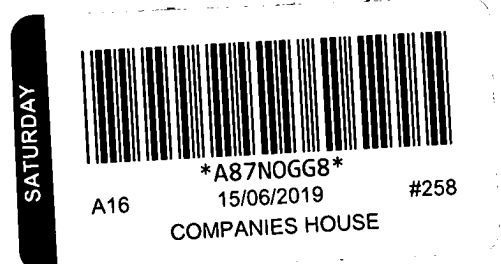


**H. YOUNG HOLDINGS PLC**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2018**

**Registered No: 00194944**



## H. YOUNG HOLDINGS PLC

### STRATEGIC REPORT

The Directors present their Strategic Report for the H. Young Holdings PLC Group for the year ended 31 December 2018.

#### Business Review

The sales and operating profits of the Group for the year can be analysed as follows:

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Sales	217,655	225,474
Operating profit before goodwill amortisation and exceptional items	14,914	13,964
Goodwill amortisation	(1,335)	(1,374)
Impairment charge	(72)	(781)
Exceptional dilapidations provision	–	(1,650)
Operating profit	13,507	10,159

Total Group sales decreased in the year by 3% to £217,655,000 (2017: £225,474,000). The lower sales were in the sports and leisure segment of the business and were primarily due to planned retail store closures and lower sales to a small number of our more substantial wholesale customers.

Despite the lower sales, better gross margins led to an increase in operating profits before goodwill amortisation and exceptional items of 7% to £14,914,000 (2017: £13,964,000).

Around 80% of the Group's revenue is earned by supplying retailers or online businesses who sell directly to consumers and which are mainly in the UK. Excluding the lower sales to a small number of customers mentioned above, underlying wholesale sales remained stable in 2018. The balance of the Group's revenue is earned directly from consumers in retail stores or online.

The main growth areas within the business were in the automotive aftermarket segment and in online sales direct to consumers.

Profit before tax increased to £12,674,000 (2017: £9,114,000).

Group net cash inflow was £12,283,000 (2017: £3,210,000). Group net assets increased to £87,773,000 (2017: £86,121,000).

#### Key Performance Indicators

The key performance indicators in use across the Group relate to trends in sales growth, gross margins and operating profitability expressed as a percentage of sales.

### **Principal Risks and Uncertainties**

The Group supplies customers which largely trade on the UK high street and also operates a number of its own retail outlets. The Group is therefore exposed to the risk of reductions in consumer demand.

The Group makes significant purchases in foreign currencies (primarily the US Dollar and Japanese Yen) and is exposed to currency risk if the impact of adverse currency rate movements cannot be managed by changes in pricing. The Group actively manages currency exposure to reduce this risk. The Group has hedged a proportion of 2019 currency requirements to cover the risk of yet further depreciation in Sterling's value.

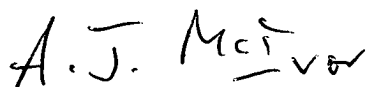
Both consumer demand and currency rates could be adversely affected by a poor Brexit outcome.

The Group manages and distributes a number of brands on behalf of third parties and is exposed to the risk that these distribution agreements may cease due to circumstances beyond the Group's control. The Group devotes considerable time and resources to the professional management of these brands, the majority of which have been distributed by the Group for many years, in order to minimise this risk.

### **Future Developments**

The outlook for the UK businesses in the Group will always be affected by UK consumer demand and currency rates. The Group's customers are mainly either UK consumers or other retailers supplying largely UK consumers. The factors influencing consumer demand at the time of writing are well documented and the possibility of fluctuating currency rates introduces additional pricing challenges.

Current conditions on the UK high street are challenging and could worsen and this may have an impact on near term sales and operating profitability in the UK based business. The Swiss business supplies across Europe and, whilst also exposed to exchange rate fluctuations, continues to trade profitably.



Authorised for issue by the Board of Directors and signed on its behalf by:  
A J McIvor  
Director and Company Secretary

11 June 2019

## **H. YOUNG HOLDINGS PLC**

### **REPORT OF THE DIRECTORS**

The Directors present the annual report and audited accounts for the year to 31 December 2018.

#### **Principal Activity**

The Group's principal activity is that of importing, marketing and distributing branded products. There have not been any significant changes in the Group's principal activity in the year under review.

#### **Results and Dividends**

The turnover for the year was £217,655,000 (2017: £225,474,000). The profit after tax was £9,947,000 (2017: £6,959,000).

Dividends of £10,000,000 were declared and paid in the current year (2017: £5,000,000 declared only).

#### **Financial Risk Management Objectives and Policies**

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives to manage commercial currency risk is governed by the Group's policies approved by the Board of Directors. The Group does not use derivative financial instruments for speculative purposes.

##### Cash Flow Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses foreign exchange forward contracts to hedge these exposures.

##### Credit Risk

The Group's principal financial assets are bank balances and cash and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

##### Liquidity Risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of cash balances, long-term and short-term debt finance.

Further details regarding liquidity risk can be found in Note 1 on accounting policies in the accounts.

#### **Future Developments**

Details of future developments can be found in the Strategic Report and form part of this report by cross-reference.

#### **Going Concern**

The Directors have a reasonable expectation, for reasons set out in Note 1 to the accounts, that the Company and the Group have adequate financial resources to continue operations for the foreseeable future. The Directors continue to adopt the going concern basis in preparing the accounts.

## **H. YOUNG HOLDINGS PLC REPORT OF THE DIRECTORS**

Continued

### **Directors**

The following Directors have held office during the year and to the date of this report:

A J McIvor  
D Sämann  
Dr. R F Sämann

### **Employee Consultation**

The Group recognises the importance of good communications and relations with employees. There are suitable procedures in place for the consideration of training, career development and promotion for employees. The management of each business is encouraged to adopt such employee consultation as is appropriate.

The Group's policy is to provide equal recruitment and other opportunities for all employees, regardless of sex, religion, colour or race.

It is the Group's policy to give full consideration to the employment of disabled persons whenever their aptitudes and abilities allow. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### **Auditor**

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors 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 Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

### **Directors' Responsibilities Statement**

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

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

## H. YOUNG HOLDINGS PLC REPORT OF THE DIRECTORS

Continued

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Authorised for issue by the Board of Directors and signed on its behalf by:

A J McIvor

Director and Company Secretary

11 June 2019

**H. YOUNG HOLDING PLC**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF H. YOUNG HOLDINGS PLC**

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

**Opinion**

In our opinion the financial statements of H Young Holdings PLC (the "parent company") and its subsidiaries (the "group"):

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

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

**Other information**

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

**H. YOUNG HOLDING PLC**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF H. YOUNG HOLDINGS PLC**  
continued

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

**Responsibilities of directors**

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

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.



**H. YOUNG HOLDING PLC**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF H. YOUNG HOLDINGS PLC**  
continued

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Darren Longley FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

12 June 2019

**H. YOUNG HOLDINGS PLC**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year to 31 December 2018

	Notes	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
<b>Turnover</b>	2	<b>217,655</b>	225,474
Cost of sales		(137,660)	(144,108)
<b>Gross Profit</b>		<b>79,995</b>	81,366
Distribution costs		(52,163)	(54,273)
Administration costs		(14,253)	(14,503)
Impairment of tangible fixed assets		(72)	(781)
Exceptional dilapidations provision		–	(1,650)
<b>Operating profit</b>		<b>13,507</b>	10,159
Share of results of associated undertakings		229	230
Profit before finance charges		13,736	10,389
Finance charges (net)	6	(1,062)	(1,275)
<b>Profit before taxation</b>	3	<b>12,674</b>	9,114
Taxation on profit	7	(2,727)	(2,155)
<b>Profit for the financial year</b>		<b>9,947</b>	6,959

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the year to 31 December 2018

	Notes	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
<b>Profit for the financial year</b>			
Group		9,766	6,778
Associates	12	181	181
		<b>9,947</b>	6,959
Cash flow hedges			
Losses arising during the period		–	(1,179)
Less: reclassified to profit or loss		1,179	(811)
Currency translation difference on foreign currency net investments		861	(581)
Actuarial (loss)/gain recognised in the pension scheme	22	(137)	1,144
Tax relating to items of other comprehensive income		(198)	166
<b>Total comprehensive income for the year</b>		<b>11,652</b>	5,698

# H. YOUNG HOLDINGS PLC

## BALANCE SHEETS

at 31 December 2018

	Notes	Group 31 December 2018 £'000	Group 31 December 2017 £'000	Company 31 December 2018 £'000	Company 31 December 2017 £'000
<b>Fixed assets</b>					
Intangible assets	10	12,977	14,345	–	–
Tangible assets	11	25,854	25,968	94	15
Investments	12	473	424	83,303	83,328
		<b>39,304</b>	<b>40,737</b>	<b>83,397</b>	<b>83,343</b>
<b>Current assets</b>					
Stocks	13	71,205	79,455	–	–
Debtors	14	28,682	35,202	10,060	13,074
Cash at bank and in hand		41,389	28,714	8,848	1,807
		<b>141,276</b>	<b>143,371</b>	<b>18,908</b>	<b>14,881</b>
<b>Creditors – Amounts falling due within one year</b>	15	<b>(55,247)</b>	<b>(63,257)</b>	<b>(22,259)</b>	<b>(21,577)</b>
<b>Net current assets/(liabilities)</b>		<b>86,029</b>	<b>80,114</b>	<b>(3,351)</b>	<b>(6,696)</b>
<b>Total assets less current liabilities</b>		<b>125,333</b>	<b>120,851</b>	<b>80,046</b>	<b>76,647</b>
<b>Creditors – Amounts falling due after more than one year</b>	16	<b>(32,590)</b>	<b>(29,789)</b>	<b>(21,484)</b>	<b>(22,325)</b>
<b>Provisions for liabilities</b>	18	<b>(4,970)</b>	<b>(4,941)</b>	<b>(115)</b>	<b>(113)</b>
<b>Net assets</b>		<b>87,773</b>	<b>86,121</b>	<b>58,447</b>	<b>54,209</b>
<b>Capital and reserves</b>					
Called up share capital	20	7,226	7,226	7,226	7,226
Share premium reserve	20	15,250	15,250	15,250	15,250
Revaluation reserve	20	606	618	–	–
Merger reserve	20	9,046	9,046	5,910	5,910
Hedging reserve	20	–	(1,179)	–	–
Profit and loss reserve	20	55,645	55,160	30,061	25,823
<b>Shareholders' funds</b>		<b>87,773</b>	<b>86,121</b>	<b>58,447</b>	<b>54,209</b>

The profit for the financial year dealt with in the accounts of the parent company was £14,238,000 (2017: £12,482,000)

The financial statements were approved and authorised for issue by the Board on 11 June 2019 and signed on its behalf by:

*A. J. McIvor*

A J McIvor  
Director

Company Number: 00194944

# H. YOUNG HOLDINGS PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year to 31 December 2018

Equity attributable to equity shareholders of the Company

	Called up share capital £'000	Share premium reserve £'000	Revaluation reserve £'000	Merger reserve £'000	Hedging reserve £'000	Profit and loss reserve £'000	Total £'000
<b>At 1 January 2017</b>	<b>7,226</b>	<b>15,250</b>	<b>630</b>	<b>9,046</b>	<b>811</b>	<b>52,460</b>	<b>85,423</b>
Profit for the financial year	-	-	-	-	-	6,959	6,959
Cash flow hedges							
Losses arising during the period	-	-	-	-	(1,179)	-	(1,179)
Less: reclassified to profit or loss	-	-	-	-	(811)	-	(811)
Currency translation difference on foreign currency net investments	-	-	-	-	-	(581)	(581)
Actuarial gain recognised in the pension scheme	-	-	-	-	-	1,144	1,144
Tax relating to items of other comprehensive income	-	-	-	-	-	166	166
Transfer	-	-	(12)	-	-	12	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(12)</b>	<b>-</b>	<b>(1,990)</b>	<b>7,700</b>	<b>5,698</b>
Dividends – equity shares	-	-	-	-	-	(5,000)	(5,000)
<b>At 31 December 2017</b>	<b>7,226</b>	<b>15,250</b>	<b>618</b>	<b>9,046</b>	<b>(1,179)</b>	<b>55,160</b>	<b>86,121</b>
Profit for the financial year	-	-	-	-	-	9,947	9,947
Cash flow hedges							
Reclassified to profit or loss	-	-	-	-	1,179	-	1,179
Currency translation difference on foreign currency net investments	-	-	-	-	-	861	861
Actuarial loss recognised in the pension scheme	-	-	-	-	-	(137)	(137)
Tax relating to items of other comprehensive income	-	-	-	-	-	(198)	(198)
Transfer	-	-	(12)	-	-	12	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(12)</b>	<b>-</b>	<b>1,179</b>	<b>10,485</b>	<b>11,652</b>
Dividends – equity shares	-	-	-	-	-	(10,000)	(10,000)
<b>At 31 December 2018</b>	<b>7,226</b>	<b>15,250</b>	<b>606</b>	<b>9,046</b>	<b>-</b>	<b>55,645</b>	<b>87,773</b>

**H. YOUNG HOLDINGS PLC**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**

for the year to 31 December 2018

	Called up share capital £'000	Share premium reserve £'000	Merger reserve £'000	Hedging reserve £'000	Profit and loss reserve £'000	Total £'000
<b>At 1 January 2017</b>	<b>7,226</b>	<b>15,250</b>	<b>5,910</b>	<b>731</b>	<b>18,200</b>	<b>47,317</b>
Profit for the financial year	-	-	-	-	12,482	12,482
Cash flow hedges						
Reclassified to profit or loss	-	-	-	(731)	-	(731)
Tax relating to items of other comprehensive income	-	-	-	-	141	141
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(731)</b>	<b>12,623</b>	<b>11,892</b>
Dividends – equity shares	-	-	-	-	(5,000)	(5,000)
<b>At 31 December 2017</b>	<b>7,226</b>	<b>15,250</b>	<b>5,910</b>	<b>-</b>	<b>25,823</b>	<b>54,209</b>
Profit for the financial year	-	-	-	-	14,238	14,238
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,238</b>	<b>14,238</b>
Dividends – equity shares	-	-	-	-	(10,000)	(10,000)
<b>At 31 December 2018</b>	<b>7,226</b>	<b>15,250</b>	<b>5,910</b>	<b>-</b>	<b>30,061</b>	<b>58,447</b>

# H. YOUNG HOLDINGS PLC

## CONSOLIDATED CASH FLOW STATEMENT

for the year to 31 December 2018

	Notes	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
<b>Net cash flows from operating activities</b>	23	<b>25,550</b>	<b>8,430</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(2,019)	(2,105)
Sale of tangible fixed assets		33	13
Deferred consideration paid		-	(1,942)
<b>Net cash flows from investing activities</b>		<b>(1,986)</b>	<b>(4,034)</b>
<b>Cash flows from financing activities</b>			
Interest received/(paid) on bank loans and overdrafts		39	(39)
Investment income		-	3
Other interest (paid)/received - net		(12)	(151)
Sale of investments		-	54
Loan note redemption premiums paid		(634)	(300)
Loan note issues		24,871	12,690
Loan note redemptions		(19,235)	(14,800)
(Reduction)/increase in trade finance facility		(1,463)	1,154
Equity dividends paid		(15,000)	-
Dividends from associate		153	203
<b>Net cash flows from financing activities</b>		<b>(11,281)</b>	<b>(1,186)</b>
<b>Net increase in cash and cash equivalents</b>		<b>12,283</b>	<b>3,210</b>
Cash and cash equivalents at beginning of year		28,714	25,515
Effect of foreign exchange rate changes		392	(11)
<b>Cash and cash equivalents at end of year</b>		<b>41,389</b>	<b>28,714</b>

## H. YOUNG HOLDINGS PLC NOTES TO THE ACCOUNTS

### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### (a) *General information and basis of accounting*

H. Young Holdings Plc is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. The registered office is located at Buckingham House, West Street, Newbury, Berkshire, RG14 1BD, United Kingdom. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 4.

The accounts have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Group is considered to be pounds sterling because that is the currency of the primary economic environment in which it operates. Foreign operations are included in accordance with the policies set out below.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements.

#### (b) *Going concern*

The Group has letter of credit, trade finance and foreign exchange facilities with HSBC Bank plc. The Group's banking facilities are reviewed annually.

Long term funding is provided by the Group's ultimate parent undertaking.

Based on written commitments already in place and after making relevant enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate financial resources to continue operations for the foreseeable future. The going concern basis therefore continues to be adopted in preparing these accounts.

#### (c) *Basis of consolidation*

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business acquisitions are accounted for using acquisition accounting principles.

For acquisitions meeting the requirements of section 615 Companies Act 2006, the Company does not account for any premium on shares issued as acquisition consideration and records the cost of investment in the Company balance sheet at the nominal value of the shares issued. When preparing consolidated accounts, the share issues are recorded at fair value and the excess of the fair value over the nominal value of shares issued is credited to a Merger reserve.

#### (d) *Financial instruments*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at the cost of transaction (including any relevant associated costs) except for items classified at fair value through profit and loss, specifically derivative financial instruments as set out in the relevant accounting policy below.

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

#### (e) *Fixed assets, depreciation and amortisation*

- (i) A general policy of revaluation of fixed assets has not been adopted and the book amounts of fixed assets, except for an element of historical revaluation in respect of freehold properties as set out in Note 11, have been retained.
- (ii) Where freehold properties were historically revalued the resultant valuation is included in the balance sheet unless the surplus or deficit is immaterial. No depreciation is provided on freehold land but, since 1995, depreciation of 2% per annum has been provided on freehold buildings. Any impairment in the value of such properties is charged to the revaluation reserve or profit and loss account as appropriate. A transfer is made from revaluation reserve to the profit and loss reserve each year to cover the element of depreciation charge which relates to revalued assets.
- (iii) The cost of leasehold properties is amortised over the length of the leases on a straight line basis.
- (iv) The cost of plant and equipment is fully written off by equal instalments over its estimated useful life at rates ranging from 20% to 50% per annum.
- (v) The cost of motor vehicles is written off to residual value in equal instalments at a rate of 33 ⅓% per annum.
- (vi) The interest costs incurred on the financing of acquisitions or construction of freehold land and buildings are capitalised up until the date that those buildings become operational and thereafter are depreciated over the life of the relevant buildings.
- (vii) Trademarks are recorded at cost and amortised in equal instalments over their estimated useful lives, not exceeding five years. Provision is made for any impairment.

**1. Accounting policies (continued)**

- (f) **Turnover**  
Turnover is the amount derived from the provision of goods falling within the Group's ordinary activities after deduction of returns, trade and settlement discounts, volume rebates and value added tax. Sales of goods are recognised when the risks and rewards of ownership have been transferred to the customer.
- (g) **Deferred taxation**  
Deferred taxation is provided in full on material timing differences at the rate of taxation anticipated to apply when these differences crystallise. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised where it is more likely than not that it will be recoverable in the future. Deferred tax assets and liabilities which are recognised in the balance sheet have not been discounted.
- (h) **Leased assets**  
Operating lease rentals are charged to the profit and loss account in equal amounts over the term of the lease.
- (i) **Stocks**  
Stocks are valued at the lower of cost and estimated net realisable value where cost is the purchase price on a weighted average cost basis and net realisable value is based on estimated selling price less costs expected to be incurred in disposal. Goods in transit from suppliers are included in stocks where risk in the goods has passed to the Group under the shipment terms negotiated. The corresponding liability is included within trade creditors. Provision is made for obsolete, slow-moving or defective items where appropriate. The net movement in stock provisions is disclosed as an impairment expense in Note 3.
- (j) **Foreign currency**  
Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. The results and cash flows of overseas operations are translated at the average rates of exchange during the year and the balance sheets at the rate ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in the consolidated statement of comprehensive income. Other exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks (see Hedge accounting below).
- (k) **Goodwill**  
Goodwill is defined as the excess of the cost of businesses acquired over the fair value of their net assets. Goodwill arising on acquisitions on or after 1 October 1998 is capitalised as an intangible fixed asset and amortised in equal annual instalments over its estimated useful economic life. Provision is made for any impairment. Goodwill amortisation is charged within administrative expenses. Goodwill arising on acquisitions prior to 1 October 1998 was eliminated against reserves as a matter of accounting policy. This past goodwill has not been re-instated. Any goodwill eliminated against reserves at the time a business is purchased is included in the calculation of the profit or loss on disposal or closure of that business.
- (l) **Pensions**  
The Group operates one defined benefit scheme in the United Kingdom. The scheme is administered by trustees and is independent of the Group finances. Triennial valuations are performed by qualified independent actuaries and the results updated each year for the purposes of the FRS 102 valuation. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit method and discounted at the redemption yield on AA rated corporate bonds. Contributions are paid to the schemes in accordance with actuarial recommendations. The current service cost is charged to operating profit so as to reflect the increase in the present value of the scheme liabilities expected to arise from employee service over the current period. The interest cost on the scheme's liabilities is included in finance charges. Actuarial losses and gains are recognised in the consolidated statement of comprehensive income. The pension scheme's deficits are recognised in full and included within provisions for liabilities. For defined contribution pension arrangements the amounts charged to the profit and loss account are the contributions payable in the year.
- (m) **Fixed asset investments**  
Investments in subsidiary undertakings and other investments are stated at cost with provision being made where appropriate to recognise a permanent impairment in value.
- (n) **Loan notes**  
Loan notes issued to the Company's ultimate parent undertaking are included at their issue amount, plus provisions for redemption premiums. Redemption premiums are charged to the profit and loss account on a straight line basis, reflecting the basis of accretion set out in the relevant agreements.



## H. YOUNG HOLDINGS PLC

### NOTES TO THE ACCOUNTS

Continued

#### 1. Accounting policies (continued)

**(o) Current tax**

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**(p) Associates**

In the Group financial statements investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of associates' profits less losses while the Group's share of the net assets of the associates is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. If losses exceed the carrying amount of an investment, the Group's share of those losses is no longer recognised within the Group's share of associate's profits less losses. Provision is then made separately within Group operating profit to the extent that the Group has contractual obligations to fund the associates.

**(q) Derivative financial instruments**

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit and loss depends on the nature of the hedge relationship.

**(r) Hedge accounting**

The Group designates certain derivatives as hedging instruments, specifically forward foreign exchange contracts used to hedge supplier payments which are firm commitments or highly probable forecast transactions. At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with the clear identification of the risk in the hedged item that is being hedged by the hedged instrument. Furthermore, at inception of the hedge and on an ongoing basis the Group determines and documents causes for hedge ineffectiveness. Note 24 sets out details of the fair values of the derivative instruments used for hedging purposes.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit and loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at this time is reclassified to profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

Where derivatives are not designated as hedging instruments, any fair value gain or loss is recognised in profit or loss within Finance Charges (Note 6).

**(s) Dilapidations**

When the Group has made a decision to no longer trade from a leased property, either on the termination of a lease or due to exercising a break clause, a review is carried out to determine whether a dilapidations liability will arise. If a liability is likely to arise then appropriate amounts are recognised within provisions.

**(t) Impairment of assets**

Assets are assessed for indication of impairment at each balance sheet date.

Impairment testing is intended to estimate the recoverable amount of an asset and recognise an impairment loss whenever the carrying amount of an asset exceeds the recoverable amount. The recoverable amount of an asset is the higher of (i) its fair value less costs to sell and (ii) its value in use.

"Value in use" is measured by estimating the present value of future cash flows from cash generating units which utilise the assets in question. In the case of goodwill, the relevant cash flows are those earned by the business to which it attaches. In the case of other assets, the cash generating unit is the smallest group of assets to which discrete cash flows can be allocated, for example a retail store.

When the calculations show that an impairment to below carrying value has occurred, then an impairment loss is recognised in the profit and loss account by writing down the assets to the calculated recoverable amount.

Where subsequent reviews determine that impairment losses on assets other than goodwill have reversed, then any previously booked impairment losses are reversed. Impairment of goodwill is never reversed.

## H. YOUNG HOLDINGS PLC NOTES TO THE ACCOUNTS

Continued

### 1. Accounting policies (continued)

#### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In the year there were no material judgements.

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

#### Key source of estimation uncertainty – impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £12,918,000 (Note 10).

### 2. Turnover

Group turnover by origin:

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
United Kingdom	198,717	208,236
Rest of Europe	18,938	17,238
	<b>217,655</b>	<b>225,474</b>

Group turnover by destination:

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
United Kingdom	186,567	195,325
Rest of Europe	29,942	28,787
Rest of World	1,146	1,362
	<b>217,655</b>	<b>225,474</b>

The turnover can be further analysed by business segment:

Business	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Sports and Leisure	182,516	192,529
Inter-segment sales	(3)	(275)
Sports and Leisure – third party sales	182,513	192,254
Automotive aftermarket	37,759	37,234
Inter-segment sales	(2,617)	(4,014)
Automotive aftermarket – third party sales	35,142	33,220
	<b>217,655</b>	<b>225,474</b>

## H. YOUNG HOLDINGS PLC NOTES TO THE ACCOUNTS

Continued

### 3. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Cost of stock recognised in cost of sales	132,510	139,626
Net movement in stock impairment expense included in cost of sales	185	(1,598)
Depreciation	2,430	2,451
Impairment of tangible fixed assets	72	781
Amortisation of goodwill	1,335	1,374
Amortisation of trademarks	33	45
Operating lease rentals		
- land and buildings	5,345	5,415
- plant and machinery	573	571
Auditor's remuneration – audit of the financial statements	147	143
(Profit)/loss on disposal of fixed assets	(1)	(6)
Exceptional dilapidations provision	-	1,650

The amortisation of goodwill and trade marks is included within administrative expenses. The impairment of tangible fixed assets is shown separately within the profit and loss account.

Fees paid to the auditor for non-audit services amounted to £2,700 (2017: £Nil).

### 4. Staff numbers and costs

The costs incurred in respect of employees (including Directors) were:

	Group Year to 31 December 2018 £'000	Group Year to 31 December 2017 £'000	Company Year to 31 December 2018 £'000	Company Year to 31 December 2017 £'000
Wages and salaries	22,764	23,084	577	504
Social security costs	2,001	1,904	65	75
Other pension costs (Note 22)	663	593	18	16
	<b>25,428</b>	<b>25,581</b>	<b>660</b>	<b>595</b>
The average number of employees was:	Number	Number	Number	Number
Production	23	24	-	-
Distribution	782	815	-	-
Administration	241	268	10	10
	<b>1,046</b>	<b>1,107</b>	<b>10</b>	<b>10</b>

### 5. Directors

Emoluments of Directors of the Company were as follows:

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Aggregate emoluments	293	266
Aggregate contributions to money purchase pension schemes	10	10
	<b>303</b>	<b>276</b>

Only one Director received remuneration in each year. No pension entitlement benefits accrued to any Director under defined benefit arrangements in either year.

## H. YOUNG HOLDINGS PLC NOTES TO THE ACCOUNTS

Continued

### 6. Finance charges (net)

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Bank interest (received)/paid	(39)	40
Investment income	-	(1)
Redemption premiums in respect of loan notes	1,189	965
Net cost of funding pension liability (Note 22)	42	86
Interest on other loans	38	34
Other interest earned	-	(10)
Interest on tax	12	161
Fair value (gains)/losses on derivative financial instruments (Note 24)	(180)	-
	<b>1,062</b>	<b>1,275</b>
Group	<b>1,061</b>	<b>1,274</b>
Associates	<b>1</b>	<b>1</b>
	<b>1,062</b>	<b>1,275</b>

The charges in respect of the associates relate to interest on bank loans and overdrafts.

### 7. Taxation on profit

Taxation charge on profit for the year:

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Current taxation		
United Kingdom corporation tax	1,496	1,131
Adjustments in respect of prior years	(65)	(38)
Swiss corporation tax	1,064	996
	<b>2,495</b>	<b>2,089</b>
Deferred taxation (Note 19)		
Origination and reversal of timing differences	150	(8)
Adjustments in respect of prior years	35	25
	<b>185</b>	<b>17</b>
Share of associates' tax	<b>47</b>	<b>49</b>
<b>Total taxation on profit</b>	<b>2,727</b>	<b>2,155</b>

**H. YOUNG HOLDINGS PLC**  
**NOTES TO THE ACCOUNTS**  
Continued

**7. Taxation on profit (continued)**

Factors affecting the tax charge for the year:

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Profit before taxation	12,674	9,114
Tax at 19% (2017: 19.25%) on Group profit:	2,408	1,754
Effects of:		
Amortisation of goodwill not deductible for tax purposes	254	264
Expenses not deductible for tax purposes	307	412
Depreciation (less than)/in excess of capital allowances	(11)	41
Short term timing differences	(132)	(13)
Lower tax rates on overseas earnings	(219)	(282)
Movement in deferred taxation	150	(8)
Adjustments in respect of prior years	(30)	(13)
<b>Total tax charge</b>	<b>2,727</b>	<b>2,155</b>

The standard rate of tax applied to reported profit on ordinary activities is 19% (2017: 19.25%). The UK Finance Bill was enacted in November 2016 to reduce the main rate of UK corporation tax from 20% to 19% with effect from 1 April 2017 and from 19% to 17% with effect from 1 April 2020.

**8. Profit for the year attributable to H. Young Holdings PLC**

The Company has not presented its own profit and loss account or statement of comprehensive income as permitted by section 408 of the Companies Act 2006. The results of the Group include a profit dealt within the accounts of the Company of £14,238,000 (year to 31 December 2017: £12,482,000) which includes dividends received of £12,846,000 (2017: £12,962,000).

**9. Dividends**

Amounts recognised as distributions to equity holders in the year:

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Final dividend of 34.6 pence (2017: 17.3 pence) per Ordinary share	10,000	5,000

**H. YOUNG HOLDINGS PLC**  
**NOTES TO THE ACCOUNTS**  
Continued

**10. Intangible fixed assets**

	Trademarks £'000	Goodwill £'000	Total £'000
<b>Group</b>			
Cost			
At 1 January 2018	225	16,036	16,261
Eliminations	(75)	-	(75)
<b>At 31 December 2018</b>	<b>150</b>	<b>16,036</b>	<b>16,186</b>
Amortisation			
At 1 January 2018	133	1,783	1,916
Charge for the year	33	1,335	1,368
Eliminations	(75)	-	(75)
<b>At 31 December 2018</b>	<b>91</b>	<b>3,118</b>	<b>3,209</b>
<b>Net book value at 31 December 2018</b>	<b>59</b>	<b>12,918</b>	<b>12,977</b>
Net book value at 31 December 2017	92	14,253	14,345

Current goodwill is being amortised over 12 years. Amortisation periods represent the Directors' estimates of the useful economic life of goodwill. Intangible assets which become fully amortised in the year are eliminated from cost and accumulated amortisation.

**11. Tangible fixed assets**

	Freehold land and buildings £'000	Short leasehold properties £'000	Plant vehicles & equipment £'000	Total £'000
<b>Group</b>				
Cost or valuation				
At 1 January 2018	28,159	5,045	19,836	53,040
Additions	-	106	1,913	2,019
Disposals	-	(678)	(890)	(1,568)
Exchange adjustments	472	-	198	670
<b>At 31 December 2018</b>	<b>28,631</b>	<b>4,473</b>	<b>21,057</b>	<b>54,161</b>
Depreciation				
At 1 January 2018	5,420	4,573	17,079	27,072
Impairment losses	-	-	72	72
Charge for the year	546	245	1,639	2,430
Disposals	-	(675)	(861)	(1,536)
Exchange adjustments	89	-	180	269
<b>At 31 December 2018</b>	<b>6,055</b>	<b>4,143</b>	<b>18,109</b>	<b>28,307</b>
<b>Net book value at 31 December 2018</b>	<b>22,576</b>	<b>330</b>	<b>2,948</b>	<b>25,854</b>
Net book value at 31 December 2017	22,739	472	2,757	25,968

**H. YOUNG HOLDINGS PLC**  
**NOTES TO THE ACCOUNTS**  
Continued

**11. Tangible fixed assets (continued)**

Properties are stated at cost with the exception of the original Saxon division freehold land and buildings valued in April 1988 on an open market existing use basis by Playle & Co. Commercial Surveyors, at £1,730,000. The historic cost of the original Saxon freehold land and buildings is £947,000 and the historic net book value of £655,000. The revalued gross and net book values are £1,842,000 and £1,255,000 respectively.

Included within the total cost of freehold land and buildings at 31 December 2018 is capitalised interest of £191,000 (2017: £191,000).

The net book value of freehold land included in the above figures at 31 December 2018, which is not depreciated, was £7,195,000 (2017: £7,076,000). The book value of freehold land owned in Switzerland fluctuates due to exchange rate movements.

	Plant vehicles & equipment £'000
<b>Company</b>	
Cost at 1 January 2018	53
Additions	89
Disposals	(33)
<b>At 31 December 2018</b>	<b>109</b>
<b>Depreciation</b>	
At 1 January 2018	38
Charge for the year	10
Disposals	(33)
<b>At 31 December 2018</b>	<b>15</b>
<b>Net book value at 31 December 2018</b>	<b>94</b>
Net book value at 31 December 2017	15

**12. Fixed asset investments**

	Group 31 December 2018 £'000	Group 31 December 2017 £'000	Company 31 December 2018 £'000	Company 31 December 2017 £'000
Subsidiary undertakings	-	-	83,303	83,303
Associates	473	424	-	25
	<b>473</b>	<b>424</b>	<b>83,303</b>	<b>83,328</b>

## H. YOUNG HOLDINGS PLC NOTES TO THE ACCOUNTS

Continued

### 12. Fixed asset investments (continued)

The Company has interests at 31 December 2018 in the following subsidiary undertakings and associate which principally affected the profits or net assets of the Group and are all included in the consolidation:

	Country of incorporation and operation	Principal activity	Holding	%
H Young (Operations) Limited	Great Britain	Distributor	838,884 Ordinary Shares of £1 each	100
Wunder-Baum AG	Switzerland	Manufacture and distribution of automotive air fresheners	200 Ordinary Shares of 1,000 Swiss Francs each	100
Rohan Group Limited	Great Britain	Retailer	5,064,404 Ordinary Shares of £1 each	100 +
Tony Pryce Retail Limited	Great Britain	Retailer	50,000 Ordinary Shares of £1 each	100
Flagship Enterprise Limited	Switzerland	Manufacture and distribution of automotive air fresheners	200 Ordinary Shares of 1,000 Swiss Francs each	50

+ Holding company for Rohan Designs Limited (trading) and Keldisk Limited (dormant), both 100% owned by Rohan Group Limited

The following companies are all 100% owned dormant subsidiaries of H. Young Holdings PLC, unless otherwise stated:

Animal Limited	Leeda Limited	Ridgeback Limited
Animalsports Limited	Leeda Tackle Limited	Saxon Industries Limited
Brandwarehouse.co.uk Limited	Little Trees Europe Limited	Sportline Limited
Browrich Limited	Madison Cycles Limited	Sterling Components Limited
Crofton Optical Group Limited	Madison Group Limited	Stoplock Limited
East Anglian Rod Co. Limited	Metro Products (Accessories & Leisure) Limited	Tackle Sales Limited
ECC Electronics (UK) Limited	Michael Selcott Designs Limited	Taylor & Johnson Limited
H Steade & Sons Limited	Midland Angling Products Limited	Toolzoo.co.uk. Limited
H. Young (Europe) Limited	Moncrieff Agencies Limited	TPL Marketing Limited
Hawaii Five-O (UK) Limited	Ocean to Earth Limited	W A Crofton Limited
Hawaii Five-O Limited	Pincott Limited	Wychwood Tackle Limited
Hecht Pfeiffer Limited	Puttocks Optical Co. Limited	Yippee Limited*
K Blyth (Optics) Limited	Raycroft Limited	Youngsports Limited
Lakefield Operations Limited		
Lakefield Productions Limited		

\* held via H Young (Operations) Limited



# H. YOUNG HOLDINGS PLC

## NOTES TO THE ACCOUNTS

Continued

### 12. Fixed asset investments (continued)

The registered office of every business is the same as the Company's (see Note 1 (a)) except for:

Wunder-Baum AG, Erndwiesenstrasse 29, 8240 Thayngen, Switzerland.

Flagship Enterprise Limited, Via Passeggiata 7, 6883 Novazzano, Switzerland.

#### Subsidiary undertakings

	Shares in subsidiary undertakings £'000			
<b>Company</b>				
<b>At 1 January and 31 December 2018</b>	<b>83,303</b>			
<b>Associates</b>	<b>Group 31 December 2018 £'000</b>	<b>Group 31 December 2017 £'000</b>	<b>Company 31 December 2018 £'000</b>	<b>Company 31 December 2017 £'000</b>
Share of net assets/cost				
At 1 January	424	458	25	25
Share of retained profit for the year	181	181	–	–
Dividends paid	(153)	(203)	–	–
Currency translation difference on foreign currency net investment	21	(12)	–	–
Disposals	–	–	(25)	–
<b>At 31 December</b>	<b>473</b>	<b>424</b>	<b>-</b>	<b>25</b>

The disposal relates to the liquidation of Pearl Izumi Retail Limited, which was in progress at 31 December 2018, in which the Company held a 49% stake.

### 13. Stocks

	<b>Group 31 December 2018 £'000</b>	<b>Group 31 December 2017 £'000</b>
Goods held for resale	61,069	70,392
Goods in transit from suppliers	10,136	9,063
	<b>71,205</b>	<b>79,455</b>

### 14. Debtors

	<b>Group 31 December 2018 £'000</b>	<b>Group 31 December 2017 £'000</b>	<b>Company 31 December 2018 £'000</b>	<b>Company 31 December 2017 £'000</b>
Trade debtors	22,445	28,529	13	89
Other debtors	2,384	2,241	544	530
Amounts owed by Group undertakings	–	–	9,320	5,221
Corporation tax recoverable	–	–	–	133
Deferred taxation asset (Note 19)	450	624	–	–
Prepayments and accrued income	3,223	3,764	61	57
Dividends receivable	–	–	–	7,000
Derivative financial assets (Note 24)	180	44	122	44
	<b>28,682</b>	<b>35,202</b>	<b>10,060</b>	<b>13,074</b>

**H. YOUNG HOLDINGS PLC**  
**NOTES TO THE ACCOUNTS**  
Continued

**15. Creditors - Amounts falling due within one year**

	Group 31 December 2018 £'000	Group 31 December 2017 £'000	Company 31 December 2018 £'000	Company 31 December 2017 £'000
Subordinated unsecured loan notes (Note 17)	18,507	15,117	13,261	6,710
Trade finance facility	1,186	2,649	–	–
Other loans	2,517	2,364	–	–
Trade creditors	22,598	26,923	65	44
Corporation tax	1,577	1,022	117	–
Other taxation and social security	3,083	2,744	362	377
Amounts owed to Group undertakings	–	–	7,795	7,795
Other creditors	1,008	1,682	–	–
Accruals and deferred income	4,771	4,533	659	626
Dividends payable	–	5,000	–	5,000
Derivative financial liabilities (Note 24)	–	1,223	–	1,025
	<b>55,247</b>	<b>63,257</b>	<b>22,259</b>	<b>21,577</b>

Other loans comprise amounts payable by Wunder-Baum AG. This loan is denominated in US Dollars, is repayable on demand and bears interest at 2.25%.

Letter of credit, foreign exchange and trade finance facilities are secured by mortgage debentures and fixed and floating charges in favour of HSBC Bank plc given by the Company, H Young (Operations) Limited and Rohan Group Limited. Bank overdrafts of the Company are subject to set off arrangements with the cash balances of H Young (Operations) Limited, but there is no net overdraft facility in the Group. No bank has a charge over the overseas assets of Wunder-Baum AG or Flagship Enterprise Limited.

**16. Creditors - Amounts falling due after more than one year**

	Group 31 December 2018 £'000	Group 31 December 2017 £'000	Company 31 December 2018 £'000	Company 31 December 2017 £'000
Subordinated unsecured loan notes (Note 17)	32,590	29,789	21,484	22,325

## H. YOUNG HOLDINGS PLC

### NOTES TO THE ACCOUNTS

Continued

#### 17. Subordinated zero coupon unsecured loan notes

Redemption date	Group 31 December 2018 £'000	Group 31 December 2017 £'000	Company 31 December 2018 £'000	Company 31 December 2017 £'000
Within one year	18,507	15,117	13,261	6,710
Between 1 and 2 years	15,018	5,681	8,615	4,370
Between 2 and 5 years	17,572	24,108	12,869	17,955
	51,097	44,906	34,745	29,035

During the year, loan notes to the value of £24,871,000 (2017: £12,690,000) were issued by the Group to Rinaldo Rinaldini Limited, the ultimate parent undertaking of the Group, for cash. Redemptions of loan notes by the Group in the year, which were all made in cash, totalled £19,869,000 (2017: £15,100,000).

Loan notes are subordinated to all amounts due to HSBC Bank plc and are unsecured. The loan notes bear zero coupon. The amounts disclosed as payable at 31 December 2018 include the relevant redemption premiums accrued to that date.

#### 18. Provisions for liabilities

	Group 31 December 2018 £'000	Group 31 December 2017 £'000	Company 31 December 2018 £'000	Company 31 December 2017 £'000
Dilapidations liabilities	3,213	3,054	-	-
Deferred taxation (Note 19)	-	-	115	113
Pension liability (Note 22)	1,757	1,887	-	-
	4,970	4,941	115	113

Movement in dilapidations liabilities:

	Group 31 December 2018 £'000	Group 31 December 2017 £'000	Company 31 December 2018 £'000	Company 31 December 2017 £'000
At 1 January	3,054	1,260	-	-
Charge to profit and loss account	343	1,824	-	-
Utilised	(184)	(30)	-	-
At 31 December	3,213	3,054	-	-

#### 19. Deferred taxation

Movement on the deferred taxation account:

	Group 31 December 2018 £'000	Group 31 December 2017 £'000	Company 31 December 2018 £'000	Company 31 December 2017 £'000
Asset/(liability) at 1 January	624	685	(113)	(254)
Exchange adjustments	(15)	17	-	-
(Charge)/credit to profit and loss account	(185)	(17)	(2)	-
Total taken to other comprehensive income	26	(61)	-	141
Asset/(liability) at 31 December	450	624	(115)	(113)

## H. YOUNG HOLDINGS PLC

### NOTES TO THE ACCOUNTS

Continued

#### 19. Deferred taxation (continued)

Deferred taxation assets/(liabilities) at 31 December comprised:

	Group 31 December 2018 £'000	Group 31 December 2017 £'000	Company 31 December 2018 £'000	Company 31 December 2017 £'000
Depreciation (more)/less than capital allowances	(88)	(22)	14	16
Other short-term timing differences	507	590	–	–
Surplus on revaluation of fixed assets	(174)	(174)	–	–
Capital gains rolled over	(129)	(129)	(129)	(129)
Pension scheme liabilities	334	359	–	–
	450	624	(115)	(113)

All deferred taxation is computed at a rate of 19% (2017: 19%). Deferred tax rates are based on the expected corporation tax rate for the following financial year.

#### 20. Called up share capital and reserves

	31 December 2018 £'000	31 December 2017 £'000
Authorised		
30,000,000 (2017: 30,000,000) Ordinary shares of 25p each	7,500	7,500
Allotted and fully paid		
28,904,676 (2017: 28,904,676) Ordinary shares of 25p each	7,226	7,226

The Group's and Company's other reserves are as follows:

The Share Premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The Revaluation reserve represents the cumulative impact on equity of the historic revaluation of one of the Group's freehold properties.

The Merger reserve represents the excess of the fair value of shares over their nominal value in respect of acquisitions meeting the requirements of section 615 Companies Act 2006 (Merger Relief).

The Hedging reserve contains the cumulative fair value gains and losses on hedging instruments deemed effective in hedging foreign exchange risk in firm commitments or highly probably forecast transactions. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

The Profit and Loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

#### 21. Operating leases

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

	Land and buildings 31 December 2018 £'000	31 December 2017 £'000	Other 31 December 2018 £'000	Other 31 December 2017 £'000	Total 31 December 2018 £'000	Total 31 December 2017 £'000
Payable within 1 year	4,452	5,221	474	362	4,926	5,583
Payable within 2 to 5 years	5,794	9,043	615	499	6,409	9,542
Payable after 5 years	43	113	18	104	61	217
	10,289	14,377	1,107	965	11,396	15,342

## H. YOUNG HOLDINGS PLC NOTES TO THE ACCOUNTS

Continued

### 22. Retirement benefit schemes

#### Pension scheme liabilities

The Group operates one funded pension scheme which provides benefits based on final pensionable pay and a number of additional schemes providing benefits based on defined contributions from the Group and the employees concerned. From 1 November 2005, the final salary pension scheme was closed to all members and became paid up. The H Young final salary scheme is a multi-employer scheme. It is not possible to separately identify the assets and liabilities within the overall H Young final salary scheme which relate to the Company and therefore no pension scheme liability is included on the Company's balance sheet.

During the year, the Group contributed approximately £32,100 per month to the scheme to address the scheme's funding deficit in line with the actuary's recommendations.

The most recently completed actuarial valuation of the final salary scheme was as at 31 October 2016.

The current service cost charged in the year in respect of the final salary pension scheme was £Nil (2017: £Nil).

The cost of benefit changes (GMP equalisation) charged in respect of the final salary scheme for the year was £79,000 (2017: £Nil).

The costs of the defined contribution schemes charged in the year totalled £581,000 (2017: £589,000).

In addition the Group contributes to other pension schemes of certain employees. These costs are charges as incurred and in the year to 31 December 2018 totalled £3,000 (2017: £4,000).

#### Defined benefit scheme disclosure

The Group operates a defined benefit scheme in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out at 31 October 2016 and updated to 31 December 2018 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below. The most recent actuarial valuation showed a deficit of £2,158,000 as at 31 October 2016.

Employer contributions are currently payable at the rate of £32,100 per month, increasing by 3% on 1 November each year.

Assumptions	Year to 31 December 2018 % pa	Year to 31 December 2017 % pa	Year to 31 December 2016 % pa
Rate of discount	2.80%	2.50%	2.70%
Inflation (RPI)	3.50%	3.50%	3.60%
Inflation (CPI)	2.50%	2.50%	2.60%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.50%	2.50%	2.60%
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.30%	3.30%	3.40%
Allowance for pension in payment increases of RPI or 2.5% if less	2.20%	2.20%	2.20%
Allowance for commutation of pension for cash at retirement	20% of Post A Day	20% of Post A Day	Nil

#### Mortality Assumptions

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The mortality assumptions adopted at 31 December 2018 imply the following life expectancies:

Male retiring at age 65 in 2018	21.9 years
Female retiring at age 65 in 2018	23.8 years
Male retiring at age 65 in 2038	23.3 years
Female retiring at age 65 in 2038	25.4 years

## H. YOUNG HOLDINGS PLC NOTES TO THE ACCOUNTS

Continued

### 22. Retirement benefit schemes (continued)

#### Amounts recognised in the profit and loss account

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Current service cost	-	-
Net interest cost	42	86
Plan introductions, changes, curtailments and settlements	-	-
Cost of benefit changes	79	-
<b>Amounts recognised in the profit and loss account</b>	<b>121</b>	<b>86</b>

#### Amounts recognised in other comprehensive income

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Return on plan assets	(705)	470
Experience gains and losses arising on the plan liabilities	(32)	480
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	600	194
<b>Total amount recognised in other comprehensive income</b>	<b>(137)</b>	<b>1,144</b>

The amount included in provisions for liabilities in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Fair value of scheme assets	8,182	8,452	8,014
Present value of defined benefit obligations	(9,939)	(10,339)	(11,335)
<b>Pension liability to be recognised (Note 18)</b>	<b>(1,757)</b>	<b>(1,887)</b>	<b>(3,321)</b>

#### Reconciliation of opening and closing balances of the fair value of scheme assets

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Fair value of scheme assets at start of year	8,452	8,014
Expected return on scheme assets	214	212
Actuarial (loss)/gain	(705)	470
Contributions by employer	388	376
Benefits paid, death in service insurance premiums and expenses	(167)	(620)
<b>Fair value of scheme assets at end of year</b>	<b>8,182</b>	<b>8,452</b>

#### Reconciliation of opening and closing balances of the present value of defined benefit obligations

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Defined benefit obligation at start of year	10,339	11,335
Current service cost	-	-
Interest cost	256	298
Actuarial (gains)/losses	(568)	(674)
Benefits paid	(167)	(620)
Cost of benefit changes	79	-
<b>Defined benefit obligation at end of year</b>	<b>9,939</b>	<b>10,339</b>

**H. YOUNG HOLDINGS PLC**  
**NOTES TO THE ACCOUNTS**  
Continued

**22. Retirement benefit schemes (continued)**

The analysis of the fair value of scheme assets at the balance sheet date was as follows:

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Equity instruments	5,570	5,915
Debt instruments	1,211	1,189
Fixed Interest Gilts	1,254	1,231
Other	147	117
<b>Total assets</b>	<b>8,182</b>	<b>8,452</b>

**23. Notes to Consolidated Cash Flow Statement**

**Reconciliation of operating profit to net cash inflow from operating activities**

	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Operating profit	13,507	10,159
Depreciation and amortisation	3,798	3,870
Impairment losses	72	781
Decrease/(increase) in stocks	8,378	(9,970)
Decrease in debtors	6,622	2,162
(Decrease)/increase in creditors and provisions	(4,322)	5,695
(Profit)/loss on disposal of fixed assets	(1)	(6)
Unrealised exchange gain on current asset investments	-	(3)
Unrealised exchange gain on other loans	-	(16)
Difference between pension charge and cash contributions	(309)	(376)
UK corporation tax paid	(870)	(3,123)
Foreign tax paid	(1,325)	(743)
<b>Net cash inflow from operating activities</b>	<b>25,550</b>	<b>8,430</b>

**24. Derivative financial instruments**

	Group 31 December 2018 £'000	Group 31 December 2017 £'000	Company 31 December 2018 £'000	Company 31 December 2017 £'000
<b>Assets</b>				
Forward foreign currency contracts	180	44	122	44
<b>Liabilities</b>				
Forward foreign currency contracts	-	(1,223)	-	(1,025)

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

## H. YOUNG HOLDINGS PLC NOTES TO THE ACCOUNTS

Continued

### 24. Derivative financial instruments (continued)

The following table details the forward foreign currency contracts outstanding as at the year-end:

#### Outstanding contracts - 2018

		Average contractual exchange rate	Group Notional value £'000	Group 31 December 2018 Fair value £'000	Company Notional value £'000	Company 31 December 2018 Fair value £'000
US Dollar	Asset	1.30	16,268	180	15,075	122
Total			16,268	180	15,075	122

#### Outstanding contracts - 2017

		Average contractual exchange rate	Group Notional value £'000	Group 31 December 2017 Fair value £'000	Company Notional value £'000	Company 31 December 2017 Fair value £'000
US Dollar	Asset	1.37	5,121	44	5,121	44
US Dollar	Liability	1.30	29,690	(1,223)	21,385	(1,025)
Total - net			34,811	(1,179)	26,506	(981)

The Group has entered into forward foreign currency contracts to hedge the exchange rate risk arising from anticipated future purchases. All hedges mature in the following financial year unless otherwise stated.

The fair value adjustments have been recognised as follows:

Gain/(loss)	Group 31 December 2018 £'000	Group 31 December 2017 £'000	Company 31 December 2018 £'000	Company 31 December 2017 £'000
Designated as cash flow hedges and recognised through other comprehensive income in the year	-	(1,179)	-	-
Not designated as cash flow hedges and recognised through profit and loss in the year (Note 6)	180	-	1,103	(981)

In the Group, losses of £1,179,000 (2017: gains of £811,000) were reclassified from Hedging reserve to profit or loss in the year

In the Company, amounts of £Nil (2017: gains of £731,000) were reclassified from Hedging reserve to profit or loss in the year.

### 25. Parent undertakings

In the opinion of the Directors, the ultimate parent undertaking and controlling party is Rinaldo Rinaldini Limited, a company incorporated in Bermuda.

The only larger Group in which the accounts of the Company are consolidated is that headed by Lakefield Holdings Limited, a company incorporated in England and Wales whose accounts are available from the Company Secretary, Buckingham House, West Street, Newbury, Berkshire, RG14 1BD.

### 26. Related party transactions

During the year, the Group issued loan notes totalling £24,871,000 (2017: £12,690,000) for cash to its ultimate parent undertaking, Rinaldo Rinaldini Limited, to finance operations. Loan notes totalling £19,869,000 (2017: £15,100,000) were redeemed in the same period. Amounts due to Rinaldo Rinaldini Limited at 31 December 2018 comprised loan notes of £51,097,000 (2017: £44,906,000).