Success Bidco 2 Limited

Annual report

for the year ended 31 December 2022

Registered Number 10110298

Success Bidco 2 Limited
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for the year ended 31 December 2022
Contents

	Page
Directors and advisers for the year ended 31 December 2022	3
Strategic report for the year ended 31 December 2022	4
Directors' report for the year ended 31 December 2022	8
Independent auditors' report to the members of Success Bidco 2 Limited	11
Consolidated statement of comprehensive income for the year ended 31 December 2022	14
Consolidated statement of financial position as at 31 December 2022	15
Consolidated statement of changes in equity for the year ended 31 December 2022	17
Consolidated statement of cash flows for the year ended 31 December 2022	18
Company statement of financial position as at 31 December 2022	19
Company statement of cash flows for the year ended 31 December 2022	21
Company statement of changes in equity for the year ended 31 December 2022	22
Statement of accounting policies for the year ended 31 December 2022	23
Notes to the financial statements for the year ended 31 December 2022	30

Directors and advisers for the year ended 31 December 2022

Directors
Steve Parkin
James Taylor (resigned 18th August 2023)
Louise Rich (appointed 8th August 2023)
Min Han

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

Strategic report for the year ended 31 December 2022

The directors present the strategic report for the group and company for the year ended 31 December 2022. These financial statements consolidate the results of Success Bidco 2 Limited and its subsidiaries for the year ended 31 December 2022.

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 £220,660,000 up 8.7% on 2021. 2022 continued to see the impact of supply chain challenges from the effects of Covid on Chinese manufacturing and has also seen a slowdown in consumer spend with Western markets experiencing double digit inflation. We continue to take significant share in USA and Europe whilst retaining significant market leadership in the UK and Australia, demonstrating the resilience and consumer love for the Tommee Tippee brand. Despite the headwinds we have retained strong cost controls, allied with significant productivity initiatives, that have enabled strong net profit. Net profit decreased -1.2% to £20,008,000. Net assets of the Group stand at £270,232,000 (2021: £241,713,000).

In September 2022 the Group acquired the trade and assets of Baby Buddha Products LLC, a US based digital retailer of breast feeding products. This represents an exciting opportunity to expand our footprint in this category in one of our core growth markets, as well as improving our DTC capability in the USA. This will be a key strategic growth driver in 2023 and the following years.

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 robust processes in place 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 continue 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.

Strategic report for the year ended 31 December 2022 (continued)

Business environment, principal risks and uncertainties (continued)
The key elements to the group's growth strategy are:

1. Accelerate growth through a multi-channel distribution delighting consumers at every touch point
2. Develop an innovation pipeline that makes life easier for parents
3. Create differentiated consumer experiences that drives brand love for the Tommee Tippee brand
4. Deliver end to end productivity efficiencies to reinvest for growth
5. Create a brighter future for our planet and future generations through our sustainability commitments

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 our category plan.

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.

Section 172(1) statement

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

- The interests of the group's employees;
- The need to foster the group's relationships with suppliers, customers and others;
- The impact of the group's operations on the community and the environment; and
- The desirability of the group maintaining a reputation for high standards of business conduct.

The Directors actively review the strategic direction of the group on an annual basis, and the group operates to a 5 year strategic plan which is refined each year to reflect changing circumstances and direction. The board is composed of experienced directors, being the Chief Executive Officer and Chief Financial Officer of the group, and their decision making process is based on monthly meetings of the executive team, supported by comprehensive management information. The involvement of the full executive team means that all stakeholders such as customers and employees are appropriately represented and considered in the decision making process. The Directors are not of the view that any decisions made in the current year represent such a change in strategic direction that they should be considered Principal decisions.

Employees
The directors regularly present all staff with information on group performance and strategic objectives at monthly Team Briefings. Individual teams are informed and briefed on departmental objectives by their line manager. Team Briefings include an opportunity for employees to provide feedback or questions to the directors, and the group carries out regular employee surveys to ensure that the views of employees can be taken into account. Further information on the group's employee policies is contained within the Directors' report.

Environment
The group is developing a corporate social responsibility strategy that sets the overall aim to be environmentally responsible and a great place to work. During 2022 initiatives have continued to reduce the use of single use plastic products within the group's operations, with more sites now approaching net zero in this area.

Strategic report for the year ended 31 December 2022 (continued)

SECR Reporting 2022

Emission Type	Total Volume (kWh)	Calculated Emissions (Tonnes of CO_2e)
Scope 1 (direct)	-	-
Scope 2 (indirect)	340,883	72
Scope 3 (indirect)	-	6
	340,883	78

All emissions relate to emissions released into the atmosphere associated with Mayborn (UK) Limited's consumption of purchased electricity. These are indirect emissions that are a consequence of the company's activities, but which occur at sources the group does not own or control. Scope 3 indirect emissions are calculated using an electricity transmission and distribution loss emissions factor. Consumption and related emissions from all other group companies have been excluded as they would not be obliged to report individually according to the SECR thresholds.

Comparison to previous reporting
The group tracks emissions against previous years to encourage performance monitoring. Electricity consumption decreased in 2022 by 83,457 kWh versus 2021.

Quantification and Reporting Methodology
The group has taken guidance from the UK Government Environmental Reporting Guidelines (March 2019), the GHG Reporting Protocol – Corporate Standard, and from the UK Government GHG Conversion Factors for Company Reporting document for calculating carbon emissions. Energy usage information has been obtained directly from energy suppliers.

Energy Efficiency Action
The group has developed an energy efficiency plan for 2022. The key impact of this has been that blended/hybrid working has been implemented and Mayborn House, the group's HQ has been closed one day a week, which has significantly reduced energy consumption at site.

Community Engagement
Over the past year the group continued to engage with a number of charities working to make parent's lives better, including our longstanding relationship with the Lullaby Trust, who work to reduce the impact of Sudden Infant Death Syndrome. We also have plans in place for new charitable programmes with a focus on perinatal mental health for 2023.

Health and safety at work
Work aimed at further developing and robustly implementing the group's integrated safety management system has continued throughout the year. We continue to have a strong record across our manufacturing facilities, and are committed to maintain and improve standard in this area.

Customer Experience
As a key element of our strategy, the Customer Experience is a fundamental aspect of our aim to be the world's best loved baby company. We continue to invest significantly in the development of innovative new products which are designed to improve the parenting experience.

Strategic report for the year ended 31 December 2022 (continued)

Key performance indicators ("KPIs")

The directors believe that the key performance indicators are revenue growth and profitability growth. Revenue reported for the year was £220,660,000 (2021: £203,013,000) and profit after tax was £20,008,000 (2021: £20,248,000).

On behalf of the board

Steve Parkin
Director
7 December 2023

Directors' report for the year ended 31 December 2022

The directors present their report and the audited consolidated financial statements of the group and company for the year ended 31 December 2022.

Results and dividends

The results for the group show profit after tax was £20.0m (2021: £20.2m) for the year to 31 December on sales of £220.7m (2021: £203.0m). Net cash generated from operating activities for the year was £21.9m (2021: £25.6m). As at 31 December 2022 the group had cash on balance sheet of £67.5m (2021: £75.7m). The directors do not recommend the payment of a dividend.

Future developments

Management are confident that the group will continue to grow in line with its plans. Significant revenue will be achieved and profit growth will be maintained, driven by a robust innovation pipeline, continued global distribution and market share gains, development of the group's Direct to Consumer website, and productivity improvements. Further detail is contained within the Strategic report.

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. Further information on this is contained within the strategic report.

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 when the recognition criteria is met.

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 considered plausible severe downside scenarios. There remains strong demand for the group's products and the majority of supply chain disruption appears to have settled. The group has strong balance sheet reserves, and the Board is satisfied that there is no reason to believe that the group's current funding and liquidity position is not sufficient.

Directors' report for the year ended 31 December 2022 (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 is exposed to foreign exchanges risk as a result of its operations, which include sales and production facilities in various countries. 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. The debt finance which has been utilised, has been 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 was calculated with reference to SONIA. The group has taken out interest rate hedging on none (2021: none) 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 3.

Reappointment of Independent Auditors

It is the intention of the directors to reappoint PricewaterhouseCoopers LLP as independent auditors for the next financial year.

Directors' report for the year ended 31 December 2022 (continued)

Statement of Directors' Responsibilities in respect of the Financial Statements
The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

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

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

The directors are 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the group's 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 December 2023

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 2022 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards 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, which comprise: the consolidated statement of financial position and the company statement of financial position as at 31 December 2022; the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of cash flows, the company statement of changes in equity for the year then ended; the statement of 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

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

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.

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

Reporting on other information (continued)

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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' Responsibilities 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.

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.

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and relevant tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or profit, or through management bias in manipulation of accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of fraud, litigation, claims or non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing legal expenditure in the year to identify potential non-compliance with laws and regulations;

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

Auditors' responsibilities for the audit of the financial statements (continued)

- Obtaining supporting audit evidence for the significant assumptions made by management in determining significant estimates and judgements; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.

Nicholas Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
7 December 2023

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Revenue	1	220,660	203,013
Cost of sales		(98,949)	(90,125)
Gross Profit		**121,711**	**112,888**
Admin expenses		(32,477)	(37,097)
Exceptional admin expenses	3	(3,791)	(980)
Total admin expenses		(36,268)	(38,077)
Distribution cost		(51,092)	(44,318)
Other income		114	956
Operating profit	4	**34,465**	**31,449**
Finance costs	5/18	(9,621)	(8,337)
Finance income	5	175	177
Profit before taxation		**25,019**	**23,289**
Taxation	6	(5,011)	(3,041)
Profit for the year		**20,008**	**20,248**
Other comprehensive (expense)/income, net of tax			
Items that will not be reclassified to profit or loss:			
Remeasurements on defined benefit pension scheme	7	(801)	842
Tax on items that will not be reclassified to profit or loss		200	(211)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		2,810	(2,084)
Cash flow hedges	15	(1,229)	30
Tax on items that may be subsequently reclassified to profit or loss		307	(8)
Other comprehensive expense for the year		**1,287**	**(1,431)**
Total comprehensive income for the year		**21,295**	**18,817**

Consolidated statement of financial position as at 31 December 2022

	Note	2022 £'000	2021 (Restated) £'000
Assets			
Non-current assets			
Property, plant and equipment	8	21,147	20,068
Intangible assets and goodwill	9	293,505	282,799
Deferred tax assets	12	8,489	8,781
Retirement benefit surplus	7	8,995	9,646
Other non-current assets		-	46
Total non-current assets		**332,136**	**321,340**
Current assets			
Inventories	13	31,791	27,831
Trade and other receivables	14	50,381	45,534
Cash and cash equivalents		67,482	75,695
Total current assets		**149,654**	**149,060**
Total assets		**481,790**	**470,400**
Liabilities			
Current liabilities			
Trade and other payables	16	(52,081)	(57,122)
Derivative financial instruments	15	(1,319)	(90)
Borrowings	17	(49,253)	(43,253)
Total current liabilities		**(102,653)**	**(100,465)**
Net current assets		**47,001**	**48,595**
Non-current liabilities			
Trade and other payables	16	(6,071)	(6,664)
Borrowings	17	(89,465)	(107,450)
Deferred tax liabilities	12	(13,369)	(14,108)
Total non-current liabilities		**(108,905)**	**(128,222)**
Total liabilities		**(211,558)**	**(228,687)**
Net Assets		**270,232**	**241,713**
Equity			
Called up share capital	18	160,216	160,216
Capital contribution	19	41,101	33,877
Hedging reserve	18	(771)	151
Other reserves	18	(3,708)	(3,708)
Retained earnings		73,394	51,177
Total equity		**270,232**	**241,713**

Consolidated statement of financial position as at 31 December 2022 (continued)

For further detail on the prior year restatement, please refer to note 18(d).

The notes on pages 30 to 64 form an integral part of these financial statements. These financial statements on pages 14 to 64 were approved by the board of directors on 7 December 2023 and were signed on its behalf by

Steve Parkin
Director
Success Bidco 2 Limited

Registered Number 10110298

Consolidated statement of changes in equity for the year ended 31 December 2022

	Called up share capital £'000	Capital Contribution (Restated) £'000	Hedging reserve £'000	Retained earnings (Restated) £'000	Other reserve £'000	**Total equity £'000**
At 1 January 2021	**160,216**	**17,974**	**129**	**41,382**	**(3,708)**	**215,993**
Restatement (Note 18)	-	9,000	-	(9,000)	-	-
At 1 January 2021 (restated)	**160,216**	**26,974**	**129**	**32,382**	**(3,708)**	**215,993**
Profit for the year (restated)	-	-	-	20,248	-	**20,248**
Capital contribution from parent company (restated)	-	6,903	-	-	-	**6,903**
Movement on hedging reserve	-	-	30	-	-	**30**
Tax on items that may subsequently be reclassified to profit or loss	-	-	(8)	-	-	**(8)**
Exchange differences on translating foreign currency operations	-	-	-	(2,084)	-	**(2,084)**
Remeasurements on defined benefit pension scheme	-	-	-	842	-	**842**
Tax on items that will not be reclassified to profit or loss	-	-	-	(211)	-	**(211)**
At 31 December 2021 (restated)	**160,216**	**33,877**	**151**	**51,177**	**(3,708)**	**241,713**
Profit for the year	-	-	-	20,008	-	**20,008**
Capital contribution from parent company	-	7,224	-	-	-	**4,824**
Movement on hedging reserve	-	-	(1,229)	-	-	**(1,229)**
Tax on items that may subsequently be reclassified to profit or loss	-	-	307	-	-	**307**
Exchange differences on translating foreign currency operations	-	-	-	2,810	-	**2,810**
Remeasurements on defined benefit pension scheme	-	-	-	(801)	-	**(801)**
Tax on items that will not be reclassified to profit or loss	-	-	-	200	-	**200**
At 31 December 2022	**160,216**	**41,101**	**(771)**	**73,394**	**(3,708)**	**270,232**

For further detail on the prior year restatement, please refer to note 18(d).

Consolidated statement of cash flows for the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flows from operating activities:		
Profit before taxation (Note 18)	**25,019**	**23,289**
Adjustments for:		
Depreciation and amortisation	8,809	7,934
Payments into pension scheme in excess of current service cost	-	795
Pension interest less expected return on scheme assets	(151)	(151)
Finance costs (Note 18)	9,621	8,337
Foreign exchange	(3,416)	797
Share based payment	2,320	2,165
loss on disposal of fixed assets	-	153
Changes in working capital:		
Increase in inventories	(3,540)	(4,456)
Increase in trade and other receivables	(4,847)	(1,251)
Decrease in trade and other payables	(5,634)	(5,505)
Cash generated from operating activities	**28,181**	**32,107**
Interest paid	(4,367)	(3,251)
Interest received	175	177
Tax paid	(2,097)	(3,474)
Net cash generated from operating activities	**21,892**	**25,559**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(4,957)	(2,787)
Payment for acquisition of subsidiary, net of cash acquired	(13,854)	-
Purchase of intangible assets	(2,839)	(7,291)
Net cash used in investing activities	**(21,650)**	**(10,078)**
Cash flows from financing activities:		
Repayment of borrowings	(12,000)	(500)
Principal element of finance lease	(1,423)	(1,412)
Net cash used in financing activities	**(13,423)**	**(1,912)**
Net (decrease)/increase in cash and cash equivalents	**(13,181)**	**13,569**
Cash and cash equivalents at beginning of the year	75,695	62,315
Exchange movements on foreign currencies	4,968	(189)
Cash and cash equivalents at end of the year	**67,482**	**75,695**

Company statement of financial position as at 31 December 2022

	Note	2022 £'000	2021 (Restated) £'000
Assets			
Non-current assets			
Investments	10	201,929	201,929
Other non-current assets		-	46
Total non-current assets		**201,929**	**201,975**
Current assets			
Trade and other receivables	14	8,168	11,814
Cash and cash equivalents		10,000	-
Total current assets		**18,168**	**11,814**
Total assets		**220,097**	**213,789**
Liabilities			
Current liabilities			
Trade and other payables	16	(27,477)	(4,474)
Borrowings	17	(49,253)	(43,253)
Total current liabilities		**(76,730)**	**(47,727)**
Net current liabilities		**(58,562)**	**(35,913)**
Non-current liabilities			
Borrowings	17	(89,500)	(107,500)
Total non-current liabilities		**(89,500)**	**(107,500)**
Total liabilities		**(166,230)**	**(155,227)**
Net assets		**53,867**	**58,562**
Equity			
Called up share capital	18	160,216	160,216
Other reserve	18	(3,708)	(3,708)
Capital contribution	18	13,800	11,400
Accumulated losses		(109,346)	(104,168)
Loss for the year		(7,095)	(5,178)
Total equity		**53,867**	**58,562**

Company statement of financial position as at 31 December 2022 (continued)

For further detail on the prior year restatement, please refer to notc 18(d).

The notes on pages 30 to 64 form an integral part of these financial statements. These financial statements on pages 14 to 64 were approved by the board of directors on 7 December 2023 and were signed on its behalf by

Steve Parkin
Director

Success Bidco 2 Limited

Registered Number 10110298

Company statement of cash flows for the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flows from operating activities:		
Loss before taxation (Note 18)	(7,095)	(5,178)
Adjustments for:		
Finance costs (Note 18)	6,928	5,496
Changes in working capital:		
(Decrease) in trade and other payables	(378)	(689)
Decrease in trade and other receivables	145	145
(Increase)/Decrease in intercompany receivables	(31)	3,843
Increase/(Decrease) in intercompany payables	26,959	(22)
Cash generated from operating activities	**26,528**	**3,595**
Interest paid	(4,528)	(3,095)
Net cash generated from operating activities	**22,000**	**500**
Cash flows from investing activities:		
Interest received	-	-
Net cash generated from investing activities	-	-
Cash flows from financing activities:		
Repayment of borrowings	(12,000)	(500)
Net cash used in financing activities	**(12,000)**	**(500)**
Net movement in cash and cash equivalents	10,000	-
Cash and cash equivalents at beginning of the year	-	-
Cash and cash equivalents at end of the year	**10,000**	-

Company statement of changes in equity for the year ended 31 December 2022

Company	Called up share capital £'000	Accumulated losses (restated)	Capital contribution (restated)	Other Reserve £'000	**Total equity £'000**
At 1 January 2021	**160,216**	**(95,168)**	**-**	**(3,708)**	**61,340**
Restatement (note 18)	-	(9,000)	9,000	-	-
At 1 January 2021 (restated)	**160,216**	**(104,168)**	**9,000**	**(3,708)**	**61,340**
Loss for the year (restated)	-	(5,178)	2,400	-	**(2,778)**
At 31 December 2021 (restated)	**160,216**	**(109,346)**	**11,400**	**(3,708)**	**58,562**
Loss for the year	-	(7,095)	2,400	-	**(4,965)**
At 31 December 2022	**160,216**	**(116,441)**	**13,800**	**(3,708)**	**53,867**

For further detail on the prior year restatement, please refer to note 18(d).

Statement of accounting policies for the year ended 31 December 2022

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 UK-adopted International accounting standards and in conformity with the requirements of the Companies Act 2006 applicable to companies reporting under IFRS. No IFRSs have been adopted before their effective date. The group 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) at fair value through profit or loss. The company financial statements have been prepared on the going concern basis and under the historical cost convention. 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.

Going concern

The group and company 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.
- In forming this opinion, the Board has considered forecasts for the coming year, as well as severe downside scenarios. There remains strong demand for the group's products and the majority of the group's routes to markets remain open as key retailers. The group has strong balance sheet reserves, and the Board is satisfied that there is no reason to believe that the group's current funding and liquidity position is not sufficient.

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.

Statement of accounting policies for the year ended 31 December 2022 (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 products 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.

Statement of accounting policies for the year ended 31 December 2022 (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.

Leases
The group adopted IFRS 16 *Leases* retrospectively from 1 January 2019. Liabilities recognised by the group are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities is 5%.

The associated right-of-use assets for leases are measured on a retrospective basis as if the new rules had always been applied.

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.

Statement of accounting policies for the year ended 31 December 2022 (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.

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.

Statement of accounting policies for the year ended 31 December 2022 (continued)

Pensions (continued)
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 have no voting rights and can be redeemed by the company at any time. On this basis they are accounted for as equity rather than debt.

Share Based Payments
The group currently has equity settled share based payment schemes in issue. 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.

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.

Statement of accounting policies for the year ended 31 December 2022 (continued)

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.

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 in size and/or nature.

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.

Statement of accounting policies for the year ended 31 December 2022 (continued)

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. Critical estimates are assessed as estimates which may have a significant risk of material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

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.

Tax assumptions - judgements
In preparing the group tax computations a number of judgements are made about the relevant and applicable tax treatment of items within the group financial statements. These judgements are reviewed annually in line with updated guidance and legislation, and in consultation with the group's tax advisers.

Management Incentive Programme - estimate
The valuation of the reserves relating to the Management Incentive Programme requires assumptions to be made about the future business performance of the group.

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, further details are disclosed in note 9.

Useful economic lives of Intangible Assets - estimate
The group estimates the expected useful life of intangible assets in order to calculate amortisation, further details are disclosed in note 9.

Deferred consideration – estimate
The group estimates the future ability of acquisitions to meet set targets and thresholds in order to calculate the the deferred consideration due further details are disclosed in note 11.

Notes to the financial statements for the year ended 31 December 2022

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.

	2022 £'000	2021 £'000
United Kingdom	**74,130**	74,179
Europe, Africa and Middle East	**40,229**	40,990
The Americas	**77,263**	62,803
Far East/Australasia	**29,038**	25,041
	220,660	203,013

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

	2022 £'000	2021 £'000
Wages and salaries	**28,337**	26,755
Social security costs	**3,050**	2,565
Other pension costs	**1,075**	1,275
	32,462	30,595

The company had no employees during this year (2021: nil).

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

By activity	2022 Number	2021 Number
Production	**713**	769
Selling and distribution	**165**	156
Administration	**165**	182
	1,043	1,107

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Employee benefit costs (continued)

Directors' emoluments

	2022 £'000	2021 £'000
Directors:		
Aggregate emoluments	**978**	989

Retirement benefits are accruing to no directors under a defined benefit scheme (2021: none).

The highest paid director received aggregate emoluments of £580,000 (2021: £620,000).

3 Exceptional Admin Expenses

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

	2022 £'000	2021 £'000
Strategic review of the business costs	**2,362**	304
Legal costs	**1,429**	676
	3,791	980

Notes to the financial statements for the year ended 31 December 2022 (continued)

4 Operating Profit

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

	2022 £'000	2021 £'000
Changes in inventories of finished goods and WIP	**(3,960)**	(4,354)
Raw materials and consumables used	**88,441**	81,364
Employee benefit expense	**32,462**	30,595
Depreciation and amortisation	**8,809**	8,977
Transportation expense	**6,502**	5,983
Advertising cost	**27,832**	17,209
Exceptional costs	**3,791**	980
Other expense	**22,432**	31,766
Other income	**(114)**	(956)
Total cost of sales, distribution costs, exceptional admin expenses, admin expenses and other income	**186,195**	171,564

Auditors' remuneration is analysed as follows:

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Audit services:				
Fees payable to the company's auditors for the audit of the parent company and consolidated financial statements	**257**	**75**	250	100
Audit of the company's subsidiaries	**103**	**-**	125	-
Non audit services:				
Other non audit	**30**	**-**	36	-

Notes to the financial statements for the year ended 31 December 2022 (continued)

5 Finance income / (costs)

	2022 £'000	2021 £'000
Bank interest receivable	**175**	177
Finance income	**175**	177
Interest on loans	**(4,342)**	(3,205)
Amortisation of deferred finance costs	**(15)**	(27)
Interest on preference shares (Note 18)	**(2,400)**	(2,400)
Bank interest payable	**(13)**	(1)
Bank guarantee fees	**(12)**	(25)
Interest element of leases	**(335)**	(341)
Discount unwind – on management incentive plan	**(2,504)**	(2,338)
Finance costs	**(9,621)**	(8,337)

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:

	2022 £'000	2021 £'000
Current tax:		
UK corporation tax	**2,372**	3,466
Overseas tax	**2,195**	996
Adjustment in respect of prior years	**504**	(1,768)
Total current tax charge	**5,071**	2,694
Deferred tax:		
Origination and reversal of timing differences (note 12)	**(60)**	347
Total tax charge (note 6(b))	**5,011**	3,041

Notes to the financial statements for the year ended 31 December 2022 (continued)

6 Taxation (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021: lower than) the standard rate of corporation tax in the UK: 19% (2021: 19%). The differences are explained below.

	2022 £'000	2021 £'000
Profit before tax (Note 18)	**25,019**	23,289
Multiplied by the standard rate of corporation tax in the UK: 19% (2021: 19%)	**4,754**	4,425
Effects of:		
Difference in foreign tax rates	**(211)**	(1,095)
Deferred tax not recognised	**(18)**	(2)
Capital allowances for the period in excess of depreciation	**194**	27
Adjustment in respect of prior years	**504**	(1,768)
(Income not assessable)/Expenses not allowed for tax purposes (Note 18)	**(212)**	1,454
Total charge	**5,011**	3,041

(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.

An increase to the UK corporation tax rate was announced by the UK government as part of their budget on 3 March 2021, such that the main rate will increase to 25% from 1 April 2023.

Notes to the financial statements for the year ended 31 December 2022 (continued)

7 Retirement benefit surplus

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 2022 are £nil (2021: £795,000).

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% (2021: 0%) of pensionable salaries have been agreed for future years.

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

	2022	2021
	£'000	£'000
Present value of funded obligations	**(18,794)**	(32,095)
Fair value of plan assets	**27,789**	41,741
Pension surplus	**8,995**	9,646

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

	2022	2021
	£'000	£'000
Past service cost	**-**	-
Interest income on net surplus	**(151)**	(130)
Total included in employee benefit costs	**(151)**	(130)
Remeasurement (loss)/gain	**(801)**	842
Deferred tax thereon (note 12)	**200**	(211)
Net total included within other comprehensive income	**(601)**	631
Cumulative remeasurement recognised in the statement of comprehensive income	**1,806**	2,407

Notes to the financial statements for the year ended 31 December 2022 (continued)

7 Retirement benefit surplus (continued)

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

	2022 £'000	2021 £'000
At 1 January	**32,095**	32,229
Past service cost	**-**	-
Interest cost	**528**	479
Remeasurement (gain)/loss from change in financial assumptions	**(13,247)**	95
Remeasurement (gain)/loss from changes in demographic assumptions	**(333)**	462
Experiences loss/(gain) arising on liabilities	**694**	(261)
Benefits paid	**(943)**	(909)
At 31 December	**18,794**	32,095

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

	2022 £'000	2021 £'000
At 1 January	**41,741**	40,108
Interest income	**679**	609
Remeasurement (loss)/gain	**(13,687)**	1,138
Employer contributions	**-**	795
Expenses paid	**(1)**	-
Benefits paid	**(943)**	(909)
At 31 December	**27,789**	41,741

7 Retirement benefit surplus (continued)

The principal actuarial assumptions used were as follows:

	2022	2021
Discount rate	**4.29%**	1.57%
Inflation – RPI	**3.22%**	3.48%
Inflation – CPI	**2.52%**	2.68%
Future salary increases	**n/a**	n/a
Future pension increases	**2.90%**	3.37%

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:

	2022	2021
Male	**21.0**	21.2
Female	**23.9**	24.0

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

	2022	2021
Male	**22.2**	22.5
Female	**25.4**	25.5

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

	Change in assumption	**Impact on scheme liabilities**
Discount rate	Increase by 0.5%	Decrease by £1.4m
Inflation	Increase by 0.5%	Increase by £1.1m
Mortality improvement	0.25% p.a. increase in long-term improvement rate	Increase by £0.1m

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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

7 Retirement benefit surplus (continued)

Plan assets are comprised as follows:

	2022		2021	
	£'000	**%**	£'000	%
Corporate bonds	**10,313**	**37.11**	22,581	54.15
Inflation & Int bond	**13,558**	**48.79**	13,619	32.66
Diversified fund	**3,782**	**13.61**	5,496	13.18
Cash	**100**	**0.36**	45	0.01
Other	**36**	**0.13**	-	0.00
	27,789	**100.00**	41,741	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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

8 Property, plant and equipment

Group	Short leasehold property £'000	Plant and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost				
At 1 January 2021	13,717	19,692	1,395	34,804
Additions	-	1,836	1,379	3,215
Disposals	(21)	(3,039)	-	(3,060)
Transfers	-	1,708	(1,708)	-
Exchange adjustments	(8)	(251)	(1)	(260)
At 31 December 2021	**13,688**	**19,946**	**1,065**	**34,699**
Additions	406	1,929	2,622	4,957
Disposals	(19)	(3,041)	-	(3,060)
Transfers	-	1,334	(1,334)	-
Exchange adjustments	(2)	-	3	1
At 31 December 2022	**14,073**	**20,168**	**2,356**	**36,597**
Accumulated depreciation and impairment				
At 1 January 2021	3,597	10,069	-	13,666
Charged during the year	1,220	2,768	-	3,988
Disposals	(19)	(3,014)	-	(3,033)
Exchange adjustments	(7)	17	-	10
At 31 December 2021	**4,791**	**9,840**	-	**14,631**
Charged during the year	1,099	2,447	-	3,546
Disposals	(19)	(3,041)	-	(3,060)
Exchange adjustments	180	153	-	333
At 31 December 2022	**6,051**	**9,399**	-	**15,450**
Net book value				
At 31 December 2022	**8,022**	**10,769**	**2,356**	**21,147**
At 31 December 2021	8,897	10,106	1,065	20,068

The company has no tangible fixed assets.

Notes to the financial statements for the year ended 31 December 2022 (continued)

8 Property, plant and equipment (continued)

(a) Leased assets

This note provides information for leases where the group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	**2022**	2021
	£'000	£'000
Short leasehold property	**7,281**	7,877
Plant and Equipment	**16**	16
	7,297	7,893

Lease liabilities		
Less than 1 year	**892**	1,055
1-2 years	**892**	892
2-5 years	**5,179**	5,772
	6,963	7,719

Notes to the financial statements for the year ended 31 December 2022 (continued)

8 Property, plant and equipment (continued)

(a) Leased assets (continued)

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

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

Depreciation charge on right-of-use assets	**2022**	2021
	£'000	£'000
Short leasehold property	**929**	1,068
Plant and equipment	**-**	103
	929	1,171
Interest expense	**335**	341

The total cash outflow for leases in 2022 was £1,423,000 (2021: £1,412,000).

(iii) The group's leasing activities and how these are accounted for

The group leases various offices, warehouses, factory premises, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 25 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Notes to the financial statements for the year ended 31 December 2022 (continued)

8 Property, plant and equipment (continued)

(a) Leased assets (continued)

(iii) The group's leasing activities and how these are accounted for (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonable certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Notes to the financial statements for the year ended 31 December 2022 (continued)

9 Intangible assets and goodwill

Group	Brands £'000	Customer Lists and patents £'000s	Software £'000	Research & Development £'000	Goodwill £'000	Total £'000
Cost						
At 1 January 2021	60,702	821	6,892	4,562	224,420	297,397
Additions	-	4,593	1,587	1,144	-	7,324
Disposal	-	-	(2,175)	(751)	-	(2,926)
Exchange adjustments	(17)	-	-	-	-	(17)
At 31 December 2021	**60,685**	**5,414**	**6,304**	**4,955**	**224,420**	**301,778**
Additions	5,357	1	1,308	2,161	7,446	16,273
Disposal	-	(270)	(345)	(80)	-	(695)
Exchange adjustments	(300)	-	-	-	-	(300)
At 31 December 2022	**65,742**	**5,145**	**7,267**	**7,036**	**231,866**	**317,056**
Accumulated amortisation and impairment						
At 1 January 2021	**9,988**	**699**	**3,538**	**2,566**	-	**16,791**
Charge for the year	2,334	926	1,152	577	-	4,989
Disposals	-	-	(2,150)	(651)	-	(2,801)
At 31 December 2021	**12,322**	**1,625**	**2,540**	**2,492**	-	**18,979**
Charge for the year	2,349	980	1,273	661	-	5,263
Disposals	-	(270)	(341)	(80)	-	(691)
At 31 December 2022	**14,671**	**2,335**	**3,472**	**3,073**	-	**23,551**
Net book value						
At 31 December 2022	**51,071**	**2,810**	**3,795**	**3,963**	**231,866**	**293,505**
At 31 December 2021	48,363	3,789	3,764	2,463	224,420	282,799

Notes to the financial statements for the year ended 31 December 2022 (continued)

9 Intangible assets and goodwill (continued)

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

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 range between 5 and 23.5 years.

Customer lists represent the value of customer data acquired by the group. The remaining amortisation period for these assets is less than 1 year.

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 2022 to 2025, and an estimated long term growth rate of 2% excluding inflation (2021: 2%). The pre-tax discount rate used to discount the forecast cash flows is 13% (2021: 13%).

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. The directors do not believe that there are any reasonably possible changes to key assumptions which would cause an impairment.

Notes to the financial statements for the year ended 31 December 2022 (continued)

10 Investments

	Company £'000
Cost and net book value	
At 1 January 2021	201,929
Additions	-
At 31 December 2021	**201,929**
Additions	-
At 31 December 2022	**201,929**

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	Dormant	100%	England
Kindertec Limited	Dormant	100%	England
Tommee Tippee Limited	Dormant	100%	England
Gro-Group Holdings Ltd	Holding company	100%	England
Gro-Group Limited	Holding Company	100%	England
Gro-Group International Limited	Distribution of baby products	100%	England

Notes to the financial statements for the year ended 31 December 2022 (continued)

10 Investments (continued)

Companies with other registered offices

Subsidiary companies	Main activities	% ordinary shares	Registered office
Mayborn USA Inc	Distribution of baby accessory products	100%	Portion, 11th 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
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.
Mayborn Italy S.R.L	Distribution of baby products	100%	Regus Milano Brera, Piazzale Biancamano 8, 2012, Milan, Italy
Mayborn Deutschland GmbH	Distribution of baby products	100%	Mies van der Rohe Business Park, Girmesgath 5, 47803 Krefeld
Mayborn Canada Inc	Dormant	100%	600 – 1741 Lower Water Street, Halifax, Nova Scotia, B3J 0J2, Canada
Baby Buddha Products LLC (Formally Tommee Tippee Americas LLC)	Distribution of baby products	100%	Portion, 11th Floor 1010 Washington Boulevard, Stamford, Connecticut 06910
Gro-Company Australia Pty Ltd	Distribution of baby products	100%	Unit 21, 15 Ricketts Road, Mount Waverley, Victoria 3149, Australia
Joint Venture			
Kunshan Goodbaby Tommee 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.

Mayborn (UK) Limited, Sangenic International Limited, Jake Nominees Limited, Jake Holdings Limited, Jake Investment Limited, Jake Acquisitions Limited, Kindertec Limited, Gro-Group International Limited and Mayborn Group Limited have 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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

11 Acquisitions

On 30th September 2022 the group acquired the trade and assets from Baby Buddha Products LLC. It was assessed, under IFRS 3, that these constituted a business combination. Details of the purchase consideration are as follows:

	Fair Value £'000
Cash Paid	13,854
Total purchase consideration	**13,854**

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

	Fair Value £'000
Inventory	1,051
Intangible brand asset	5,357
Goodwill	7,446
Total purchase consideration	**13,854**

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

Revenue and profit contribution

The acquired business contributed revenues of £881,000 and net loss of £14,000 to the group for the period from 1 October to 31 December 2022. If the acquisition had occurred on 1 January 2022, consolidated pro-forma revenue and profit for the year ended 31 December 2022 would have been £3,895,000 and £1,711,000 respectively.

These amounts have been calculated using Baby Buddha's results and adjusting them for differences in the accounting policies between the group and the subsidiary.

Contingent consideration

In the event that certain pre-determined targets are achieved in the year to 31st December 2023, additional consideration of up to $7,000,000 USD may be payable in cash. The fair value of the contingent consideration of £nil was estimated by calculating the present value of the future expected cashflows at the spot exchange rate on acquisition.

Notes to the financial statements for the year ended 31 December 2022 (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 1 January 2021	330	(8,585)	4,717	22	(1,261)	(4,777)
Credited/(charged) to income statement	401	(3,288)	3,310	(7)	(763)	(347)
Tax on actuarial gain on retirement benefits scheme	-	-	-	-	(211)	(211)
Tax on fair value gain on hedging instruments	-	-	-	8	-	8
As at 31 December 2021	**731**	**(11,873)**	**8,027**	**23**	**(2,235)**	**(5,327)**
Credited/(charged) to income statement	(194)	553	(405)	-	(14)	(60)
Tax on actuarial loss on retirement benefits scheme	-	-	-	-	200	200
Tax on fair value gain on hedging instruments	-	-	-	307	-	307
As at 31 December 2022	**537**	**(11,320)**	**7,622**	**330**	**(2,049)**	**(4,880)**
To be recovered within 12 months	-	(553)	7,622	330	-	7,399
To be recovered after more than 12 months	537	(10,767)	-	-	(2,049)	(12,279)
Deferred tax Asset	**537**	**-**	**7,622**	**330**	**-**	**8,489**
Deferred tax Liability	**-**	**(11,320)**	**-**	**-**	**(2,049)**	**(13,369)**
Total	**537**	**(11,320)**	**7,622**	**330**	**(2,049)**	**(4,880)**

Notes to the financial statements for the year ended 31 December 2022 (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 2022 the company has a deferred tax liability of £nil (2021: £nil).

13 Inventories

Group	2022 £'000	2021 £'000
Raw materials	**2,207**	1,482
Work in progress	**726**	63
Finished goods	**28,858**	26,286
	31,791	27,831

There is a provision of £2,515,000 (2021: £1,807,000) against inventories. The cost of inventories recognised as an expense and included in cost of sales during the year is £88,441,000 (2021: £81,364,000) There were no write down of inventories in the year.

The company has no inventory.

14 Trade and other receivables

	Group 2022 £'000	Company 2022 £'000	Group 2021 £'000	Company 2021 £'000
Trade receivables	**43,077**	-	40,236	-
Less: provision for impairment of trade receivable	**(856)**	-	(2,370)	-
Net trade receivables	**42,221**	-	37,866	-
Owed by subsidiary undertakings	-	**8,110**	-	11,669
Owed by parent companies	**42**	**12**	108	-
Other debtors	**5,461**	-	4,165	-
Prepayments and accrued income	**2,657**	**46**	3,395	145
	50,381	**8,168**	45,534	11,814

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% (2021: 2%).

Upon assessment of the impact of expected credit loss on the unprovided for balance of trade and intercompany receivables, the directors have not identified any material amounts of expected credit loss.

Notes to the financial statements for the year ended 31 December 2022 (continued)

15 Derivative financial instruments

	2022		2021	
	Asset	**Liability**	Asset	Liability
Group	**£'000**	**£'000**	£'000	£'000
Forward foreign exchange contracts – cash flow hedges	-	(1,319)	-	(90)
Total	-	(1,319)	-	(90)
Current portion	-	(1,319)	-	(90)

The company has no derivative financial instruments.

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**	**1.1481 to 1.1554**
Buy Hong Kong $	**< 1 year**	**8.7786 to 8.7995**
Sell Australian Dollars $	**< 1 year**	**1.725 to 1.731**

The notional principal amounts of the outstanding forward foreign exchange selling contracts held for trading at 31 December 2022 were Euro €20,400,000 (2021: Euro €14,450,000); the fair value of these contracts at 31 December 2022 was a liability of £160,000 (2021: asset of £53,000).

The notional principal amounts of the outstanding forward foreign exchange buying contracts held for trading at 31 December 2022 were Hong Kong $180,000,000 (2021: Hong Kong $50,000,000); the fair value of these contracts at 31 December 2022 was a liability of £1,313,000 (2021: liability of £115,000).

15 Derivative financial instruments (continued)

Forward currency contracts (continued)

The notional principal amounts of the outstanding forward foreign exchange selling contracts held for trading at 31 December 2022 were Australian $15,300,000 (2021: Australian $23,290,000); the fair value of these contracts at 31 December 2022 was an asset of £155,000 (2021: liability of £28,000)

The notional principal amounts of the outstanding forward foreign exchange selling contracts held for trading at 31 December 2022 were American $nil (2021: $nil); the fair value of these contracts at 31 December 2022 was an asset of £nil (2021: asset of £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 (2021: £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 2023.

16 Trade and other payables

	Group 2022 £'000	**Company 2022 £'000**	Group 2021 £'000	Company 2021 £'000
Current				
Trade payables	**11,539**	**-**	13,446	-
Other taxation and social security	**651**	**-**	634	-
Other creditors	**3,009**	**-**	5,833	-
Lease liabilities	**892**	**-**	1,055	-
Amounts owed to subsidiary companies	**-**	**23,400**	-	-
Amounts owed to parent companies	**3,958**	**3,958**	3,987	3,977
Accruals and deferred income	**21,115**	**119**	24,047	497
Corporation tax	**10,917**	**-**	8,120	-
Total current trade and other payables	**52,081**	**27,477**	57,122	4,474
Non Current				
Lease liabilities	**6,071**	**-**	6,664	-
Total current and non-current trade and other payables	**58,152**	**27,477**	63,786	4,474

Amounts owed to subsidiary and parent undertakings are unsecured, repayable on demand and have interest charged at 3.7% (2021: 2%).

Notes to the financial statements for the year ended 31 December 2022 (continued)

17 Borrowings

	Group	Company	Group	Company
	2022	**2022**	2021	2021
	£'000	**£'000**	£'000	£'000
Included in current liabilities:				
Interest on preference shares	**1,253**	**1,253**	1,253	1,253
Preference shares	**30,000**	**30,000**	30,000	30,000
Loan stock	**18,000**	**18,000**	12,000	12,000
Total current borrowings	**49,253**	**49,253**	43,253	43,253
Included in non-current liabilities:				
Loan stock	**89,465**	**89,500**	107,450	107,500

The loan stock at 31st December 2022 and 31st December 2021 is analysed as follows:

	At 31 December 2022		
	Loans outstanding	**Capitalised cost of raising finance**	**Net amount payable**
Group and company	**£'000**	**£'000**	**£'000**
Loans due within one year			
Bank loan	**18,000**	-	**18,000**
Preference shares	**30,000**	-	**30,000**
Loans due in more than one year			
Bank loan	**89,500**	**(35)**	**89,465**

	At 31 December 2021		
	Loans outstanding	Capitalised cost of raising finance	Net amount payable
Group and company	£'000	£'000	£'000
Loans due within one year			
Preference shares	30,000	-	30,000
Bank loan	12,000	-	12,000
Loans due in more than one year			
Bank loan	107,500	(50)	107,450

In 2022 the group has commenced scheduled repayments of the 5-year term loan facility from The Bank of China, repaying £12m. The loan carries interest at 2.7% above SONIA.

Notes to the financial statements for the year ended 31 December 2022 (continued)

18 Called up share capital and other reserves

(a) Called up share capital

	Number of £0.01 ordinary shares	Number of £0.0088 ordinary B shares	Total £'000
Authorised, Allotted and fully paid			
At 31 December 2021	13,100,000,001	3,320,000,000	160,216
At 31 December 2022	**13,100,000,001**	**3,320,000,000**	**160,216**

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

(b) Hedging reserve

The group enters into forward currency contracts which are accounted as cash flow hedges. The hedging reserve is comprised of the cash flow hedge reserve. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges for further information on the cash flow hedges please see note 15.

(c) Other reserves

Other reserves is comprised of the foreign exchange movement on 'B' ordinary shares due to redenomination. The 'B' shares were issued on 23rd June 2016 at a value of €0.01, at which point the EUR to GBP exchange rate was 1.3015. They were redenominated to GBP at £0.0088 per share on 14th March 2017, when the EUR to GBP exchange rate was 1.1432.

(d) Capital contribution (Restated)

An amendment has been made to the classification of the preference shares held on the Group's balance sheet. In 2017 an agreement was reached with Shanghai Jahwa, the holders of the preference shares and the Group's parent company, to temporarily waive any future interest. Although the shares have continued to be presented as debt the waived interest was presented net within the finance costs line of the profit and loss account, rather than being shown gross in finance costs, with the interest forgiveness shown in reserves as a capital contribution from the shareholder.

This has been amended in the current year, with the annual interest charge and capital contribution of £2,400,000 having been recognised, and the historic adjustments for a value of £11,400,000 have also been reflected in the comparatives within the accounts.

Notes to the financial statements for the year ended 31 December 2022 (continued)

19 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). By December 2019, this had increased to 28,485. A further 165 were granted during 2021 and none in 2022, taking the full share appreciation rights to 30,000 shares. 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 grant date 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 share based payment in relation to this scheme is £27.3m (2021: £22.5m), this has been provided to the group as a capital contribution from its parent company and is reflected within reserves. Amounts of £4.8m (2021: £4.5m) 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.

As at 31 December 2022 all of the SARs vested (2021: 8,560) and none had been exercised (2021: none). The options awarded during the current and previous year are deemed to have a grant date fair value in line with the original options awarded in 2016.

	Number of Options
At 1 January 2021	29,835
Movements due to leavers	-
Movements due to awards	165
At 31 December 2021	**30,000**
Movements due to leavers	-
Movements due to awards	-
At 31 December 2022	**30,000**

(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:

	2022	2021
	£'000	£'000
Share appreciation rights	**4,824**	4,503

Notes to the financial statements for the year ended 31 December 2022 (continued)

20 Financial instruments by category

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

Group **At 31 December 2022**	**Financial assets at amortised cost £'000**	**Derivatives used for hedging £'000**	**Total £'000**
Trade and other receivables excluding pre-payments	**47,724**	**-**	**47,724**
Cash and cash equivalents	**67,482**	**-**	**67,482**

	Financial Liabilities at amortised cost £'000	**Derivatives used for hedging £'000**	**Total £'000**
Trade payables	**(11,539)**	**-**	**(11,539)**
Derivative financial instruments	**-**	**(1,319)**	**(1,319)**
Other payables excluding accruals & deferred income	**(25,498)**	**-**	**(25,498)**
Borrowings	**(138,718)**	**-**	**(138,718)**

Group **At 31 December 2021**	**Financial assets at amortised cost £'000**	**Derivatives used for hedging £'000**	**Total £'000**
Trade and other receivables excluding pre-payments	42,139	-	42,139
Cash and cash equivalents	75,695	-	75,695

	Financial Liabilities at amortised cost £'000	**Derivatives used for hedging £'000**	**Total £'000**
Trade payables	(13,446)	-	(13,446)
Derivative financial instruments	-	(90)	(90)
Other payables excluding accruals & deferred income	(26,293)	-	(26,293)
Borrowings	(150,703)	-	(150,703)

Notes to the financial statements for the year ended 31 December 2022 (continued)

20 Financial instruments by category (continued)

Company At 31 December 2022	Financial assets at amortised cost £'000	Total £'000
Cash and Cash equivalents	10,000	10,000
Trade and other receivables excluding pre-payments	8,122	8,122
	Financial Liabilities at amortised cost £'000	**Total £'000**
Borrowings	(138,753)	(138,753)
Other payables excluding accruals & deferred income	(27,358)	(27,358)

Company At 31 December 2021	Financial assets at amortised cost £'000	Total £'000
Trade and other receivables excluding pre-payments	11,669	11,669
	Financial Liabilities at amortised cost £'000	**Total £'000**
Borrowings	(150,753)	(150,753)
Other payables excluding accruals & deferred income	(3,977)	(3,977)

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

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

Notes to the financial statements for the year ended 31 December 2022 (continued)

20 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:

2022

Group	**Carrying Amount £'000**	**Undiscounted Contractual cash flows £'000**	**1 year or less £'000**	**1 to 2 years £'000**	**2 to 5 years £'000**	**5 years and over £'000**
Non-derivative financial liabilities						
Borrowings	**138,718**	**138,718**	**49,218**	**24,000**	**65,500**	-
Trade payables	**11,539**	**11,539**	**11,539**	-	-	-
Other payables	**25,498**	**25,498**	**19,427**	**892**	**5,179**	-

2021

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
Non-derivative financial liabilities						
Borrowings	150,703	150,703	43,203	18,000	89,500	-
Trade payables	13,446	13,446	13,446	-	-	-
Other payables	26,293	26,293	19,629	892	5,772	-

Notes to the financial statements for the year ended 31 December 2022 (continued)

20 Financial instruments by category (continued)

	2022					
Company	**Carrying Amount £'000**	**Undiscounted Contractual cash flows £'000**	**1 year or less £'000**	**1 to 2 years £'000**	**2 to 5 years £'000**	**5 years and over £'000**
Non-derivative financial liabilities						
Borrowings	**138,753**	**138,753**	**49,253**	**24,000**	**65,500**	-
Other payables	**27,358**	**27,358**	**27,358**	-	-	-

	2021					
Company	Carrying Amount £'000	Undiscounted Contractual cash flows £'000	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	5 years and over £'000
Non-derivative financial liabilities						
Borrowings	150,753	150,753	43,253	18,000	89,500	-
Other payables	3,977	3,977	3,977	-	-	-

Notes to the financial statements for the year ended 31 December 2022 (continued)

21 Contingent liabilities and assets

Facilities agreement guarantee
The group have agreed to meet obligations detailed within the Facilities Agreement dated 27 March 2020, signed with the Group's lenders.

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

22 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 2022, if the Euro had weakened/strengthened by 10% (2021: 10%) against the UK pound with all other variables held constant, post-tax profit for the year would have been £1,803,000 (2021: £1,416,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of euro-denominated trade receivables and intercompany payables.

At 31 December 2022, if the Hong Kong/US Dollar had strengthened/weakened by 10% (2021: 10%) against the UK pound with all other variables held constant, post-tax profit for the year would have been £1,432,000 (2021: £100,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HK/US dollar-denominated intercompany payables.

Notes to the financial statements for the year ended 31 December 2022 (continued)

22 Financial risk management (continued)

(a) Market risk (continued)

At 31 December 2022, if the Australian Dollar had weakened/strengthened by 10% (2021: 10%) against the UK pound with all other variables held constant, post-tax profit for the year would have been £1,087,000 (2021: £1,392,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian Dollar-denominated intercompany payables.

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. The impact of forward-looking information did not have a material impact on the determination of expected credit losses.

At the year end, three customers (2021: five) had a closing balance of more than 5% of total trade receivables totalling £17,039,000 (2021: £26,651,000). 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.

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

	Current £'000	0-3 months past due £'000	Over 3 months past due £'000	Impaired £'000	**Total £'000**
At 31 December 2022	40,364	2,641	72	(856)	**42,221**

	Current £'000	0-3 months past due £'000	Over 3 months past due £'000	Impaired £'000	**Total £'000**
At 31 December 2021	34,667	5,001	568	(2,370)	**37,866**

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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

22 Financial risk management (continued)

(b) Credit risk (continued)

There are no trade receivables within the company.

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

	2022 £'000	2021 £'000
Pounds	**12,624**	15,792
Euro	**5,938**	3,999
US Dollar	**19,751**	11,636
Other	**3,908**	6,439
	42,221	37,866

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

	2022 £'000	2021 £'000
At 1 January	**2,370**	3,458
Provisions utilised	**(256)**	(104)
Provisions released	**(1,258)**	(984)
Provisions credited	**-**	-
At 31 December	**856**	2,370

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.

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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

22 Financial risk management (continued)

(c) 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 and company'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.

Group

	At 31 December 2022
Trade and other payables	**£'000**
Less than 1 year	**52,081**
More than 1 year	**6,071**

Group

	At 31 December 2021
Trade and other payables	£'000
Less than 1 year	57,122
More than 1 year	6,664

Company

	At 31 December 2022
Trade and other payables	**£'000**
Less than 1 year	**27,477**
More than 1 year	**-**

Company

	At 31 December 2021
Trade and other payables	£'000
Less than 1 year	4,474
More than 1 year	-

Notes to the financial statements for the year ended 31 December 2022 (continued)

22 Financial risk management (continued)

(c) Liquidity risk (continued)

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 2022	**Less than 1 year £'000**	**Between 1-2 years £'000**
Forward foreign exchange contracts – cash flow hedges:		
Outflow	**10,940**	-
Inflow	**36,108**	-

At 31 December 2021	Less than 1 year £'000	Between 1-2 years £'000
Forward foreign exchange contracts – cash flow hedges:		
Outflow	9,536	-
Inflow	14,470	-

(d) Capital risk management

The company's ultimate controlling party is China Ping An Insurance (Group) Co., Limited, 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.

Notes to the financial statements for the year ended 31 December 2022 (continued)

23 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.

	2022	2021
	£'000	£'000
Salaries and other short-term employee benefits	**2,994**	3,116

The company is related to all of its direct and indirect subsidiaries a full list of whom is included in note 10 along with details of their registered office.

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

	2022	2021
	£'000	£'000
Sales of product	**306**	72

During the both the current and previous years, the company made no sales to its parent company.

At the year end the following balances were owed by Shanghai Jahwa United Co. Ltd.

	2022	2021
	£'000	£'000
Sales invoices	**42**	108

24 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.