Musto Midco Limited

Report and Financial Statements

31 December 2018

Directors
P Barnes
W Matheson
P Stoneham

Auditors
Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

Bankers
Lloyds TSB Bank PLC
25 Gresham Street
London
EC2V 7HN

Solicitors
Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Registered Office
International House
St Katharine Docks
St Katherines Way
London
E1W 1UN
United Kingdom

Registered No. 06295514

Directors' report

The directors present their report and financial statements for the year ended 31 December 2018.

Results and dividends

The profit for the year after taxation amounted to £nil (2017 – £nil). The directors do not recommend a final dividend (2017 – £nil).

Principal activity and future developments

Throughout the year the company has acted as a non-trading, intermediate parent undertaking. On 1st November 2017 the Company's parent company, Musto Topco Limited, along with its subsidiary undertakings were acquired by Helly Hansen AS, a company incorporated in Norway.

Key performance indicators

Given the nature of the company, as a non-trading, intermediate parent undertaking, the business performance is monitored by a consideration of the performance of its subsidiary undertakings, specifically Musto Ltd, which uses KPIs including gross margin %, overhead as a percentage of sales, debtor days and stock days.

Principal risks and uncertainties

The company is not exposed to any trading risks or uncertainties other than the flow through effect of those impacting the group as a whole. The financial and risk management policies of the company are determined in conjunction with that of its parent, Helly Hansen AS. The company is exposed to the risk that group companies may not settle inter-company borrowings and the risk that the cross guarantee given to its bankers may be called.

The financial statements have been prepared on a going concern basis as noted in note 1 of the notes to the financial statements.

Financial risk management policy

The company's financial instruments comprise investments and group indebtedness. The main risks associated with these financial assets and liabilities are set out below:

Credit risk

Given the company's receivables are owed by group undertakings, the directors do not believe that there are significant exposures arising from credit risk, as Musto Limited (with whom the receivables exist) has a strong net current asset and net asset position.

Directors' report (continued)

Principal risks and uncertainties (continued)

Liquidity risk and debt service risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The liquidity risk within the overall Musto Group is managed by the group directors through a tightly controlled cash management process. Financial covenants are monitored internally on a monthly basis and quarterly with the bank; regular reviews of available facilities are carried out to ensure sufficient liquidity is available.

Cash generated from Musto Group operations exceeds the capital and interest repayment on the group's shareholder and external borrowings, which are included within Musto Midco Limited, Musto Limited and Musto Bidco Limited.

Foreign currency risk

The company has no exposure to foreign currencies.

Market price risk

Risks from movements in interest rates are disclosed above. Given the nature of the company the directors do not believe that there are any other significant exposures arising from market price risk.

Directors

The directors who served the company during the year were as follows:

P Barnes
W Matheson
P Stoneham

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Small company exemptions

This report has been prepared in accordance with the special provisions applicable to companies' subject to the small companies' regime within Part 15 of the Companies Act 2006.

On behalf of the Board

21/08/19

Director
P Barnes

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 FRS 102 and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

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

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.

Independent auditor's report

to the members of Musto Midco Limited

Opinion

We have audited the financial statements of Musto Midco Limited (the 'company') for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity, and the related notes 1 to 10, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

Independent auditor's report (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit

- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Independent auditor's report (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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 Financial Reporting Council's website at https://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.

Ernst & Young LLP

Ruth Logan (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Belfast

Date: 29/8/19

Profit and loss account

for the year ended 31 December 2018

	Notes	2018 £	2017 £
Administrative expenses		-	-
Operating result	2	-	-
Interest payable and similar charges		-	-
Result for ordinary activities before taxation		-	-
Tax	4	-	-
Result for the financial year		-	-

Statement of comprehensive income

for the year ended 31 December 2018

	2018 £	2017 £
Result for the financial year	-	-
Other comprehensive income	-	-
Total comprehensive result for the year	-	-

Registered No. 06295514

Balance sheet

at 31 December 2018

	Notes	2018 £	2017 £
Fixed assets			
Investments	5	32,698,454	32,698,454
		32,698,454	32,698,454
Current assets			
Debtors	6	34,504,730	8,987,566
Net current assets		34,504,730	8,987,566
Total assets		67,203,184	41,686,020
Creditors: amounts falling due within one year	7	(32,517,164)	(7,000,000)
Net assets		34,686,020	34,686,020
Capital and reserves			
Called up share capital	8	7,065,432	7,065,432
Share premium account		35,514,959	35,514,959
Profit and loss account		(7,894,371)	(7,894,371)
Shareholders' funds		34,686,020	34,686,020

These financial statements have been prepared in accordance with the special provisions for small companies under part 15 of the Companies Act 2006.

21/08/19

Director

P Barnes

Statement of changes in equity

for the year ended 31 December 2018

	Called up Share Capital	*Share premium*	*Profit and loss account*	*Total Equity*
	£	*£*	*£*	*£*
At 1 January 2017	7,065,422	35,514,959	(7,894,371)	34,686,010
Result for the year	-	-	-	-
Allotment of shares	10	-	-	10
At 1 January 2018	7,065,432	35,514,959	(7,894,371)	34,686,020
Result for the year	-	-	-	-
At 31 December 2018	7,065,432	35,514,959	(7,894,371)	34,686,020

Called up Share capital

The balance classified as called up share capital includes the nominal value of issued company's share capital.

Share premium

This reserve records the amount above the nominal value received for shared sold, less transaction costs.

Profit and loss account

The company's profit and loss account include the accumulated profits and losses of the company less any dividends declared.

Notes to the financial statements

at 31 December 2018

1. Accounting policies

Statement of compliance

Musto Midco Limited is a limited liability company incorporated in England. The Registered Office is International House, St Katharine Docks, St Katherines Way, London, E1W 1UN.

The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements for the year ended 31 December 2018.

Basis of preparation

The financial statements of Musto Midco Limited were authorised for issue by the Board of Directors. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company and are rounded to the nearest pound (£).

Going concern

The company operates as an integral part of the Helly Hansen group ("the group"), whose parent entity is Helly Hansen Holdings AS. The company also operates within the group's financing arrangements, which includes debt factoring arrangements. The cash and financing arrangements are largely managed centrally with the periodic exchange of any surplus cash to the group. The wider Helly Hansen group is also funded through a combination of shareholder loans, term loan and revolving credit facilities.

The directors of the company have received assurances from group management that the group is expected to continue to operate within its agreed facilities. On this basis the directors consider that it is appropriate that these financial statements are prepared on the going concern basis.

Consolidation

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the company's results are included in the results of the ultimate parent company's consolidated financial statements which are publically available (see Note 9).

The company's financial statements present information about it as an individual undertaking and not about its group.

Reduced disclosure framework

The Company has taken advantage of the following disclosure exemptions under FRS 102:

(a) The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);

(b) The requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);

(c) The requirements of Section 11 Basic Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and Section 12 paragraph 12.26; and

(d) Section 33 Related Party Disclosures paragraph 33.7.

Investments

Investments in subsidiaries are valued at cost less any provision for impairment.

Notes to the financial statements

at 31 December 2018

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Interest bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Judgements and key sources of estimation uncertainty

Due to the simplicity of the company's transaction streams and year-end financial position, the directors consider there are no critical judgements, estimates or assumptions in the preparation of these financial statements.

2. Operating result

The audit expenses of the company have been met by Musto Limited, a subsidiary undertaking, in the current and prior year. The fee receivable by the auditors for the audit of the company's financial statements (borne by Musto Limited) was £3,500 (2017 – £3,500). The company is exempt from giving the disclosures of non-audit remuneration which would otherwise be required by regulation 5(1)(b) of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 ('the Regulations') as it is included in the group financial statements of its parent, Helly Hansen AS, which are required to comply with regulation 6(1) of the Regulations.

3. Directors' remuneration

Due to the limited activities of the company no remuneration has been paid to the directors with respect to any services to the company (2017 – £nil).

Notes to the financial statements

at 31 December 2018

4. Tax

(a) Tax on result on ordinary activities

There is no current tax payable (2017 - £nil).

(b) Factors affecting the current tax result for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017 – 19.25%). The differences are explained below:

	2018	*2017*
	£	*£*
Result on ordinary activities before tax	-	-
Result on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	-	-
Effects of:	-	-
Disallowed expenses and non-taxable income	-	-
Losses carried forward not utilised	-	-
Current tax for the year (note 4(a))	-	-

(c) Deferred tax

Deferred tax assets not recognised in the financial statements comprise

	2018	*2017*
	£	*£*
Losses carried forward	1,063	1,063
	1,063	1,063

The asset will be recognised when there is sufficient certainty over future non-trading taxable profits within the company.

(d) Factors that may affect future tax charges

The effective rate of corporation tax was 19% for the year ended 31 December 2018 (2017: 19.25%). Changes to the UK corporation tax rates were announced in the 2015 Summer Finance Bill. These provided, inter alia, for a reduction in the rate of corporation tax to 19% from 1 April 2017. Finance Bill (2016), which was substantially enacted on 6th September 2016, further reduced the rate of corporation tax to 17% from 1 April 2020. The Company has measured its deferred tax timing differences, which are unrecognised, at 17%.

Notes to the financial statements

at 31 December 2018

5. Investments

	Shares in subsidiary undertakings	*Capital contribution to subsidiary undertaking*	*Total*
	£	*£*	*£*
Cost:			
At 1 January 2018 and 31 December 2018	7,065,312	25,633,142	32,698,454

Details of the investments in which the company holds more than 20% of the nominal value of any class of share capital are as follows:

Name of company	*Country of incorporation or registration*	*Holding*	*Proportion held*	*Nature of business*
Musto Bidco Limited	England	Ordinary shares	99.99%	Parent undertaking
Musto Limited*	England	Ordinary shares	99.99%	Retailer of clothing and accessories to marine an country wear markets
Musto Italy Srl**	Italy	Ordinary shares	99.99%	Promotion and marketing of group's products in Italy
Musto Performance Spain S.L.**	Spain	Ordinary shares	99.99%	Promotion and marketing of group's products in Spain

* held by Musto Bidco Limited
** held by Musto Limited

During the year the subsidiary company Musto France SARL was closed.

Notes to the financial statements

at 31 December 2018

6. Debtors

	2018	2017
	£	£
Amounts due from parent undertaking	-	7,000,000
Amounts due from subsidiary undertaking	34,504,710	1,987,546
Other debtors	20	20
	34,504,730	8,987,566

Amounts due from subsidiary and parent undertakings bear no interest and are repayable on demand.

7. Creditors: amounts falling due within one year

	2018	2017
	£	£
Amounts due to subsidiary undertaking	-	7,000,000
Amounts due to parent undertaking	32,517,164	-
	32,517,164	7,000,000

Amounts due to parent and subsidiary undertakings bear no interest and are repayable on demand.

8. Issued share capital

		2018		2017
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £1 each	7,065,312	7,065,312	7,065,312	7,065,312
Ordinary 'B' shares of 1p each	11,000	110	11,000	110
Ordinary 'Z' shares of £1 each	10	10	10	10
		7,065,432		7,065,432

9. Ultimate parent company and related party transactions

On 1st November 2017 the Company's parent company, Musto Topco Limited, along with its subsidiary undertakings were acquired by Helly Hansen AS, a company incorporated in Norway.

The company's immediate parent company is Musto Topco Limited. The company is a wholly owned subsidiary of Helly Hansen AS, a company incorporated in Norway.

In July 2018 the company's parent company, Helly Hansen AS was acquired by the Canadian Tire Corporation from the Ontario Techers Pension Plan.

Canadian Tire Corporation is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2018. Copies of the consolidated financial statements may be obtained from Canadian Tire Corporation is: 2180 Yonge Street, Toronto, Ontario, Canada M4P 2V8.

Details of transactions with group companies are not presented in these financial statements in accordance with exemptions contained within FRS102.

Notes to the financial statements

at 31 December 2018

10. Ultimate Controlling party

The directors consider Canadian Tire Corporation to be the ultimate controlling party. The address of the Canadian Tire Corporation is: 2180 Yonge Street, Toronto, Ontario, Canada M4P 2V8.