358)	(1,450)
<b>At 31 December</b>	<b>26,869</b>	<b>29,701</b>

The movement in the fair value of plan assets over the year is as follows:

	2018 £'000	2017 £'000
At 1 January	34,697	34,858
Interest income	912	959
Remeasurement (loss)/gain	(1,421)	88
Employer contributions	535	170
Employee contributions	-	72
Benefits paid	(2,358)	(1,450)
<b>At 31 December</b>	<b>32,365</b>	<b>34,697</b>

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 7 Retirement benefits (continued)

The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate	3.10%	2.70%
Inflation – RPI	3.30%	3.20%
Inflation – CPI	2.30%	2.20%
Future salary increases	n/a	2.20%
Future pension increases	3.15%	3.05%

#### Mortality rate

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience in each territory. The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows;

	2018	2017
Male	21.8	21.9
Female	23.7	23.7

The average longevity in years of a pensioner retiring at age 65, 20 years after the accounting date is as follows:

	2018	2017
Male	22.8	23.0
Female	24.9	25.0

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on scheme liabilities
Discount rate	Decrease by 0.5%	Increase by £2.5m
Salary growth rate	Increase by 0.5%	Increase by £1.1m
Mortality improvement	Increase life expectancy by 1.25 year	Increase by £0.2m

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting year) has been applied consistently with calculating the pension liability recognised within the statement of financial position.

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 7 Retirement benefits (continued)

Plan assets are comprised as follows:

	2018		2017	
	£'000	%	£'000	%
Corporate bonds	20,786	64.23	21,092	60.79
Inflation & Int bond	9,426	29.12	10,334	29.78
Diversified fund	1,788	5.52	3,165	9.12
Cash	365	1.13	106	0.31
	32,365	100.00	34,697	100.00

The plan assets are invested in pooled investment funds which are not considered to have a quoted market price in an active market as defined in IFRS 13. The underlying investments of these funds are corporate bonds.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

The company does not operate a pension scheme.

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 8 Property, plant and equipment

<b>Group</b>	<b>Short leasehold property £'000</b>	<b>Plant and equipment £'000</b>	<b>Assets in the course of construction £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 31 December 2016	664	10,543	242	11,449
Acquired with subsidiary	-	51	-	51
Additions	-	-	4,403	4,403
Disposals	(158)	(1,668)	-	(1,826)
Transfers	1,576	2,365	(3,941)	-
Exchange adjustments	(181)	(668)	-	(849)
<b>At 31 December 2017</b>	<b>1,901</b>	<b>10,623</b>	<b>704</b>	<b>13,228</b>
Additions	-	-	5,111	5,111
Disposals	-	(319)	-	(319)
Transfers	-	3,240	(3,240)	-
Exchange adjustments	58	445	-	503
<b>At 31 December 2018</b>	<b>1,959</b>	<b>13,989</b>	<b>2,575</b>	<b>18,523</b>
<b>Accumulated depreciation</b>				
At 31 December 2016	64	950	-	1,014
Charged during the year	268	2,532	-	2,800
Disposals	(158)	(1,290)	-	(1,448)
Exchange adjustments	(148)	(576)	-	(724)
<b>At 31 December 2017</b>	<b>26</b>	<b>1,616</b>	<b>-</b>	<b>1,642</b>
Charged during the year	297	2,747	-	3,044
Disposals	-	(242)	-	(242)
Exchange adjustments	(97)	377	-	280
<b>At 31 December 2018</b>	<b>226</b>	<b>4,498</b>	<b>-</b>	<b>4,724</b>
<b>Net book value</b>				
<b>At 31 December 2018</b>	<b>1,733</b>	<b>9,491</b>	<b>2,575</b>	<b>13,799</b>
At 31 December 2017	1,875	9,007	704	11,586

The company has no tangible fixed assets.

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 9 Intangible assets and goodwill

Group	Brands £'000	Customer Lists £'000s	Software £'000	Research & Development £'000	Goodwill £'000	Total £'000
<b>Cost</b>						
At 31 December 2016	55,934	-	2,029	-	202,676	260,639
Acquired with subsidiary	3,356	-	133	345	14,741	18,575
Additions	-	-	1,194	944	6,979	9,117
Exchange adjustments	(7)	-	(6)	-	-	(13)
<b>At 31 December 2017</b>	<b>59,283</b>	<b>-</b>	<b>3,350</b>	<b>1,289</b>	<b>224,396</b>	<b>288,318</b>
Recalculation of goodwill	-	-	-	-	24	24
Acquired with subsidiary	-	1,158	-	-	-	1,158
Additions	882	-	919	2,074	-	3,875
Disposal	-	-	(8)	-	-	(8)
Exchange adjustments	-	-	1	-	-	1
<b>At 31 December 2018</b>	<b>60,165</b>	<b>1,158</b>	<b>4,262</b>	<b>3,363</b>	<b>224,420</b>	<b>293,368</b>
<b>Accumulated amortisation and impairment</b>						
At 31 December 2016	946	-	128	-	-	1,074
Charge for the year	1,892	-	561	-	-	2,453
Exchange adjustments	-	-	(2)	-	-	(2)
<b>At 31 December 2017</b>	<b>2,838</b>	<b>-</b>	<b>687</b>	<b>-</b>	<b>-</b>	<b>3,525</b>
Charge for the year	2,366	242	849	51	-	3,508
Exchange adjustments	-	-	1	-	-	1
<b>At 31 December 2018</b>	<b>5,204</b>	<b>242</b>	<b>1,537</b>	<b>51</b>	<b>-</b>	<b>7,034</b>
<b>Net book value</b>						
<b>At 31 December 2018</b>	<b>54,961</b>	<b>916</b>	<b>2,725</b>	<b>3,312</b>	<b>224,420</b>	<b>286,334</b>
At 31 December 2017	56,445	-	2,663	1,289	224,396	284,793



## **Success Bidco 2 Limited**

### **Notes to the financial statements for the year ended 31 December 2018 (continued)**

#### **9 Intangible assets and goodwill (continued)**

There was no goodwill or other intangible assets arising in the company

All the amortisation charge for the year is included in 'Admin expenses' in the statement of other comprehensive income.

Brands represents the value of brands owned by the group as well as patents the group has on its products. The remaining amortisation periods for these assets are between 10 and 28.5 years and 18.5 years respectively.

Customer lists represent the value of customer data acquired by the group. The remaining amortisation periods for these assets are 4 years.

Goodwill is tested annually for impairment, or more frequently if there are indicators that goodwill might be impaired. Goodwill is tested for impairment by estimating future cash flows from the cash generating units to which goodwill has been allocated and discounting these cash flows to their present value. The key assumptions in these calculations are in respect of discount rates used and the change in cash flows. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units.

Cash flows are estimated using the most recent forecast information for the years 2019 to 2023, based on an estimated growth rate of 2% excluding inflation (2017: 2%). The pre-tax discount rate used to discount the forecast cash flows is 10% (2017: 10%).

The directors consider the assumptions adopted in calculating the cash flows to be consistent with historical performance and to be reasonable given current market conditions.

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 10 Investments

	Company £'000
<b>Cost and net book value</b>	
At 31 December 2016	201,929
Additions	-
At 31 December 2017	<b>201,929</b>
Additions	-
At 31 December 2018	<b>201,929</b>

The company's subsidiary undertakings are all held indirectly with the exception of Jake Holdings Limited and all direct and indirect subsidiaries of the company are listed below.

Companies registered at: Mayborn House, Balliol Business Park, Benton Lane, Newcastle upon Tyne, NE12 8EW.

Subsidiary companies	Main activities	% ordinary shares	Country of registration
Jake Holdings Limited	Holding company	100%	England
Jake Investment Limited	Holding company	100%	England
Jake Nominees Limited	Holding company	100%	England
Jake Acquisitions Limited	Holding company	100%	England
Mayborn Group Limited	Holding company	100%	England
Mayborn UK Limited	Design and distribution of baby products	100%	England
Sangenic International Limited	Manufacture and distribution of the Sangenic nappy disposal system	100%	England
Steri-bottle UK Ltd	Sourcing and distribution of baby accessory products	100%	England
Cotton Bottoms Limited	Dormant	100%	England
Kindertec Limited	Sourcing and distribution of baby accessory products	100%	England
Tommee Tippee Limited	Dormant	100%	England
Ravina Limited	Dormant	100%	England
Mayborn Limited	Dormant	100%	England
G. E Romney (BAMA) Ltd	Dormant	100%	England
Haditos Limited	Dormant	100%	England
Technomould Limited	Dormant	100%	England
Edizol Limited	Dormant	100%	England
Acacia Chemicals Limited	Dormant	100%	England
Lord Sheraton Limited	Dormant	100%	England
Process Improvements (1989) Limited	Dormant	100%	England
Niche Plastics Limited	Dormant	100%	England
Mayborn Florist Sundries Limited	Dormant	100%	England
Brookline Delta Limited	Dormant	100%	England
Gro-Group Holdings Ltd	Holding company	100%	England
Gro-Group Limited	Holding Company	100%	England
Gro-Group Int Limited	Distribution of baby products	100%	England
Bump to 3 Limited	Dormant	100%	England
Grobag Limited	Dormant	100%	England
Gro-Group UK Limited	Dormant	100%	England
Fosse Management Ltd	Dormant	100%	England

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 10 Investments (continued)

Companies with other registered offices

Subsidiary companies	Main activities	% ordinary shares	Registered office
Jackel & Co Ireland Limited	Dormant	100%	Nisoft House, Ravenhill Business Park, Ravenhill Road, Belfast, Antrim, BT6 8AW, Northern Ireland
The Maws Group Limited	Dormant	100%	Capella Building (Tenth Floor), 60 York Street, Glasgow, G2 8JX, Scotland
Maws Suncare Limited	Dormant	100%	Capella Building (Tenth Floor), 60 York Street, Glasgow, G2 8JX, Scotland
Jackel International (UK) Limited	Dormant	100%	Capella Building (Tenth Floor), 60 York Street, Glasgow, G2 8JX, Scotland
Mayborn USA Inc	Distribution of baby accessory products	100%	Portion, 11 <sup>th</sup> Floor 1010 Washington Boulevard, Stamford, Connecticut 06910
Mayborn ANZ PTY Limited	Distribution of baby accessory products	100%	Unit 21, 15 Ricketts Road, Mount Waverley, Victoria 3149, Australia
Mayborn France SARL	Distribution of baby accessory products	100%	24 rue Alfred Kastler, 56000 Vannes, France
Mayborn Morocco SARL	Manufacture of baby accessory products	100%	Lot n° Y, Zone Franche d'Exportation de Tanger, 90100 Tangier, Morocco
Mayborn Japan KK	Non trading	100%	c/o TA Lawyers GKJ, Shiroyama Trust Tower, Toranomon 4-3-1, Minato-ku, Tokyo, Japan
PMM China Limited	Holding company	100%	14/F, China Aerospace Centre, 143 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
Jackel International China Limited	Manufacturing of baby accessory products	100%	Shujiu Industrial Park Changping Town Dongguan City, People's republic of China
Product Marketing Mayborn Limited	Sourcing and distribution of baby accessory products	100%	14/F, China Aerospace Centre, 143 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
Jackel China Limited	Manufacturing of baby accessory products	100%	14/F, China Aerospace Centre, 143 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.
Gro-Global (Shenzhen) Trading Co., Ltd	Sourcing of baby products	100%	31A, Huifu Ge, Block B, Cai Fu Building, Futian District, China
Gro-Company Australia Pty Ltd	Distribution of baby products	100%	Unit 21, 15 Ricketts Road, Mount Waverley, Victoria 3149, Australia
Mayborn Usa Inc	Dormant	100%	2121 N California Blvd Ste 290 Walnut Creek, CA, 94596 United States

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 10 Investments (continued)

<b>Joint Venture</b>			
Kunshan Goodbaby Tomme Tippee Child Products Company Limited	Dormant	49%	Li Ji Road, Kunshan Development Zone, Jiangsu Province, People's Republic of China

The directors believe that the carrying value of the investments is supported by their underlying net assets and expected future earnings.

~~✗~~ Jake Nominees Limited has not been subject to an audit due to guarantee provided from Success Bidco 2 Limited in accordance with Section 479a of the Companies Act 2006 related to subsidiary companies. ~~✗~~

#### 11 Acquisitions

##### Italy distributor business

On February 13<sup>th</sup> 2018, the Group acquired certain assets from Danpete SRL, the Group's Italian distributor. It was assessed, under IFRS 3, that these constituted a business combination. The consideration was satisfied by cash.

The fair value of the consideration and the net assets acquired is detailed below.

	Book Value £'000	Adjustments £'000	Fair value £'000
Customer lists	-	706	706
Inventories	491	145	636
Trade and other receivables	245	-	245
Other current liabilities	(126)	-	(126)
<b>Total identifiable assets</b>	<b>610</b>	<b>851</b>	<b>1,461</b>
Goodwill			-
<b>Total consideration</b>			<b>1,461</b>

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 11 Acquisitions (continued)

##### Australian Sleep Category

On March 9<sup>th</sup> 2018, the Group acquired certain assets from Bloom & Grow, who were distributors for the sleep category in Australia that the Group had inherited on its acquisition of Gro in December 2017. It was assessed, under IFRS 3, that these constituted a business combination. The consideration was satisfied by in part by cash and in part by settlement of debt.

The fair value of the consideration and the net assets acquired is detailed below

	<b>Book Value</b>	<b>Adjustments</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Customer lists	-	452	452
Inventories	915	(307)	608
Trade and other receivables	61	-	61
<b>Total identifiable assets</b>	<b>976</b>	<b>145</b>	<b>1,121</b>
Goodwill			-
<b>Total consideration</b>			<b>1,121</b>

##### Gro Group Holdings Limited

On December 19<sup>th</sup> 2017, the Group acquired the entire issued share capital of Gro Group Holdings Limited. The consideration was satisfied by cash.

The fair value of the consideration and the net assets acquired is detailed below.

	<b>Book Value</b>	<b>Adjustments</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Property, plant and equipment	185	(134)	51
Goodwill	4,928	(4,928)	-
Brand Intangibles	-	3,356	3,356
Other intangibles	179	299	478
Inventories	2,262	-	2,262
Trade and other receivables	4,055	(745)	3,310
Cash and cash equivalents	749	(53)	696
Corporation taxation	(13)	-	(13)
Other current liabilities	(2,332)	(59)	(2,391)
Borrowings	(10,108)	(26)	(10,134)
<b>Total identifiable assets</b>	<b>(95)</b>	<b>(2,290)</b>	<b>(2,385)</b>
Goodwill			14,741
<b>Total consideration</b>			<b>12,356</b>

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 11 Acquisition of subsidiaries (continued)

The breakdown of shares acquired in Gro Group Holdings limited is as follows:

	000's
1p Ordinary shares	344
1p 'A' shares	388
1p 'C' shares	279

The consideration is analysed as follows:

	£'000
Cash paid for shares	10,989
Liabilities transferred	1,368
<b>Total consideration</b>	<b>12,357</b>

The revenue included in the consolidated statement of comprehensive income since acquisition contributed by Gro Group Holdings was £ 11,668,000 (2017: £374,000) . It contributed, loss of £1,698,000 (2017: £30,000) in the year.

IFRS 3 requires fair values of assets and liabilities acquired to be finalised within 12 months of the acquisition date. During 2018, the Group finalised the fair values of the assets and liabilities of Gro Group Holdings which completed during 2017. There have been no adjustments to the values presented in the prior year subsequent to the finalisation of this assessment.

IFRS 3 requires fair values of assets and liabilities acquired to be finalised within 12 months of the acquisition date. During 2018, the Group finalised the fair values of the assets and liabilities of Gro Group Holdings which completed during 2017. Changes were made as necessary to the fair value of the acquired businesses with the 12 months of acquisition. The adjustments made in finalising fair values primarily relate to the evaluation of liabilities at the acquisition date. The amendments to the fair values that were reported in 2018 and the subsequent amendment to goodwill are as follows:

	As reported 2017 £'000	Adjustments £'000	Revised Fair value £'000
Property, plant and equipment	51	-	51
Goodwill	-	-	-
Brand Intangibles	3,356	-	3,356
Other intangibles	478	-	478
Inventories	2,262	(24)	2,238
Trade and other receivables	3,310	-	3,310
Cash and cash equivalents	696	-	696
Corporation taxation	(13)	-	(13)
Other current liabilities	(2,391)	-	(2,391)
Borrowings	(10,134)	-	(10,134)
<b>Total identifiable assets</b>	<b>(2,385)</b>	<b>(24)</b>	<b>(2,409)</b>
Goodwill	14,741	24	14,765
<b>Total consideration</b>	<b>12,356</b>	<b>-</b>	<b>12,356</b>

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 12 Deferred tax assets/ (liabilities)

Group	Depreciation in excess of capital allowances £'000	Recognition of assets on business combination £'000	Other short term timing differences £'000	Cash flow hedges £'000	Retire- ment benefits scheme £'000	Total £'000
As at 31 December 2016	464	(9,600)	635	(67)	(628)	(9,196)
Acquired with subsidiary	-	(553)	-	-	-	(553)
(Charged)/credited to the statement of Comprehensive income	227	321	(37)	-	(3)	508
Tax on actuarial gain on retirement benefits scheme	-	-	-	-	(218)	(218)
Tax on fair value gain on hedging instruments	-	-	-	144	-	144
<b>As at 31 December 2017</b>	<b>691</b>	<b>(9,832)</b>	<b>598</b>	<b>77</b>	<b>(849)</b>	<b>(9,315)</b>
Credited/(charged) to income statement	(167)	405	(400)	-	(42)	(214)
Tax on actuarial gain on retirement benefits scheme	-	-	-	-	(38)	(38)
Tax on fair value gain on hedging instruments	-	-	-	(142)	-	(142)
<b>As at 31 December 2018</b>	<b>522</b>	<b>(9,427)</b>	<b>198</b>	<b>(65)</b>	<b>(929)</b>	<b>(9,701)</b>
To be recovered within 12 months	-	(376)	198	-	-	(178)
To be recovered after more than 12 months	522	(9,051)	-	(65)	(929)	(9,523)
<b>Deferred tax Asset</b>	<b>522</b>	<b>-</b>	<b>198</b>	<b>-</b>	<b>-</b>	<b>720</b>
<b>Deferred tax Liability</b>	<b>-</b>	<b>(9,427)</b>	<b>-</b>	<b>(65)</b>	<b>(929)</b>	<b>(10,421)</b>
<b>Total</b>	<b>522</b>	<b>(9,427)</b>	<b>198</b>	<b>(65)</b>	<b>(929)</b>	<b>(9,701)</b>

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 12 Deferred tax assets/ (liabilities) (continued)

The deferred tax asset has been recognised on the basis that management consider it to be fully recoverable against future profits of the business.

At 31 December 2018 the company has a deferred tax liability of £62,000 (2017: £81,000) arising from the gain in the fair value of cash flow hedges during the year.

#### 13 Inventories

Group	2018 £'000	2017 £'000
Raw materials	1,229	1,394
Work in progress	76	87
Finished goods	21,233	18,081
	<b>22,538</b>	<b>19,562</b>

There is a provision of £1,313,000 (2017: £1,674,000) against inventories. The cost of inventories recognised as an expense and included in cost of sales during the year is £82,980,000 (2017: £68,587,000).

The company has no inventory.

#### 14 Trade and other receivables

	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Trade receivables	36,505	-	36,423	-
Less: provision for impairment of trade receivable	(2,650)	-	(732)	-
Net trade receivables	33,855	-	35,691	-
Owed by subsidiary undertakings	1,535	25,713	357	33,346
Owed by parent companies	12	12	11	11
Other debtors	552	54	5,620	138
Prepayments and accrued income	1,394	-	1,551	179
	<b>37,348</b>	<b>25,779</b>	<b>43,230</b>	<b>33,674</b>

There is no significant difference between the carrying value and fair value of trade and other receivables. Amounts owed by subsidiary undertakings are unsecured, repayable on demand and have interest charged at 3.7%.

Following the implementation of IFRS 9 an assessment of the impact of expected credit loss on the unprovided for balance of trade and intercompany receivables was undertaken. Following this assessment the directors have not identified any material amounts of expected credit loss.



## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 15 Derivative financial instruments

Group	2018		2017	
	Asset £'000	Liability £'000	Asset £'000	Liability £'000
Forward foreign exchange contracts – cash flow hedges	6	-	-	937
Interest rate swaps – cash flow hedges	366	-	476	-
Total	372	-	476	937
Less non-current portion:				
Interest rate swaps – cash flow hedges	366	-	476	-
Current portion	6	-	-	937

Company	2018		2017	
	Asset £'000	Liability £'000	Asset £'000	Liability £'000
Interest rate swaps – cash flow hedges	366	-	476	-
Total	366	-	476	-
Less non-current portion:				
Interest rate swaps – cash flow hedges	366	-	476	-
Current portion	-	-	-	-

#### (a) Forward currency contracts

The group enters into forward currency contracts. The purpose of such transactions is to manage the currency risks arising from the group's operations and its sources of finance.

The terms of the forward currency contracts are as follows:

	Maturity date	Exchange rates
Sell Euro €	< 1 year	1.1146-1.1456
Buy Hong Kong \$	< 1 year	10.511
Sell Australian Dollars \$	< 1 year	1.8046-1.8335
Sell US Dollars \$	< 1 year	1.3035-1.3138

The notional principal amounts of the outstanding forward foreign exchange selling contracts held for trading at 31 December 2018 were Euro €63,720,000 (2017: Euro €46,600,000); the fair value of these contracts at 31 December 2018 was a liability of £363,000 (2017: £35,000).

The notional principal amounts of the outstanding forward foreign exchange buying contracts held for trading at 31 December 2018 were Hong Kong \$126,000,000 (2017: Hong Kong \$333,247,000); the fair value of these contracts at 31 December 2018 was an asset of £462,000 (2017: asset of £1,102,000).

## **Success Bidco 2 Limited**

### **Notes to the financial statements for the year ended 31 December 2018 (continued)**

#### **15 Derivative financial instruments (continued)**

##### **(a) Forward currency contracts (continued)**

The notional principal amounts of the outstanding forward foreign exchange selling contracts held for trading at 31 December 2018 were Australian \$46,140,000 (2017: Australian \$21,975,000); the fair value of these contracts at 31 December 2018 was an asset of £155,000 (2017: asset of £200,000)

The notional principal amounts of the outstanding forward foreign exchange selling contracts held for trading at 31 December 2018 were American \$16,500,000 (2017: \$nil); the fair value of these contracts at 31 December 2018 was a liability of £249,000 (2017: £nil)

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedge item is more than 12 months, and as a current asset or liability if the maturity of the hedge item is less than 12 months. The ineffective portion recognised in profit or loss amounts to £Nil (2017: £nil).

The derivatives' fair value is categorised as Level 2, defined as inputs other than quoted prices that are observable for the asset or liability.

*The hedged forecast transactions denominated in foreign currency are expected to occur at various dates during the 12 months of 2019.*

##### **(b) Interest rate swaps**

The notional principal amounts of the outstanding interest rate swap contracts at 31 December 2018 were £90,000,000 (2017: £90,000,000).

At 31 December 2018 the fixed interest rate was 0.4115% (2017: 0.4115%), the floating rate was LIBOR. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2018 will be continuously released to the income statement within finance cost until 30 September 2019 when the swap agreement terminates.

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 16 Restricted Cash

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Restricted cash	<b>4,000</b>	<b>4,000</b>	4,600	4,000

Under the term loan agreement (note 18) the group is required to maintain a cash overfunding account until December 2018, to be used if the group cash balance drops below a certain level. As this account may only be used for this purpose the balance has been shown as restricted in the analysis above.

#### 17 Trade and other payables

	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade payables	<b>13,108</b>	-	13,047	-
Other taxation and social security	<b>785</b>	-	1,357	-
Other creditors	<b>5,381</b>	-	8,754	-
Amounts owed to parent companies	<b>4,048</b>	<b>4,048</b>	4,079	4,079
Accruals and deferred income	<b>22,895</b>	<b>729</b>	22,793	356
Corporation tax	<b>6,875</b>	-	5,556	-
	<b>53,092</b>	<b>4,777</b>	55,586	4,435

Amounts owed to subsidiary and parent undertakings are unsecured, repayable on demand and have interest charged at 3.7%

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 18 Borrowings

	Group	Company	Group	Company
	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
<b>Included in current liabilities:</b>				
Preference shares	31,253	31,253	31,253	31,253
Bank overdraft	-	-	2,110	-
Total current borrowings	31,253	31,253	33,363	31,253
<b>Included in non-current liabilities:</b>				
Loan stock	123,619	123,619	122,868	122,868

The loan stock at 31<sup>st</sup> December 2018 is analysed as follows:

At 31 December 2018			
	Loans outstanding	Capitalised cost of raising finance	Net amount payable
	£'000	£'000	£'000
<b>Group and company</b>			
Loans due in more than one year			
Bank loan	127,000	(3,381)	123,619

At 31 December 2017			
	Loans outstanding	Capitalised cost of raising finance	Net amount payable
	£'000	£'000	£'000
<b>Group and company</b>			
Loans due in more than one year			
Bank loan	127,000	(4,132)	122,868

On 19<sup>th</sup> December 2017 the group drew down a £7,000,000 new term loan which carries interest at 4.65% above LIBOR. The loan is repayable in full on 23<sup>rd</sup> June 2023.

The preference shares were issued on 23<sup>rd</sup> June 2016 and carried an 8% dividend in 2016. The interest has been waived in 2017 by the parent company. They are redeemable by the company at any time.

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 19 Called up share capital

	Number of £0.01 ordinary shares	Number of £0.0088 ordinary shares	Number of €0.01 'B' ordinary shares	Total £'000s
<b>Allotted and fully paid</b>				
At 31 December 2016	13,100,000,001	-	3,320,000,000	156,508
Redenominated during the year	-	3,320,000,000	(3,320,000,000)	3,708
<b>At 31 December 2017</b>	<b>13,100,000,001</b>	<b>3,320,000,000</b>	<b>-</b>	<b>160,216</b>
Redenominated during the year	-	-	-	-
<b>At 31 December 2018</b>	<b>13,100,000,001</b>	<b>3,320,000,000</b>	<b>-</b>	<b>160,216</b>

The 'B' shares carry equal voting rights to the ordinary shares.

The 'B' shares were issued on 23<sup>rd</sup> June 2016 at which point the EUR exchange rate was 1.3015. They were redenominated to GBP at £0.0088 per share on 14<sup>th</sup> March 2018, when the EUR exchange rate was 1.1432.

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 20 Share Based Payments

##### (a) Share Appreciation Rights

In June 2016, the board decided to reward managers for their contribution to the performance of the group by granting them 25,680 share appreciation rights (SARs). The rights entitle the employees to a cash payment after six years of service, with interim vesting periods in 2020 and 2021. The amount payable is measured indirectly and will be determined based on the increase of Success Bidco 2 Limited's enterprise value between the grant date (23 June 2016) and the vesting date (31 December 2022). The rights must be exercised within specified vesting periods over the final three years of the scheme and will expire if not exercised by the final date.

The fair value of the SARs was determined based on the expected 'enterprise value' of the group at 2022 based on a fixed EBITDA multiple set out in the agreement, discounted to a present value at a rate of 12%. The valuation also takes into account a hurdle rate and a put option to increase the multiple based on an independent valuation if called by the members. The carrying amount of the liability in relation to this scheme is £9.1m (2017: £5.0m), this has been provided to Success Bidco 2 Limited as a capital contribution from its parent company and is reflected within Other Reserves. Amounts of £4.1m (2017: £3.9m) have been charged to the Consolidated statement of comprehensive income in respect of the scheme for the current year.

The above is accounted for as an equity settled share-based payment under IFRS2.

None of the SARs had vested as at 31 December 2018 (2017: none).

##### (b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	2018	2017
	£'000	£'000
Share appreciation rights	4,122	3,918

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 21 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

<b>Group</b> <b>At 31 December 2018</b>	<b>Amortised cost</b> <b>£'000</b>	<b>Derivatives used</b> <b>for hedging</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
Trade and other receivables excluding pre-payments	35,954	-	35,954
Derivative financial instruments	-	372	372
Restricted cash	4,000	-	4,000
Cash and cash equivalents	30,319	-	30,319
	<b>Other financial liabilities</b> <b>£'000</b>	<b>Derivatives used</b> <b>for hedging</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
Trade payables	(13,108)	-	(13,108)
Other payables	(17,089)	-	(17,089)
Borrowings	(154,872)	-	(154,872)

  

<b>Group</b> <b>At 31 December 2017</b>	<b>Loans and receivables</b> <b>£'000</b>	<b>Derivatives used</b> <b>for hedging</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
Trade and other receivables excluding pre-payments	41,679	-	41,679
Derivative financial instruments	-	476	476
Restricted cash	4,600	-	4,600
Cash and cash equivalents	20,902	-	20,902
	<b>Other financial liabilities</b> <b>£'000</b>	<b>Derivatives used</b> <b>for hedging</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
Trade payables	(13,047)	-	(13,047)
Other payables	(19,746)	-	(19,746)
Overdraft	(2,110)	-	(2,110)
Borrowings	(154,121)	-	(154,121)

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 21 Financial instruments by category (continued)

Company At 31 December 2018	Amortised cost £'000	Derivatives used for hedging £'000	Total £'000
Trade and other receivables excluding pre-payments	25,779	-	25,729
Derivative financial instruments	-	366	366
Restricted cash	4,000	-	4,000
Cash and cash equivalents	2,706	-	2,706
	Other financial liabilities £'000	Derivatives used for hedging £'000	Total £'000
Borrowings	(154,872)	-	(154,872)
Other payables	(4,777)	-	(4,777)

  

Company At 31 December 2017	Loans and receivables £'000	Derivatives used for hedging £'000	Total £'000
Trade and other receivables excluding pre-payments	33,495	-	33,495
Derivative financial instruments	-	476	476
Restricted cash	4,000	-	4,000
Cash and cash equivalents	669	-	669
	Other financial liabilities £'000	Derivatives used for hedging £'000	Total £'000
Borrowings	(154,121)	-	(154,121)
Other payables	(4,435)	-	(4,435)

On adoption of IFRS 9 all loans and receivables in both the Group and Company were re-designated as being held at Amortised cost.

All derivatives in the Group and Company used for hedging are held at fair value through other comprehensive income.

There has been no change to the measurement of any financial instruments on adoption of IFRS 9.

No assets or liabilities are held at fair value through profit and loss.



## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 22 Financial instruments by category (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting arrangements:

2018						
Group	Carrying Amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
<b>Non-derivative financial liabilities</b>						
Borrowings	154,872	158,253	31,253	-	127,000	-
Trade payables	13,108	13,108	13,108	-	-	-
Other payables	17,089	17,089	17,089	-	-	-
2017						
Group	Carrying Amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
<b>Non-derivative financial liabilities</b>						
Borrowings	154,121	158,253	31,253	-	-	127,000
Overdraft	2,110	2,110	2,110	-	-	-
Trade payables	13,047	13,047	13,047	-	-	-
Other payables	19,746	19,746	19,746	-	-	-
<b>Derivative Financial Liabilities</b>						
Foreign exchange swaps	937	937	937	-	-	-

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 23 Financial instruments by category (continued)

Company	2018					
	Carrying Amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
<b>Non-derivative financial liabilities</b>						
Borrowings	154,872	158,253	31,253	-	127,000	-
Other payables	4,777	4,777	4,777	-	-	-

Company	2017					
	Carrying Amount £'000	Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
<b>Non-derivative financial liabilities</b>						
Borrowings	154,121	158,253	31,253	-	127,000	-
Other payables	4,435	4,435	4,435	-	-	-

## **Success Bidco 2 Limited**

### **Notes to the financial statements for the year ended 31 December 2018 (continued)**

#### **24 Contingent liabilities and assets**

##### **Facilities agreement guarantee**

The company and certain of its subsidiaries have jointly and severally agreed to the punctual performance of borrower or guarantors' obligations under the Facilities Agreement dated 20 June 2016, as signed with the Group's lenders. The total sum secured by these guarantees is £137,000,000 (2017: £137,000,000).

The Group has secured all monies due under the Facilities Agreement with fixed and floating charges over all property and assets of the company, together with the assets of certain subsidiaries, in favour of Lloyds Bank Plc, also in its capacity as security agent for the beneficiaries of the Facilities Agreement.

#### **25 Operating lease commitments**

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	<b>1,996</b>	1,784
Between one year and five years	<b>5,417</b>	4,213
Later than 5 years	<b>4,281</b>	2,477
	<b>11,694</b>	8,474

## **Success Bidco 2 Limited**

### **Notes to the financial statements for the year ended 31 December 2018 (continued)**

#### **26 Financial risk management**

The group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and capital risk. The group's overall risk management programme seeks to minimise potential adverse effects on the company's financial performance. The group uses derivative financial instruments to hedge certain risk exposures.

##### **(a) Market risk**

The group operates internationally and is exposed to foreign exchange risk, primarily with respect to the Euro, the US Dollar, the Hong Kong Dollar and the Australian Dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Currency risk is managed in overall terms at a group level. The group has a net inflow of Euros and Australian dollars arising from its trading activities and has established a policy of selling forward up to 12 months' worth of its Euro and AUD revenue.

The group also has a net outflow of Hong Kong dollars arising from its trading activities and has established a policy of purchasing forward up to 15 months' worth of its Hong Kong dollar requirements. Certain forward contracts undertaken by the group under this policy are treated under IFRS 9 as cash flow hedges where they meet the requirements of the standard.

Sensitivities have been performed below based on the movement in currency rates during the year.

At 31 December 2018, if the Euro had weakened/strengthened by 1.0% (2017: 4.1%) against the UK pound with all other variables held constant, post-tax loss for the year would have been £59,000 (2017: £465,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of euro-denominated trade receivables and intercompany payables. Equity would have been £59,000 (2017: £465,000) higher/lower.

At 31 December 2018, if the Hong Kong Dollar had strengthened/weakened by 5.6% (2017: 9.3%) against the UK pound with all other variables held constant, post-tax loss for the year would have been £83,000 (2017: £346,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HK dollar-denominated intercompany payables. Equity would have been £83,000 (2017: £346,000) higher/lower.

## **Success Bidco 2 Limited**

### **Notes to the financial statements for the year ended 31 December 2018 (continued)**

#### **24 Financial risk management (continued)**

##### **(a) Market risk (continued)**

At 31 December 2018, if the US Dollar had weakened/strengthened by 5.8% (2017: 8.7%) against the UK pound with all other variables held constant, post-tax loss for the year would have been £126,000 (2017: £29,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US Dollar-denominated intercompany payables. Equity would have been £126,000 (2017: £29,000) higher/lower.

At 31 December 2018, if the Australian Dollar had weakened/strengthened by 4.6% (2017: 0.9%) against the UK pound with all other variables held constant, post-tax loss for the year would have been £131,000 (2017: £25,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian Dollar-denominated intercompany payables. Equity would have been £131,000 (2017: £25,000) higher/lower.

Interest bearing financial assets held by the group are restricted to cash balances which are subject to variable interest rates; income and cash flows are largely independent of the changes in market interest rates.

##### **(b) Credit risk**

Credit risk arises from cash and cash equivalents, and derivative financial instruments, as well as credit exposures to wholesale and retail customers. For wholesale customers, external credit checks are carried out and credit limits put in place as appropriate. Management monitors impairment through the utilisation of credit limits and payment history regularly. The credit risk to the majority of customers in the UK is deemed sufficiently low to require insurance. Those customers where risk is higher are insured.

Credit risk on all export sales is minimised either through the group's export credit insurance policy, by obtaining letters of credit or requiring payment in advance of the delivery of goods.

At the year end, three customers (2017: five) had a closing balance of more than 5% (2017: more than 5%) of total trade receivables totalling £11,217,000 (2017: £15,705,000). No credit limits were exceeded during the reporting year unless authorised and management does not expect any losses from non-performance by these counterparties.

There has been no material increase in credit risk of any items in the year or since their initial recognition. Amounts of write offs still subject to enforcement activity is not material.

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 24 Financial risk management (continued)

##### (b) Credit risk (continued)

The table below shows the ageing analysis of trade receivables at the year-end:

	Current £'000	0-3 months past due £'000	3-6 months past due £'000	Over 6 months past due £'000	Impaired £'000	Total £'000
<b>At 31 December 2018</b>	31,531	3,164	395	1,415	(2,650)	<b>33,855</b>

  

	Current £'000	0-3 months past due £'000	3-6 months past due £'000	Over 6 months past due £'000	Impaired £'000	Total £'000
<b>At 31 December 2017</b>	31,328	4,245	384	466	(732)	<b>35,691</b>

All other receivables are considered to be current. Intercompany receivables are repayable on demand and are therefore classified as current until request for payment is made.

There are no trade receivables within the company.

The carrying amounts of the group's trade receivables are denominated in the following currencies:

	2018 £'000	2017 £'000
<b>Pounds</b>	<b>11,320</b>	10,820
<b>Euro</b>	<b>7,343</b>	9,163
<b>US Dollar</b>	<b>11,792</b>	11,728
<b>Other</b>	<b>3,400</b>	3,980
	<b>33,855</b>	<b>35,691</b>

There are no trade receivables within the company.

Movements on the provision for impairment of trade receivables are as follows:

	2018 £'000	2017 £'000
<b>At 1 January</b>	<b>732</b>	93
<b>Provisions credited</b>	<b>1,918</b>	639
<b>At 31 December</b>	<b>2,650</b>	<b>732</b>

The other classes within trade and other receivables do not contain impaired assets.

No provision for expected credit loss under IFRS9 has been recognised on the grounds that its effect has been calculated to be immaterial.

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 27 Financial risk management (continued)

##### (c) Credit risk (continued)

There are no trade receivables within the company.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.

##### (d) Liquidity risk

Management aims to manage liquidity risk through regular cash flow forecasting to ensure the company has sufficient available funds for operations and planned expansions.

The table below analyses the group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the accounting reference date to the contractual maturity date. The carrying value of financial liabilities is not considered to differ significantly from the contractual undiscounted cash flows.

At 31 December 2018	Less than 1 year £'000
Trade and other payables	53,092
At 31 December 2017	Less than 1 year £'000
Trade and other payables	55,586

There are no trade payables in the company.

The table below analyses the group's foreign currency financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

At 31 December 2018	Less than 1 year £'000	Between 1-2 years £'000
<b>Forward foreign exchange contracts – cash flow hedges:</b>		
Outflow	11,987	-
Inflow	26,627	-
At 31 December 2017	Less than 1 year £'000	Between 1-2 years £'000
<b>Forward foreign exchange contracts – cash flow hedges:</b>		
Outflow	34,161	-
Inflow	54,435	-

## Success Bidco 2 Limited

### Notes to the financial statements for the year ended 31 December 2018 (continued)

#### 24 Financial risk management (continued)

##### (e) Capital risk management

The company's ultimate controlling party is Ping An Insurance Company, who determine the capital structure that is appropriate for the Group. The management have control over the working capital requirements of the business in conjunction with the Board.

The business has regular forecasting processes that determine the level of working capital that is required by the business in order to efficiently manage the business. The requirements are reviewed to ensure that the business has the financial capacity to meet them, or has sufficient incremental facilities to create the capacity.

The working capital utilised within the business is regularly monitored and formally reported on every month at Board level, to ensure that the working capital is being used appropriately. This analysis is supported by the monitoring of performance against relevant KPIs

#### 25 Related party transactions

##### Key management compensation

Key management include members of the group's executive board who are employed by the group's trading subsidiaries. Compensation paid to key management for employee services during the year were.

	2018 £'000	2017 £'000
Salaries and other short-term employee benefits	2,513	1,588

The company is related to all of its direct and indirect subsidiaries a full list of whom is included in note 11 along with details of their registered office.

During the year the company made the following sales to its parent company, is Shanghai Jahwa United Co. Ltd.

	2018 £'000	2017 £'000
Sales of product	4,915	3,534
Jahwa service charge	(1,095)	(1,437)



## **Success Bidco 2 Limited**

### **Notes to the financial statements for the year ended 31 December 2018 (continued)**

#### **25 Related party transactions (continued)**

At the year end the following balances were owed by / (to) Shanghai Jahwa United Co. Ltd.

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Sales invoices	<b>1,535</b>	357
Jahwa service charge	<b>(1,653)</b>	(1,418)

#### **26 Ultimate parent company**

The immediate parent undertaking of the company is Glamour Time Limited, a company incorporated in the British Virgin Islands. The ultimate parent company is Shanghai Jahwa United Co. Ltd, a company based in China. The ultimate controlling interest is held by Ping An Insurance (Group) Company of China Limited, a company based in China, due to their controlling interest in Shanghai Jahwa United Co. Ltd.

These financial statements are the smallest group of consolidated financial statements. The largest group to consolidate these financial statements are those of Ping An Insurance (Group) Company of China Limited copies of which can be obtained from the company's website