

Registered number: 04611579

SILVER CROSS (UK) LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**



SILVER CROSS (UK) LIMITED

COMPANY INFORMATION

Directors	W J Lockwood Q Jiabei (appointed 8 January 2018) N J Paxton P J Taylor S Xiaoting W Zhang (appointed 8 January 2018) X Zhang C A Walsh (appointed 23 May 2019)
Registered number	04611579
Registered office	Micklethorn Broughton Skipton North Yorkshire BD23 3JA
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor One St. Peter's Square Manchester M2 3DE

SILVER CROSS (UK) LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditor's Report	5 - 7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 26

SILVER CROSS (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The directors present their strategic report for the year ended 31 December 2018.

Business review

The core strategy of the business is to provide consumers with innovative, high quality nursery products, including prams, home furniture, and car safety products. This is achieved by investment in state of the art research and development, and strategic marketing of the Groups brands.

As reported in the Company's Statement of Comprehensive Income, revenue declined by 8.3% to £34.3m in the period, although at an improved gross profit margin of 43.8%. The Company continues to strategically invest in the platform for future growth, so that the business is well positioned to take advantage of expansion opportunities both in the UK and Internationally. Whilst this impacts profitability in the near term, the Board are confident that the benefits will be demonstrated in enhanced financial performance in the future.

The balance sheet remains robust with a cash balance of £1m (2017 - £3.6m) and shareholders' funds of £21.7m (2017 - £16.8m).

Principal risks and uncertainties

The Company finances its operations through retained profits, with no bank borrowings. Management's objectives are to retain sufficient liquidity to enable the Company to meet all its day to day obligations, along with investing in new markets and regions to allow for future growth.

The Company's funds are invested mainly in Sterling and US Dollar bank accounts, and forward contracts are used to mitigate the short-term risk exposure of fluctuating currencies and their effect on gross profit.

The wider economic situation within the UK economy, especially the state of the UK high street, continues to affect consumers, and therefore ultimately the demand for the Company's products. The Company continues to focus on both quality and service to maintain a competitive advantage over competitors in order to preserve and potentially increase demand.

Directors' assessment of the risks attached to the United Kingdoms exit of the European Union

Management have considered the impact on the business of various permutations of the ongoing Brexit negotiations, including a 'no-deal' outcome. However, given the uncertainty about the myriad possible tariff regimes that might apply post-Brexit and indeed the timing of Brexit itself, Management do not base any long term strategic decisions on conjecture about the ultimate outcome. Management are confident that whilst there will be challenges to address, the commercial viability of the business model will not be jeopardised by changes to tariff regimes, whilst the impact of any short term operational disruptions are mitigated through detailed inventory planning.

Financial key performance indicators

Management use a range of performance measures to monitor and manage the business. These measures include, but are not limited to, profit ratios, returns on investment, liquidity ratios, debtor days and stock turnover. These KPIs are reported on frequently to management for each aspect of the business.

SILVER CROSS (UK) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Other key performance indicators

Objectives of the business also include non-financial measures. Market share, product returns, customer service feedback and employee productivity are all monitored, reported on and acted upon, to ensure the business is not only achieving its goals from a financial perspective but also other areas which attribute to the future performance of the Company.

This report was approved by the board on 30 September 2019 and signed on its behalf.



C A Walsh
Director

SILVER CROSS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

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

Results and dividends

The profit for the year, after taxation, amounted to £4,860,000 (2017 - £3,737,000).

No interim dividend was paid (2017: £NIL). The directors do not recommend a final dividend (2017: £NIL).

Directors

The directors who served during the year were:

W J Lockwood
J D Halsall (resigned 23 May 2019)
Q Jiabei (appointed 8 January 2018)
S A Newton (resigned 17 June 2019)
N J Paxton
L Shao (resigned 31 May 2018)
P J Taylor
S Xiaoting
W Zhang (appointed 8 January 2018)
X Zhang

Future developments

The directors believe that the forthcoming financial year will remain challenging due to the ongoing state of the UK economy and high street. Despite this, due to entering new geographical markets, the Board aim to increase turnover and profitability. With an additional focus on operating costs, it is expected that the Company will improve on operating profit from 2018. Overall, the directors consider that the Company is well placed in terms of strategic and market position to maximise its ability to generate sales and margin.

Financial instruments

The Company operates a treasury function which is responsible for managing both liquidity and foreign currency risk. The principle financial instruments used by the Company include foreign currency hedging, where the Company enters into different types of forward contracts to reduce the risk of fluctuating currency markets.

Research and development activities

The Company is focused on bringing new, innovative nursery products to market, and this has driven the success of the Company in recent years. The current R&D team are responsible for designing and creating awarding winning products across a range of nursery markets. Investment into R&D continues to ensure territory specific sought-after product is delivered to our customers in the coming years.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

SILVER CROSS (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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.

Disclosure of information to auditor


Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 September 2019 and signed on its behalf.



C A Walsh
Director

SILVER CROSS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SILVER CROSS (UK) LIMITED

Opinion

We have audited the financial statements of Silver Cross (UK) Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, 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 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; 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. 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.

The impact of uncertainties due to Britain exiting the European Union on our audit

The Directors' view on the impact of Brexit is disclosed on page 1.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

SILVER CROSS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SILVER CROSS (UK) LIMITED

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.

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 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 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.

Matters on which we are required to report by exception

In 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 Strategic Report or 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.

SILVER CROSS (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SILVER CROSS (UK) LIMITED

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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

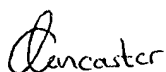
Auditor's responsibilities for the audit of the financial statements

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 the audit 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.



Charlene Lancaster (Senior statutory auditor)

for and on behalf of

Mazars LLP
Chartered Accountants and Statutory Auditor
One St. Peter's Square
Manchester
M2 3DE

Date: 30 September 2019

SILVER CROSS (UK) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover	4	34,338	37,434
Cost of sales		(19,296)	(22,918)
Gross profit		<u>15,042</u>	<u>14,516</u>
Administrative expenses		(10,697)	(9,908)
Other operating income	5	600	617
Gains/(losses) arising on fair value of derivative instruments		187	(586)
Operating profit	6	<u>5,132</u>	<u>4,639</u>
Interest receivable and similar income	10	13	4
Profit before tax		<u>5,145</u>	<u>4,643</u>
Tax on profit	11	(285)	(906)
Profit for the financial year		<u><u>4,860</u></u>	<u><u>3,737</u></u>

There was no other comprehensive income for 2018 or 2017.

The notes on pages 11 to 26 form part of these financial statements.

SILVER CROSS (UK) LIMITED
REGISTERED NUMBER: 04611579

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	12	1,073	1,133
		1,073	1,133
Current assets			
Stocks	13	8,172	5,855
Debtors: amounts falling due after more than one year	14	295	-
Debtors: amounts falling due within one year	14	20,558	15,501
Cash at bank and in hand	15	1,010	3,571
		30,035	24,927
Creditors: amounts falling due within one year	16	(8,895)	(8,660)
Net current assets		21,140	16,267
Total assets less current liabilities		22,213	17,400
Provisions for liabilities			
Other provisions	19	(547)	(594)
		(547)	(594)
Net assets		21,666	16,806
Capital and reserves			
Called up share capital	20	1	1
Other reserves	21	26	26
Profit and loss account	21	21,639	16,779
Total equity		21,666	16,806

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

30 September 2019


C A Walsh
 Director

The notes on pages 11 to 26 form part of these financial statements.

SILVER CROSS (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2017	1	26	13,042	13,069
Comprehensive income for the year				
Profit for the year	-	-	3,737	3,737
Total comprehensive income for the year	-	-	3,737	3,737
At 1 January 2018	1	26	16,779	16,806
Comprehensive income for the year				
Profit for the year	-	-	4,860	4,860
Total comprehensive income for the year	-	-	4,860	4,860
At 31 December 2018	1	26	21,639	21,666

The notes on pages 11 to 26 form part of these financial statements.

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Silver Cross (UK) Limited ('the Company') is a limited company incorporated in the United Kingdom and registered in England. The address of its registered office and principal place of business is:

Micklethorn
Broughton
Skipton
North Yorkshire
BD23 3JA

The financial statements have been presented in pound sterling which is the functional currency of the Company.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Fosun International Limited as at 31 December 2018 and these financial statements may be obtained from www.fosun.com.

2.3 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

SILVER CROSS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.6 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

SILVER CROSS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	-	11 - 33%
Plant and machinery	-	33%
Fixtures and fittings	-	25 - 33%
Office equipment	-	25 - 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

SILVER CROSS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 Financial instruments

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives

SILVER CROSS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'cost of sales'.

2.16 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and assumptions concerning the future and judgments are made by the management in the preparation of the financial statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty include:

(i) Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Company is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in financial difficulties a provision would be put in place.

(ii) Useful lives of property, plant and equipment

Management determines the estimated useful lives of the Company's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(iii) Impairment of property, plant and equipment

Management determines whether the Company's property, plant and equipment are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment as well as intangible asset, which is equal to the higher of net selling price or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iv) Allowance for inventories

Management reviews the condition of inventories at the end of each reporting period and makes allowance for inventories that are identified as obsolete, slow moving or no longer recoverable. The Company carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

SILVER CROSS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Turnover

An analysis of turnover by class of business is as follows:

	2018	2017
	£000	£000
Product Sales	34,338	37,434

Analysis of turnover by country of destination:

	2018	2017
	£000	£000
United Kingdom	34,338	37,434

5. Other operating income

	2018	2017
	£000	£000
Royalty income	600	617

6. Operating profit

The operating profit is stated after charging:

	2018	2017
	£000	£000
Research & development charged as an expense	169	178
Exchange differences	(1,795)	(659)
Depreciation of tangible fixed assets	523	313
Operating lease rentals	114	114
Defined contribution pension cost	27	14

SILVER CROSS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

7. Auditor's remuneration

	2018	2017
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>21</u>	<u>20</u>
Fees payable to the Company's auditor and its associates in respect of:		
All other services	<u>3</u>	<u>3</u>
	<u>3</u>	<u>3</u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2018	2017
	£000	£000
Wages and salaries	2,886	2,457
Social security costs	302	270
Cost of defined contribution scheme	27	14
	<u>3,215</u>	<u>2,741</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018	2017
	No.	No.
Production	15	12
Sales and distribution	16	13
Administrative	34	34
	<u>65</u>	<u>59</u>

SILVER CROSS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Directors' remuneration

	2018	2017
	£000	£000
Directors' emoluments	643	707
Company contributions to defined contribution pension schemes	4	2
	<u>647</u>	<u>709</u>

During the year retirement benefits were accruing to 5 directors (2017 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £270,000 (2017 - £311,709).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £701 (2017 - £385).

10. Interest receivable

	2018	2017
	£000	£000
Other interest receivable	<u>13</u>	<u>4</u>

11. Taxation

	2018	2017
	£000	£000
Corporation tax		
Current tax on profits for the year	875	898
Adjustments in respect of previous periods	(561)	12
Total current tax	<u>314</u>	<u>910</u>
Deferred tax		
Origination and reversal of timing differences	(29)	(4)
Total deferred tax	<u>(29)</u>	<u>(4)</u>
Taxation on profit on ordinary activities	<u>285</u>	<u>906</u>

SILVER CROSS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018	2017
	£000	£000
Profit on ordinary activities before tax	5,145	4,643
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	978	929
Effects of:		
Expenses not deductible for tax purposes	11	23
Adjustments to tax charge in respect of prior periods	(561)	12
Rate differences current year	1	(39)
Rate difference deferred tax	5	-
Group relief	(150)	(19)
Other differences leading to a (decrease) in tax	1	-
Total tax charge for the year	285	906

Factors that may affect future tax charges

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Finance Bill 2016 provides that the rate from 1 April 2020 will be 17%.

SILVER CROSS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Tangible fixed assets

	Short-term leasehold property £000	Plant and machinery £000	Fixtures and fittings £000	Office equipment £000	Total £000
Cost					
At 1 January 2018	55	3,254	52	324	3,685
Additions	-	398	-	65	463
At 31 December 2018	55	3,652	52	389	4,148
Depreciation					
At 1 January 2018	26	2,217	34	275	2,552
Charge for the year	9	472	5	37	523
At 31 December 2018	35	2,689	39	312	3,075
Net book value					
At 31 December 2018	20	963	13	77	1,073
At 31 December 2017	29	1,037	18	49	1,133

13. Stocks

	2018 £000	2017 £000
Finished goods and goods for resale	8,172	5,855

Stocks recognised as an expense in the year totalled £21,085,000 (2017: £23,506,000).

A provision for impairment is in place against stock at £962,000 (2017: £850,000).

SILVER CROSS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Debtors

	2018 £000	2017 £000
Due after more than one year		
Prepayments and accrued income	295	-
	<u>295</u>	<u>-</u>
	2018 £000	2017 £000
Due within one year		
Trade debtors	8,301	8,306
Amounts owed by group undertakings	11,406	7,017
Other debtors	5	6
Prepayments and accrued income	768	123
Deferred taxation	78	49
	<u>20,558</u>	<u>15,501</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

15. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	1,010	3,571
Less: bank overdrafts	-	(5)
	<u>1,010</u>	<u>3,566</u>

SILVER CROSS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Creditors: Amounts falling due within one year

	2018	2017
	£000	£000
Bank overdrafts	-	5
Trade creditors	3,149	1,812
Amounts owed to group undertakings	3,131	3,650
Corporation tax	145	780
Other taxation and social security	121	786
Other creditors	2,320	1,411
Financial instruments	29	216
	<u>8,895</u>	<u>8,660</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

17. Financial instruments held at fair value through profit and loss

The Company uses forward foreign exchange contracts to manage exposure to foreign exchange risk associated with foreign denominated purchases. The fair value of derivative instruments has been estimated using valuation techniques which uses market and non-market inputs to estimate the expected discounted cash flows. The valuation techniques use contracted exchange rates and current forward rates as determined by the issuer of the derivative contract.

	2018	2017
	£000	£000
Derivative financial liabilities	<u>(29)</u>	<u>(216)</u>

At the reporting date, the Company held forward contracts and participating forward contracts covering a 6 month period for commitments to purchase \$3m US Dollar in exchange for £2.38m GBP (2017: \$8.4m US Dollar in exchange for £6.4m GBP).

SILVER CROSS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

18. Deferred taxation

	2018 £000	2017 £000
At beginning of year	49	45
Charged to profit or loss	29	4
At end of year	<u>78</u>	<u>49</u>

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	88	60
Short term timing differences	(10)	(11)
	<u>78</u>	<u>49</u>

19. Provisions

	Warranty provision £000
At 1 January 2018	594
Charged to profit or loss	493
Utilised in year	(540)
At 31 December 2018	<u>547</u>

The Company generally offers 3 year warranties for its products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. It is expected that the provision will be utilised in full within the next 3 years.

SILVER CROSS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

20. Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
1,000 (2017 - 1,000) Ordinary shares of £1.00 each	1	1

21. Reserves

Other reserves

Other reserves relate to the share based payments reserve.

Profit and loss account

The Profit & loss account represents the accumulated undistributed reserves of the Company.

22. Share based payments

The immediate parent undertaking, Silver Cross Nurseries Limited, has, from time to time, made share-based awards to employees of the Company under an Enterprise Management Incentive Scheme (the "scheme"), which are settled with shares in Silver Cross Nurseries Limited.

There are no performance conditions attached to the awards and the vesting occurs on the fulfilment of conditions specified in the employees' respective option agreements.

There are currently no options outstanding.

23. Pension commitments

The Company made payments during the year of £27,334 (2017: £13,564) to the Company's defined contribution scheme. No amounts were outstanding at the year-end (2017: £NIL).

SILVER CROSS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

24. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£000	£000
Not later than 1 year	115	87
Later than 1 year and not later than 5 years	415	290
	<u>530</u>	<u>377</u>

The group issued an advanced payment of £360k during the year to the landlord of the group's registered office. The £360k will be offset against future rental payments and is included in the operating lease commitments note above.

There is a guarantee between Silver Cross (UK) Limited, Silver Cross (China) Trading Company and Kunshan Vigorkids Child Products Co. Limited in relation to a long term business relationship. There is no financial impact of this guarantee on these financial statements.

25. Related party transactions

The Company has taken advantage of the exemption from disclosing transactions with other wholly owned members of the Group.

At the balance sheet date an amount of £13,752 was due to a director (2017: £Nil). This balance was repayable on demand and did not carry any interest charge.

26. Controlling party

The Company's immediate parent is Silver Cross Nurseries Limited, which itself is an indirect subsidiary of Fosun International Limited, a company registered in Hong Kong. The principal place of business of Fosun International Limited is, Tower S1, Bund Finance Center, 600 Zhongshan No. 2 Road (E), Shanghai, China.

The ultimate parent and controlling company is Fosun International Limited, a company incorporated in Hong Kong. Fosun International Limited prepares group financial statements, which include the results of the Company. Copies of the group's financial statements for Fosun International Limited can be obtained from www.fosun.com.