

H YOUNG (OPERATIONS) LIMITED
ANNUAL REPORT AND ACCOUNTS

31 December 2017

Registered No: 00706712



H YOUNG (OPERATIONS) LIMITED

STRATEGIC REPORT

The Directors present their Strategic Report for H Young (Operations) Limited for the year ended 31 December 2017.

Business Review

Total sales decreased in the year by 1% to £170,095,000 (2016: £171,820,000). Total operating profits decreased to £1,752,000 (2016: £7,304,000) after deducting an impairment charge of £781,000 (2016: £Nil) and an exceptional dilapidations provision of £1,650,000.

Net assets decreased to £65,471,000 (2016: £71,984,000).

The Company sells to trade customers on a wholesale distribution basis and to retail customers both online and through retail outlets. The sales performance within the distribution and online channels was level on 2017, although gross margins were reduced by the impact of the weakening Sterling after June 2016, which increased the cost of stock. The main notable area of Company underperformance compared to 2016 was in certain retail store locations. As a result of that underperformance, an impairment charge of £781,000 has been incurred to write off the fixed asset investment in the affected stores.

An exceptional dilapidations cost of £1,650,000 arose following the commissioning of a surveyor's report on certain of the Group's commercial leased properties.

Operating profits before incurring the store impairment charge and exceptional dilapidations cost were £4,183,000 (2016: £7,304,000).

The sales and operating profit performance can be attributed to less favourable trading conditions on the UK high street in 2017.

Profit before tax decreased to £1,121,000 (2016: £6,888,000).

Key Performance Indicators

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

Principal Risks and Uncertainties

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

The Company makes significant purchases in foreign currencies (primarily the US Dollar and the Japanese Yen) and is exposed to currency risk if the impact of adverse currency rate movements cannot be managed by changes in pricing. The Company actively manages currency exposure to reduce this risk. The Company's parent has hedged a substantial proportion of 2018 currency requirements to cover the risk of a depreciation in Sterling's value.

The Company 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 Company's control. The Company devotes considerable time and resources to the professional management of these brands, the majority of which have been distributed by the Company for many years, in order to minimise this risk.

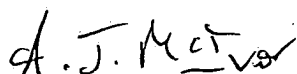
H YOUNG (OPERATIONS) LIMITED

STRATEGIC REPORT (continued)

Future Developments

The outlook for the Company will always be affected by UK consumer demand and currency rates. The Company's customers are 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.



On behalf of the Board
A J McIvor
Company Secretary

22 June 2018

H YOUNG (OPERATIONS) LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited accounts for the year to 31 December 2017.

Principal Activity

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

Results and Dividend

The turnover for the year was £170,095,000 (2016: £171,820,000).

The Company's profit after tax was £487,000 (2016: £5,212,000). A dividend of £7,000,000 was declared in the year (2016: £Nil), leaving a deficit of £6,513,000 (2016: surplus of £5,212,000) which has been deducted from (2016: added to) reserves.

Directors

The Directors of the Company during the year and to the date of this report were as follows:

Dr. R F Sämann
A J McIvor

Financial Risk Management Objectives and Policies

Details of financial risk management objectives and policies can be found in the Strategic Report and form part of this report by cross-reference.

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 has adequate financial resources to continue operations for the foreseeable future. The Directors continue to adopt the going concern basis in preparing the accounts.

Employees

The Company 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 division is encouraged to adopt such employee consultation as is appropriate.

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

It is the 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 Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

H YOUNG (OPERATIONS) LIMITED

DIRECTORS' REPORT (continued)

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.

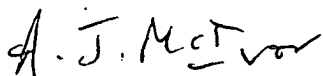
Directors' Responsibilities Statement

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 profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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



By order of the Board
A J McIvor
Director and Company Secretary

22 June 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF H YOUNG (OPERATIONS) LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 of Rohan Designs Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial 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 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF H YOUNG (OPERATIONS) LIMITED (continued)

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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.

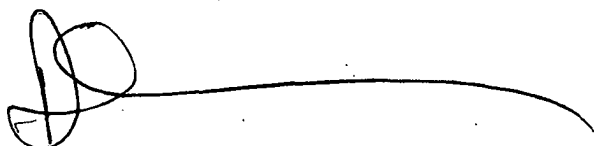
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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.



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

22 June 2018

H YOUNG (OPERATIONS) LIMITED
PROFIT AND LOSS ACCOUNT

For the year to 31 December 2017

		Year to 31 December 2017	Year to 31 December 2016
	Notes	£'000	£'000
Turnover	2	170,095	171,820
Cost of sales		(120,865)	(119,627)
Gross profit		49,230	52,193
Distribution costs		(30,976)	(31,456)
Administration costs		(14,071)	(13,433)
Impairment of tangible fixed assets		(781)	-
Exceptional dilapidations provision	3	(1,650)	-
Operating profit		1,752	7,304
Finance charges	4	(631)	(416)
Profit before taxation	3	1,121	6,888
Taxation on profit	5	(634)	(1,676)
Profit after taxation, retained for the year		487	5,212

A statement of comprehensive income has not been prepared as the only recognised income in the current and preceding year is shown in the above profit and loss account.

H YOUNG (OPERATIONS) LIMITED
BALANCE SHEET at 31 December 2017

		31 December 2017	31 December 2016
	Notes	£'000	£'000
Fixed assets			
Intangible assets	7	92	137
Tangible assets	7	16,362	17,475
		<u>16,454</u>	<u>17,612</u>
Current assets			
Stocks	8	70,150	58,809
Debtors	9	30,636	34,095
Cash at bank and in hand		15,173	18,175
		<u>115,959</u>	<u>111,079</u>
Creditors:			
Amounts falling due within one year	10	(57,394)	(45,390)
Net current assets		<u>58,565</u>	<u>65,689</u>
Total assets less current liabilities		<u>75,019</u>	<u>83,301</u>
Creditors:			
Amounts falling due after more than one year	10	(7,464)	(10,948)
Provisions for liabilities	12	(2,084)	(369)
Net assets		<u>65,471</u>	<u>71,984</u>
Capital and reserves			
Called up share capital	14	839	839
Share premium reserve	14	40,661	40,661
Revaluation reserve	14	618	630
Profit and loss reserve	14	23,353	29,854
Total Shareholder's Funds	14	<u>65,471</u>	<u>71,984</u>

The financial statements were approved by the Board and authorised for issue on 22 June 2018.
They were signed on its behalf by:

A. J. McIvor

A J McIvor
Director
Company number: 00706712

H YOUNG (OPERATIONS) LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY
for the year 31 December 2017

	Called up share capital £'000	Share premium reserve £'000	Revaluation reserve £'000	Profit and loss reserve £'000	Total £'000
At 1 January 2016	839	40,661	642	24,630	66,772
Profit for the financial year	-	-	-	5,212	5,212
Transfer	-	-	(12)	12	-
Total comprehensive income	-	-	(12)	5,224	5,212
At 31 December 2016	839	40,661	630	29,854	71,984
Profit for the financial year	-	-	-	487	487
Transfer	-	-	(12)	12	-
Total comprehensive income	-	-	(12)	499	487
Dividends – equity shares	-	-	-	(7,000)	(7,000)
At 31 December 2017	839	40,661	618	23,353	65,471

H YOUNG (OPERATIONS) LIMITED
NOTES TO THE ACCOUNTS – 31 December 2017

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 (Operations) Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales under the Companies Act. The registered office is located at Buckingham House, West Street, Newbury, Berkshire RG14 1BD, United Kingdom. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

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 Company meets the definitions 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. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

(b) Going concern

The Company has letter of credit and foreign exchange facilities with HSBC Bank plc which are arranged by its parent Company, H. Young Holdings PLC. The banking facilities which support the Group of which the Company is a member 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 has adequate financial resources to continue operations for the foreseeable future. The going concern basis therefore continues to be adopted in preparing these accounts.

(c) Consolidation

Consolidated accounts have not been produced as the Company is a wholly owned subsidiary undertaking of another company incorporated in the United Kingdom which produces consolidated accounts which are publicly available.

(d) Financial instruments

Financial assets and financial liabilities are recognised when the Company 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.

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 Company 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 revaluation in respect of freehold properties as set out in Note 7, 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 permanent diminution 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.

H YOUNG (OPERATIONS) LIMITED
NOTES TO THE ACCOUNTS – 31 December 2017 (CONTINUED)

1. ACCOUNTING POLICIES (continued)

- (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 33⅓% 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.

(f) 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.

(g) Turnover

Turnover is the amount derived from the provision of goods falling within the Company'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.

(h) 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 on disposal. Goods in transit from suppliers are included in stocks where risk in the goods has passed to the Company 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.

(i) 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. Differences arising on translation are dealt with in the profit and loss account.

(j) Leases

Operating lease rentals are charged to the profit and loss account in equal amounts over the term of the lease.

H YOUNG (OPERATIONS) LIMITED
NOTES TO THE ACCOUNTS – 31 December 2017 (CONTINUED)

1. ACCOUNTING POLICIES (continued)

(k) Pensions

Contributions to defined contribution schemes and to employees' personal schemes are charged to profits as incurred.

The Company is a participating employer in the H. Young Holdings PLC Group Pension Plan, which is a final salary scheme. The Company is not legally responsible for the Plan and has no contractual agreement to pay the net defined benefit cost as defined by FRS 102 to H. Young Holdings PLC. Therefore no pension scheme liability, or associated service cost, is included in the accounts. Further information is set out in Note 18.

(l) 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 reinstated. 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.

(m) 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.

(n) 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.

(o) Dilapidations

When the Company 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.

(p) 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.

H YOUNG (OPERATIONS) LIMITED
NOTES TO THE ACCOUNTS – 31 December 2017 (CONTINUED)

1. ACCOUNTING POLICIES (continued)

(p) Impairment of assets (continued)

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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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 or key sources of estimation uncertainty.

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.

2. SEGMENTAL REPORTING

Turnover by geographical market is analysed below:

	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
United Kingdom	158,078	162,479
Rest of World	12,017	9,341
	<u>170,095</u>	<u>171,820</u>

All of the Company's turnover and profit before tax originated in the United Kingdom. All of the Company's net assets were located in the United Kingdom.

The turnover can be further analysed by business segment:

	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Business		
Sports and leisure	154,113	156,660
Automotive aftermarket	15,982	15,160
	<u>170,095</u>	<u>171,820</u>

H YOUNG (OPERATIONS) LIMITED
NOTES TO THE ACCOUNTS – 31 December 2017 (CONTINUED)

3. PROFIT ON ORDINARY ACTIVITIES

	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Profit before taxation is arrived at after charging/(crediting):		
Management charge from H. Young Holdings PLC	1,862	1,649
Cost of stock recognised in cost of sales	119,174	117,227
Net movement in stock impairment expense included in cost of sales	(500)	180
Depreciation	1,553	1,570
Impairment of tangible fixed assets	781	-
Amortisation of goodwill	-	58
Amortisation of trademarks	45	32
Operating lease rentals:		
plant and machinery	218	223
other	2,934	2,042
Auditor's remuneration – audit of financial statements	90	87
(Profit)/loss on sale of fixed assets	(5)	20
Exceptional dilapidations provision	1,650	-

The exceptional dilapidations cost of £1,650,000 has been provided following the commissioning of a surveyor's report on certain of the Company's commercial leased properties.

4. NET FINANCE CHARGES

	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Bank interest paid/(earned)	5	(9)
Redemption premiums in respect of loan notes (Note 11)	465	425
Interest on tax	161	-
	<u>631</u>	<u>416</u>

5. TAXATION ON PROFIT

Taxation charge on profit for the year:

	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Current tax charge		
United Kingdom corporation tax	597	1,558
Adjustments in respect of prior years	41	(73)
	<u>638</u>	<u>1,485</u>
Deferred taxation		
Origination and reversal of timing differences	(28)	53
Adjustments in respect of prior years	24	138
	<u>634</u>	<u>1,676</u>
Total tax on profit		

H YOUNG (OPERATIONS) LIMITED
NOTES TO THE ACCOUNTS – 31 December 2017 (CONTINUED)

5. TAXATION ON PROFIT (continued)

	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Factors affecting the tax charge for the year		
Profit before taxation	1,121	6,888
Tax at 19.25% (2016: 20%) on profit on ordinary activities	216	1,378
Effects of:		
Expenses not deductible for tax purposes	268	241
Depreciation in excess of/(less than) of capital allowances	120	(41)
Short term timing differences	(7)	(14)
Utilisation of tax losses	-	(6)
Movement in deferred taxation	(28)	53
Adjustments in respect of prior years	65	65
Total tax charge	634	1,676

The rate of tax used in the above reconciliations is the United Kingdom corporation tax rate for the years concerned. 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.

6. DIVIDENDS

Amounts recognised as distributions to equity holders in the year:

	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Final dividend declared of £8.34 (2016: Nil) per share	7,000	-

H YOUNG (OPERATIONS) LIMITED
NOTES TO THE ACCOUNTS – 31 December 2017 (CONTINUED)

7. FIXED ASSETS

(a) Intangible assets

	Trademarks £'000
Cost or valuation	
At 1 January 2017	225
Additions	-
At 31 December 2017	225
Amortisation	
At 1 January 2017	88
Charge for the year	45
At 31 December 2017	133
Net book value at 31 December 2017	92
Net book value at 31 December 2016	137

Intangible assets which become fully amortised in the year are eliminated from cost and accumulated amortisation.

(b) Tangible assets

	Freehold land and buildings £'000	Short leasehold properties £'000	Plant, vehicles and equipment £'000	Total £'000
Cost or valuation				
At 1 January 2017	18,039	4,613	12,949	35,601
Additions	-	196	1,030	1,226
Disposals	-	(244)	(358)	(602)
At 31 December 2017	18,039	4,565	13,621	36,225
Accumulated depreciation				
At 1 January 2017	3,466	3,281	11,379	18,126
Charge for the year	272	427	854	1,553
Impairment losses	-	691	90	781
Disposals	-	(244)	(353)	(597)
At 31 December 2017	3,738	4,155	11,970	19,863
Net book value at 31 December 2017	14,301	410	1,651	16,362
Net book value at 31 December 2016	14,573	1,332	1,570	17,475

H YOUNG (OPERATIONS) LIMITED
NOTES TO THE ACCOUNTS – 31 December 2017 (CONTINUED)

7. FIXED ASSETS

(b) Tangible assets (continued)

Properties are stated at cost with the exception of the original Saxon division freehold land and buildings valued in April 1998 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 is £667,000. The revalued gross and net book values are £1,842,000 and £1,280,000 respectively.

Included within the total cost of freehold land and buildings at 31 December 2017 is capitalised interest of £191,000 (2016: £191,000). The normal rate for the Company's bank interest has been applied to the capitalisation.

The net book value of freehold land included in the above figures at 31 December 2017, which is not depreciated, was £4,588,000 (2016: £4,588,000).

(c) Investments

The Company has an investment in Yippee Ltd of £2 (2016: £2). Yippee Ltd is 100% held by the Company, is dormant and has the same registered office as the holding company.

8. STOCKS

	31 December 2017 £'000	31 December 2016 £'000
Goods held in stock for resale	62,603	54,267
Goods in transit	7,547	4,542
	<u>70,150</u>	<u>58,809</u>

9. DEBTORS

	31 December 2017 £'000	31 December 2016 £'000
Trade debtors	26,783	29,999
Amounts owed by Group undertakings	624	624
Other debtors	608	519
Prepayments and accrued income	2,110	2,446
Deferred taxation (Note 13)	511	507
	<u>30,636</u>	<u>34,095</u>

H YOUNG (OPERATIONS) LIMITED
NOTES TO THE ACCOUNTS – 31 December 2017 (CONTINUED)

10. CREDITORS

	31 December 2017 £'000	31 December 2016 £'000
Amounts falling due within one year:		
Subordinated unsecured loan notes (Note 11)	8,407	5,427
Trade creditors	23,045	19,192
Amounts owed to Group undertakings	12,977	12,504
Corporation tax	70	2,125
Other taxation and social security	2,099	2,318
Other creditors	887	1,067
Accruals and deferred income	2,909	2,757
Dividends payable	7,000	-
	<u>57,394</u>	<u>45,390</u>

The Company benefits from letter of credit and foreign exchange facilities provided to H. Young Holdings PLC which are secured by mortgage debentures and fixed and floating charges in favour of HSBC Bank plc given by H. Young Holdings PLC and the Company. Bank balances of the Company are subject to set off arrangements with any overdrafts in H. Young Holdings PLC.

	31 December 2017 £'000	31 December 2016 £'000
Amounts falling due after more than one year:		
Subordinated unsecured loan notes (Note 11)	<u>7,464</u>	<u>10,948</u>

11. SUBORDINATED ZERO COUPON UNSECURED LOAN NOTES

	31 December 2017 £'000	31 December 2016 £'000
Redemption date		
Within one year	8,407	5,427
Between 1 and 2 years	1,311	3,755
Between 2 and 5 years	6,153	7,193
	<u>15,871</u>	<u>16,375</u>

During the year, loan notes to the value of £9,090,000 (2016: £4,767,000) were issued by the Company to Rinaldo Rinaldini Limited, the ultimate parent undertaking, for cash. Redemptions of loan notes in the year, which were all made in cash, totalled £10,059,000 (2016: £1,072,000).

The 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 2017 include the relevant redemption premiums accrued at that date.

H YOUNG (OPERATIONS) LIMITED
NOTES TO THE ACCOUNTS – 31 December 2017 (CONTINUED)

12. PROVISIONS FOR LIABILITIES

Movement in dilapidations liabilities:

	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
At 1 January	369	327
Charge to profit and loss account	1,745	42
Utilised	(30)	-
	<u>2,084</u>	<u>369</u>

13. DEFERRED TAXATION

	Year to 31 December 2017 £'000
Movement on the deferred taxation account	
Asset at 1 January	507
Credit the profit and loss account	4
	<u>511</u>
Asset at 31 December	

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

	31 December 2017 £'000	31 December 2016 £'000
Depreciation less than capital allowances	294	294
Other short term timing differences	391	389
Surplus on revaluation of fixed assets	(174)	(176)
	<u>511</u>	<u>507</u>

All deferred taxation is computed at a rate of 19% (2016: 19.25%).

14. CALLED UP SHARE CAPITAL AND RESERVES

	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Authorised, allotted and fully paid: 838,884 (2016: 838,884) Ordinary shares of £1 each	<u>839</u>	<u>839</u>

H YOUNG (OPERATIONS) LIMITED
NOTES TO THE ACCOUNTS – 31 December 2017 (CONTINUED)

14. CALLED UP SHARE CAPITAL AND RESERVES (continued)

The 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 Company's freehold properties.

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

15. EMPLOYEES

The costs incurred in respect of employees were:

	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Wages and salaries	15,223	15,999
Social security costs	1,356	1,450
Other pension costs (Note 18)	415	425
	<u>16,994</u>	<u>17,874</u>

The average number of employees excluding Directors was:

	Number 2017	Number 2016
Distribution	442	499
Administration	214	209
	<u>656</u>	<u>708</u>

16. DIRECTORS' EMOLUMENTS

None of the Directors received any emoluments from the Company.

The proportion of Directors' emoluments accounted for in the parent company which relate to services to the Company were as follows:

	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Aggregate emoluments	240	215
Aggregate contributions to money purchase pension	9	13
	<u>249</u>	<u>228</u>

H YOUNG (OPERATIONS) LIMITED
NOTES TO THE ACCOUNTS – 31 December 2017 (CONTINUED)

16. DIRECTORS' EMOLUMENTS (continued)

Only one Director received remuneration in 2017 and 2016.

Pension retirement benefits accrued to no Directors (2016: no Directors) under defined benefit arrangements.

17. OPERATING LEASES

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

	Land and Buildings		Other		Total	
	31 Dec 2017 £'000	31 Dec 2016 £'000	31 Dec 2017 £'000	31 Dec 2016 £'000	31 Dec 2017 £'000	31 Dec 2016 £'000
Payable within 1 year	2,954	2,795	60	133	3,014	2,928
Payable within 2 to 5 years	5,051	7,704	302	347	5,353	8,051
Payable after 5 years	-	-	104	-	104	-
	<u>8,005</u>	<u>10,499</u>	<u>466</u>	<u>480</u>	<u>8,471</u>	<u>10,979</u>

18. PENSION SCHEME LIABILITIES

The Company is a participating employer in the H. Young Holdings PLC Group Pension Plan, a funded pension scheme which provides benefits based on final pensionable pay, and additionally in a number of schemes providing benefits based on defined contributions from the Company 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. The Company is not legally responsible for the Plan and has no contractual agreement to pay the net defined benefit cost as defined by FRS 102. Therefore no portion of the pension scheme liability of £1,887,000 (2016: £3,321,000) or the associated service cost of £Nil (2016: £Nil) is included in the Company's accounts.

The most recently completed actuarial valuation was as at 31 October 2016.

FRS 102 information in respect of the defined benefit final salary scheme is shown in the accounts of H. Young Holdings PLC, the immediate parent undertaking.

The costs of the Company's defined contribution schemes are charged to the profit and loss account as incurred and totalled £414,000 for the year (2016: £419,000).

In addition the Company contributes to other pension schemes of certain employees. These costs are charged as incurred and totalled £1,000 in the year (2016: £6,000).

H YOUNG (OPERATIONS) LIMITED
NOTES TO THE ACCOUNTS – 31 December 2017 (CONTINUED)

19. 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 largest Group in which the results of the Company are consolidated is that headed by Lakefield Holdings Limited, a company incorporated in England and Wales. The smallest Group in which they are consolidated is headed by H. Young Holdings PLC, also incorporated in England and Wales. Both sets of consolidated accounts can be obtained from the Company Secretary, Buckingham House, West Street, Newbury, Berkshire, RG14 1BD.

20. RELATED PARTY TRANSACTIONS

Related party transactions with other companies within the Group are not disclosed as the Company is a 100% owned subsidiary of H. Young Holdings PLC.