

MUNCHKIN UK TRADING COMPANY LTD

Report and Financial Statements for the year ended 31 December 2015

Company Registration Number 07114749

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Corporate Information

Directors	S Dunn A Keimach
Secretary	Petty Rader
Registered Office	Unit 760 Thorp Arch Trading Estate Thorp Arch Wetherby LS23 7FW
Auditors	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
Bankers	Barclays Bank plc 10 Market Street Bradford BD11EG

Strategic report

The directors present their strategic report for the year ended 31 December 2015.

Review of the business

The group's principal activity during the year is a product design primarily in the baby safety and nursery sector. The group distributes products primarily in the UK.

The key financial and other performance indicators during the year were as follows:

	2015	2014	Change
	£'000	£'000	%
Turnover	18,207	15,874	14.7%
Group operating profit	183	181	1.1%
Profit before tax	21	44	-52.3%
Equity shareholders' deficit	(2,790)	(2,804)	-0.5%
Average number of employees	45	46	-2.2%

Turnover has increased by 14.7% during the year due both to the successful launch of customer specific business plans and the continued impact of new product development.

Operating profit has increased by 1.1%. Underlying this result is the weakening exchange rate of the Pound Sterling versus the US Dollar during the year which acts to reduce gross profit margin. Expenses continue to remain tightly controlled.

Profit before tax has decreased by 52.3%, however in absolute terms this is a marginal decline year on year and mainly reflects exchange rate impacts.

Shareholders' deficit has decreased by 0.5% reflecting the loss for the financial year.

The products sold by the group have minimal environmental impact.

Principal risks and uncertainties

The principal risks and uncertainties facing the group are broadly grouped as competitive, legislative and financial instrument risk.

Competitive risk

The group is reliant on trading relationships with major retailers and distributors in each region. These trading relationships are generally stable and risk is minimised by not having undue reliance on any one individual customer.

Legislative risk

In the UK and Europe, products must comply with applicable EU standards. For the rest of the world products must comply with local standards. These standards are subject to periodic revision and any new Directive may have an adverse impact on the group. This risk is not considered to be material due to a broad spread of products over many product categories.

Financial instruments risk

The group seeks to minimise financial instrument risk via a combination of limiting undue counterparty exposure, ensuring sufficient working capital exists and monitoring the management of risk at a business unit level.

Exposure to price, credit, liquidity and cash flow risk

Price risk arises due to changes in commodity prices particularly in relation to steel and plastics. The group does not manage its exposure to commodity price risk due to cost benefit considerations.

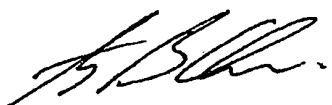
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Group policies are aimed at minimising such losses, and require that deferred terms are granted to customers demonstrating an appropriate payment history, and where possible significant exposures are underwritten by a approved credit insurance limits. Details of the group's debtors are shown in note 11. At the balance sheet date no single trade debtor exceeded 50% of that amount.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The group primarily uses short-term debt finance to manage this risk, and also by managing cash generation via routine credit control activity.

Cash flow risk is the risk of exposure to variability in cash flow attributable to a particular risk associated with a recognised asset or liability such as a future interest payment on a variability rate debt. This is currently not considered to be a significant risk to the business.

By order of the board

S Dunn
Director



Approved by the directors on ...28/9/16.....

Directors' report

Registered No: 07114749

The directors present their report for the year ended 31 December 2015.

Directors of the company

The current directors are shown on page 2.

S Dunn
A Keimach (appointed 31 March 2015)

Dividends

No Dividend has been recommended.

Research and development

The group continues to invest in the creation, research, design and development of products to ensure that they remain innovative and functionally at the leading edge of similar products currently available to consumers.

Future developments

The directors aim to maintain the management policies followed in recent years. Following the transfer of export sales customers to Munchkin Asia Limited in 2013, over 98% of ongoing business is to UK customers. This core UK business will continue to grow as we introduce new products and actively search for new opportunities.

Events since the balance sheet

There were no material post balance sheets events.

Going concern

The group's business activities, its future development, financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposure to price, credit, liquidity and cash flow risk are described in the Strategic report on pages 3 to 4.

The group has considerable financial resources together with long-term customer and supplier relationships across different geographical areas and product categories. As a consequence, the directors believe that the group is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and accounts.

As highlighted in note 12 to the financial statements, the group has significant loan balances which are owed to the ultimate parent company, Munchkin Inc. The group is reliant on the continued financial support of the ultimate parent.

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 group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to


made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

Ernst & Young are deemed to be reappointed under section 487(2) of the Companies Act 2006.

By order of the board

S Dunn
Director



Approved by the directors on28/9/16.....

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 period. 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 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 and then apply them consistently;
- make judgments and 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.

Independent auditors' report to the members of Munchkin UK Trading Company Limited

Independent auditor's report

We have audited the financial statements of Munchkin UK Trading Company Limited for the year ended 31 December 2015 which comprise the Group Income Statement, the Group and Parent Company Statement of Other Comprehensive Income, the Group and Parent Company Statement of Changes in Equity, the Group Statement of Financial Position, the Parent Company Statement of Financial Position, the Group Statement of Cash Flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 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.

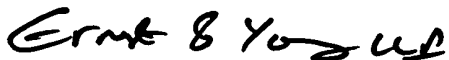
Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

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



Eddie Diamond, Senior Statutory Auditor

For and on behalf of

Ernst & Young LLP
Statutory Auditor
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Date:- 29 September 2016

Group Income Statement for the year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	2	18,206,524	15,874,069
Cost of Sales		(11,992,005)	(9,815,164)
Gross profit		6,214,519	6,058,905
Administrative expenses		(6,031,089)	(5,877,659)
Operating profit	3	183,430	181,246
Interest payable and similar charges	5	(162,552)	(137,050)
Profit on ordinary activities before taxation		20,878	44,196
Taxation on profit on ordinary activities	6	(58,795)	(167,521)
Loss for the financial year		(37,917)	(123,325)

All of the activities of the group are classed as continuing.

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Income Statement.

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Group and Parent Company Statement of Comprehensive Income

for the period ended 31 December 2015

Group Statement of comprehensive income

	2015 £	2014 £
Loss for the financial year	(37,917)	(123,325)
<i>Other Comprehensive Income</i>	-	-
<i>Total Other comprehensive Income</i>	-	-
<i>Total Comprehensive Income for the year</i>	<u>(37,917)</u>	<u>(123,325)</u>

Parent Company Statement of comprehensive income

	2015 £	2014 £
Loss for the financial year	(152,033)	(199,033)
<i>Other Comprehensive Income</i>	-	-
<i>Total Other comprehensive Income</i>	-	-
<i>Total Comprehensive Income for the year</i>	<u>(152,033)</u>	<u>(199,033)</u>

Group and Parent Company Statement of changes in Equity

at 31 December 2015

Group

	Share capital	Profit and loss account	Total Equity
	£	£	£
At 1 January 2014	1	(2,711,817)	(2,711,816)
Profit for the financial year	-	(123,326)	(123,326)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
Share based payments expense	-	30,734	30,734
At 31 December 2014	1	(2,804,409)	(2,804,408)
Profit for the financial year	-	(37,917)	(37,917)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(2,842,326)	(2,842,625)
Share based payments expense	-	52,560	52,560
At 31 December 2015	1	(2,789,766)	(2,789,765)

Company

	Share capital	Profit and loss account	Total Equity
	£	£	£
At 1 January 2014	1	(854,890)	(854,889)
Profit for the financial year	-	(199,033)	(199,033)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(199,033)	(199,033)
At 31 December 2014	1	(1,053,923)	(1,052,922)
Profit for the financial year	-	(152,033)	(152,033)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(152,033)	(152,033)
At 31 December 2015	1	(1,205,956)	(1,205,955)

Company Registered Number: 07114749

Group Statement of financial position at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	8	8,704,156	9,698,105
Tangible assets	9	180,911	285,112
		8,885,067	9,983,217
Current assets			
Debtors	11	10,257,468	9,651,669
Cash at bank and in hand		1,268,660	790,468
		11,526,128	10,442,137
Creditors: Amounts falling due within one year	12	(22,615,819)	(22,475,594)
Net current liabilities		(11,089,691)	(12,033,457)
Total assets less current liabilities		(2,204,624)	(2,050,240)
Provision for liabilities			
Deferred taxation	14	(585,141)	(754,168)
Net liabilities		(2,789,765)	(2,804,408)
Capital and reserves			
Called-up share capital	15	1	1
Retained Earnings	16	(2,789,766)	(2,804,409)
Total Equity		(2,789,765)	(2,804,408)

S Dunn
Director

Date 28/9/16

Company Registered Number: 07114749

Parent Company Statement of financial position at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Investments	10	18,484,902	18,484,902
Current assets			
Debtors	11	93,000	93,000
Creditors: Amounts falling due within one year	12	(19,783,857)	(19,631,824)
Net Current Liabilities		(19,690,857)	(19,538,824)
Total assets less current liabilities		(1,205,955)	(1,053,922)
Net liabilities		(1,205,955)	(1,053,922)
Capital and reserves			
Called-up share capital	15	1	1
Retained Earnings	16	(1,205,956)	(1,053,923)
Total Equity		(1,205,955)	(1,053,922)

S Dunn

Director

Date 28/9/16

Group Statement of Cash Flows at 31 December 2015

	Notes	2015	2014
		£	£
Net cash inflow/(outflow) from operating activities	19 a	595,711	(1,628,351)
Investing activities			
Payments to acquire intangible fixed assets		(7,197)	(17,542)
Payments to acquire tangible fixed assets		(13,982)	(100,159)
Receipts from the sale of tangible fixed assets		3,822	5,000
Net cash flow from investing activities		(17,357)	(112,701)
Financing activities			
Increase in intercompany loans		97,879	3,974,342
Repayment of long term loans		(172,984)	(1,941,635)
Net cash flow from financing activities		(75,105)	2,032,707
Increase/(decrease) in cash and cash equivalents		503,249	291,655
Cash and cash equivalents at 1 January		765,411	473,756
Cash and cash equivalents at 31 December	19b	1,268,660	765,411

Notes to the financial statements

1 Accounting policies

Statement of compliance

Munchkin UK Trading Company Limited is a limited company incorporated in England. The Registered Office is Unit 760, Thorp Arch Trading Estate, Wetherby, LS23 7FW. The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 31 December 2015. The group transitioned from the previously extant UK GAAP to FRS 102 as at 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 26.

Basis of preparation and change in accounting policy

The financial statements of Munchkin UK Trading Company Limited were approved for issue by the Board of Directors on 28th September 2016. 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 group.

Basis of consolidation

The group financial statements consolidate the financial statements of Munchkin UK Trading Company Limited and all its subsidiary undertakings drawn up to 31 December each year. No income statement is presented for Munchkin UK Trading Company Limited as permitted by section 408 of the Companies Act 2006.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain the benefit from its activities.

In the parent company financial statements investments in subsidiaries are accounted for at cost less impairment.

The company has also the exemption in section 33.1A in respect of the requirements relating to certain disclosures in respect of related party transactions

Judgements and key sources of estimation uncertainty

Preparing the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities, as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Bad Debt Provision

The probable amount of bad debt loss to be recorded as an individual allowance for Accounts receivable is either:

- the amount disputed by the debtor or for which legal steps have been initiated based on their overdue collection or other negative information; or
- the amount considered at least partially uncollectable based on proceedings of receivership, bankruptcy, or settlement agreements.

For all other receivables which, at the time of evaluation, do not present a conclusive risk requiring an individual allowance, a general allowance is set up according to percentages based on an ageing of the accounts receivable. The starting point for determination of the age of a receivable is the due date.

Operating lease commitments

The Group has entered into commercial property leases as a lessee to obtain the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Goodwill and intangible assets

The group establishes a reliable estimate of the useful life of goodwill and intangible assets on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business,

the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of a similar business.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on a value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is the most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Taxation

The Group establishes provisions based on reasonable estimates, for the possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of the future tax planning strategies. Further details are contained in note 6.

Goodwill

Positive goodwill acquired on each business combination is capitalised as an asset on the statement of financial position and amortised on a straight line based over its useful life. Goodwill acquired in a business combination is, from the acquisition date, allocated to each cash generating unit that is expected to benefit from the synergies of the combination.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful life. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The useful lives of intangible assets are as follows:

Patents	-	6 years straight line
Trademarks	-	20 years straight line
Non-compete Agreements	-	2 years straight line
Backlog of Customer Orders	-	3 months straight line
Other Non-Specific Goodwill	-	17 years straight line

Other patents and artwork, not acquired in relation to the acquisition of Lindam Limited are being amortised over their useful lives of 2 to 5 years.

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period, previous estimates shall be reviewed and, if current expectations differ, the residual value, amortisation method or useful life shall be amended. Changes in the expected life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

Impairment of non-financial assets

The Group assesses at each reporting date whether an asset may be impaired. If any such indication exists the Group estimates the recoverable of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates, the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment at rates to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Leasehold Improvements	-	20% straight line
Fixtures & Fittings	-	20% straight line
Motor Vehicles	-	25% straight line
Office Equipment	-	20% to 33% straight line
Tooling	-	20% straight line
Machinery and Racking	-	20% straight line

The carrying values are reviewed at the end of each period where events or circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its current location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Revenue recognition

Revenue is recognised when the Group obtains the right to consideration in exchange for its performance. Revenue is measured at fair value of consideration received excluding discounts, rebates, VAT and other taxes or duty. Revenue from the sale of goods is recognised, when significant risks and rewards of ownership have passed to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Research and development

~~Research and development expenditure is written off as incurred.~~

Provisions for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the transaction.

Pension and post-retirement benefits

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Deferred tax

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Munchkin UK Trading Company Limited – Year ended 31 December 2015

A net deferred tax asset is recognised only if it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates expected to be effective at the time the timing differences are expected to reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currency are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at transaction date. Monetary assets and liabilities denominated in foreign currency are retranslated at the rate of exchange ruling at the balance sheet. All differences are taken to the profit and loss account. All group entity's use sterling as their functional currency and there are no overseas subsidiary undertakings.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Loan notes

Loan notes which are basic financial instruments are initially recognised at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest rate method. Loan notes that are receivable within one year or have no contractually set repayment and maturity terms are not discounted.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expense.

Share-based payments

Equity settled transactions

The cost of equity settled transactions with employees is measured at fair value which is established at grant date and is recognised as an expense over the vesting period which ends on the date the employee becomes fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. At each balance sheet date before vesting the cumulative expense is calculated, representing the extent to which the vesting period has expired. The movement of this cumulative expense since the previous balance sheet date is recognised as an expense with a corresponding entry in equity.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After the initial recognition they are measured at amortised cost using the effective interest rate method less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

2 Turnover

Turnover represents the amounts derived from the supply of goods which fall within the company's ordinary activities, stated net of value added tax.

Turnover is analysed as follows:

	2015 £	2014 £
United Kingdom	17,978,387	15,892,505
Rest of European Union	-	29,563
Rest of world	228,137	152,001
	18,206,524	15,874,069

Munchkin UK Trading Company Limited – Year ended 31 December 2015

All turnover is derived from the sale of goods.

3 Group operating profit

	2015 £	2014 £
Group operating profit is stated after charging		
Foreign exchange losses/(gains)	172,296	362,478
Amortisation of intangible assets	1,001,146	999,317
Research and development expenditure written off	21,278	42,989
Depreciation of owned fixed assets	113,244	178,812
Loss on disposal of fixed assets	1,114	6,599
Auditors remuneration	49,261	50,265
Operating lease rentals		
Land and buildings	455,654	455,654

4 Staff costs

	2015 £	2014 £
Wages and salaries	1,886,819	1,918,153
Social security costs	191,796	196,087
Other pension costs	33,389	37,111
Staff costs	2,112,004	2,151,351

Included in wages and salaries is a total expense of share based payments in respect of employee services received during the year to 31 December 2015 of £52,560 (2014: £30,734). These all arise from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees during the year was made up as follow:

	2015 No	2014 No
Number of administrative staff	39	40
Number of management staff	6	6
	45	46

Directors' remuneration

	2015 £	2014 £
Remuneration receivable	133,973	236,182
Company pension contributions to money purchase schemes	2,815	6,164
Aggregate remuneration in respect of qualifying service	136,788	242,346

	2015 No	2014 No
Number of directors accruing benefits under money purchase schemes	1	1
Number of directors who exercised share options	1	-

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5 Interest payable and similar charges

	2015 £	2014 £
Bank loans and overdrafts	6,552	2,050
Group interest payable and similar charges	156,000	135,000
	162,552	137,050

6 Tax

(a) Tax on profit on ordinary activities

	2015 £	2014 £
Current tax		
UK corporation tax on profits for the year	227,822	233,029
Adjustment in respect of previous year	-	1,914
Total current tax	227,822	234,943
Deferred tax		
Effects of changes in the tax rate	(63,718)	-
Origination and reversal of timing differences (note 6(d))	(105,309)	(71,572)
Adjustments in respect of previous periods	-	4,150
Tax on profit on ordinary activities	58,795	167,521

(b) Factors affecting the total tax charge

The tax assessed on the profit on ordinary activities for the year is 20.25% (2014: 21.49%)

	2015 £	2014 £
Profit on ordinary activities before taxation	20,878	44,196
Profit on ordinary activities multiplied by the standard UK rate 20.25% (2014: 21.49%)	4,228	9,498
Effects of:		
Adjustment in respect of previous year	-	6,064
Amortisation of intangible fixed assets	118,285	110,790
Movement in un-provided deferred tax	-	36,884
Adjustment in respect of rate change	(63,718)	4,285
Total tax	58,795	167,521

(c) Factors that may affect future tax charges

The UK corporation tax rate was reduced from 21% to 20% on 1 April 2015, with no further reductions planned until 2020. Accordingly, deferred tax balances are valued at the currently enacted rate of 20%.

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(d) Deferred tax

Deferred tax included in the statement of financial position is as follows:

	Group 2015 £	2014 £
Provision for deferred tax		
Accelerated capital allowances	(12,120)	(6,279)
Deferred tax on business combinations	602,153	765,882
Other timing differences	(4,892)	(5,435)
Total provision for deferred tax	585,141	754,168
Provision brought forward	754,168	821,590
Deferred tax charged/(credit) in profit and loss account	(168,737)	(67,422)
Provision carried forward	585,141	754,168

During the 2015 budget, the Chancellor of the Exchequer confirmed a 20% tax rate will be effective from 1 April 2015. This will reduce the Group's future current tax charge accordingly. Any deferred tax expected to reverse in the year to December 2015 has been calculated using the substantively enacted rate of 20%.

7 Profit attributable to members of the parent company

The loss dealt with in the financial statements of the parent company was £152,033 (2014: £199,033).

8 Intangible fixed assets

Group	Trademark	Non compete agreements	Backlog of customer orders	Other non specific goodwill	Patents and Artwork	Total
	£	£	£	£	£	£
Cost						
At 1 Jan 2015	4,808,630	61,000	490,000	8,277,137	1,583,722	15,220,489
Additions	625				6,572	7,197
At 31 Dec 2015	4,809,255	61,000	490,000	8,277,137	1,590,294	15,227,686
Amortisation						
At 1 Jan 2015	1,207,443	61,000	490,000	2,472,710	1,291,231	5,522,384
Charge for the year	244,093			494,542	262,511	1,001,146
At 31 Dec 2015	1,451,536	61,000	490,000	2,967,252	1,553,742	6,523,530
Net book value						
At 31 Dec 2015	3,357,719	-	-	5,309,885	36,552	8,704,156
At 31 Dec 2014	3,601,187	-	-	5,804,427	292,491	9,698,105

Goodwill relates to the acquisition of Lindam Limited and is being amortised evenly over the directors' estimate of its useful life of 17 years. Trademarks and Patents acquired as part of the Lindam limited acquisition are amortised evenly over their useful lives of 20 and 8 years respectively.

Other patents and artwork, not acquired in relation to the acquisition of Lindam Limited are being amortised over their useful lives of 2 to 6 years.

Munchkin UK Trading Company Limited – Year ended 31 December 2015

9 Tangible fixed assets

Group	Leasehold Improvements	Fixtures & Fittings	Machinery & Racking	Office Equipment	Other	Total
	£	£	£	£	£	£
Cost						
At 1 Jan 2015	299,950	83,873	116,677	85,721	355,455	941,676
Additions	-	516	2,979	10,487	-	13,982
Disposals	-	(393)	(6,578)	(11,013)	(97,386)	(115,370)
At 31 Dec 2015	299,950	83,996	113,078	85,195	258,069	840,288
Depreciation						
At 1 Jan 2015	170,247	50,128	47,449	46,628	342,112	656,564
Charge for the year	50,991	10,446	21,692	18,578	11,537	113,244
On disposals	-	(392)	(2,643)	(10,010)	(97,386)	(110,431)
At 31 Dec 2015	221,238	60,182	66,498	55,196	256,263	659,377
Net book value						
At 31 Dec 2015	78,712	23,814	46,580	29,999	1,806	180,911
At 31 Dec 2014	129,703	33,745	69,228	39,093	13,343	285,112

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

10 Investments

	Group and Parent Company £
Cost	
At 1 January 2015 and 31 December 2015	18,484,902
Net book value	
At 31 December 2014 and 31 December 2015	18,484,902

The net book value of investments at 31 December 2015 comprises the company's 100% holding of ordinary shares in Lindam Limited, a trading company registered in England and Wales. The nature of Lindam Limited's business is product design and distribution within the baby safety and nursery sector. The investment is not listed and are held at cost less impairment as fair value cannot be reliably determined.

11 Debtors

	Group 2015 £	2014 £	Company 2015 £	2014 £
Trade debtors	4,100,583	3,533,193	-	-
Prepayments and accrued income	117,788	69,959	-	-
Amounts owed by Subsidiary undertakings	-	-	93,000	93,000
Amounts owed by other group undertakings	6,039,097	6,048,517	-	-
	10,257,468	9,651,669	93,000	93,000

There are no amounts falling due after more than one year.

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12 Creditors: amounts falling due within one year

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Overdrafts	-	25,057	-	-
Trade creditors	445,320	492,852	-	-
Corporation tax	227,822	202,864	-	-
Other taxes and social security	229,921	95,259	-	-
Amounts owed to Parent undertakings	19,787,651	19,543,824	19,783,857	19,631,824
Amounts owed to other group companies	1,167,000	1,495,355	-	-
Accruals and deferred income	758,105	620,383	-	-
	22,615,819	22,475,594	19,783,857	19,631,824

Loan notes repayable, included within "amounts owed to parent undertakings", are secured by a charge over the share capital of Lindam Limited.

13 Obligations under leases and hire purchase contracts

At 31 December 2015 the group had total commitments under non-cancellable operating leases as set out below. These relate to the group's principal business address, Unit 760, Thorp Arch Trading Estate. Total payments under non-cancellable operating leases are as follows:

	Group	
	2015	2014
	£	£
Operating leases which expire:		
Within 1 year	455,654	455,654
Within 2 to 5 years	265,798	721,452
After more than 5 years	-	-
	721,452	1,177,106

14 Provisions for liabilities

Deferred tax	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Provision brought forward	754,168	821,590	-	-
FRS 102 on Business combination	(163,729)	(96,824)	-	-
Deferred tax charged/(credit) in profit and loss account	(5,298)	29,402	-	-
Provision carried forward	585,141	754,168	-	-

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15 Allotted and issued share capital

	2015	2014
	£	£
Authorised, allotted and fully paid:		
1 Ordinary shares of £1 each	1	1

16 Reserves

The reserves of the company consist of the share capital account and the profit and loss account. The profit and loss account contains the share based payment charge as well as the accumulated reserves of the company.

17 Pensions

The group operates a defined contribution pension scheme. The pension cost charge for the period represents the contributions payable by the group to the scheme and amounted to £33,389 (2014: £37,111).

18 Share-based payments

Munchkin Inc 2003 and 2013 Stock Option Plan

Certain employees are granted share options at the discretion of the Munchkin Inc Board of Directors, with the exercise price being determined by the board each year with reference to an independent valuation report which takes full account of the market price of similar quoted companies. The options vest annually, have a contractual life of ten years from the date granted, and are settleable only in cash.

Equity-settled share-based payments

Expenses recognised for share based payments in respect of employee services received during the year to 31 December 2015 are £52,560 (2014: £30,734).

The following table illustrates the number and weighted average exercise price (WAEP) and movements in share options during the year:

	2015		2014	
	Shares under option	Weighted average exercise price	Shares under option	Weighted average exercise price
	No	£	No	£
Outstanding at 1 January	227,668	£4.00	233,160	£3.98
Restate Opening Balance	-	-	12,000	£3.98
Granted during the year	43,000	£5.32	38,500	£4.20
Forfeited during the period	(89,680)	£4.16	(50,440)	£4.19
Exercised during the year	(14,273)	£3.51	(5,552)	£4.12
Expired during the year	-	-	-	-
Outstanding at 31 December	166,715	£4.30	227,668	£4.00
Vested and Exercisable at 31 December	63,640	£3.99	63,168	£3.82

The weighted average share price at the date of exercise for the options is £3.51

For the share options outstanding at 31 December 2015, the weighted average remaining contractual life is 7.2 years (2014: 7.9 years).

The expected life of the options is based on historical cost data and is not necessarily indicative of exercise patterns that may occur.

Fair value is established at grant date using an independent valuation report which uses an appropriate option pricing model and which takes full account of the market price of similar quoted companies and the terms and conditions upon which the grant was made. At each balance sheet date before vesting the cumulative expense is calculated, representing the extent to which the vesting period has expired. The movement of this cumulative expense since the previous balance sheet date is recognised as an expense with a corresponding entry in equity.

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19 Notes to the statement of Cash Flows

(a) Reconciliation of profit to net cash (outflow)/inflow from operating activities

	2015	2014
	£	£
Group loss for the year	(37,917)	(123,325)
Adjustments to reconcile profit for the year to net cash flow from operating activities		
Depreciation of tangible fixed assets	113,244	178,812
Amortisation of trademarks	244,093	243,689
Amortisation of goodwill	494,542	494,542
Amortisation of patents and artwork	262,511	261,086
Share-based payment	52,560	30,734
Loss on disposal of tangible fixed assets	1,114	6,599
Working capital movements		
Increase in stocks	-	5,517
Increase in debtors	(615,219)	(2,884,522)
Increase in creditors	283,647	33,035
Taxation		
Taxation Paid	(202,864)	125,482
	633,628	(1,505,026)
Net cash inflow/ (outflow) from operating activities	595,711	(1,628,351)

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2015	2014
	£	£
Cash at hand and in bank	1,268,660	790,468
Overdrafts	-	(25,057)
Cash and cash equivalents	1,268,660	765,411

20 Capital commitments

There were no amounts contracted for but not provided in the financial statements (2014: £Nil).

21 Off-balance sheet arrangements

The group enters into operating lease arrangements for the hire of the buildings and plant and equipment as these arrangements are a cost efficient way of obtaining the short-term benefits of these assets. The group lease rental expense for the year is disclosed in Note 3 and the annual group and company commitments under these lease arrangements are disclosed in Note 13. There are no other material off-balance sheet arrangements.

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22 Events after the reporting period

There were no material events after the reporting period.

23 Related party transactions

As the company is wholly owned and controlled by Munchkin Inc, its ultimate parent company, the company has taken advantage of the exemption contained in FRS 102.33.1A and not disclosed transactions with other wholly owned group entities. All outstanding balances with other wholly owned group companies' are disclosed in notes 11 and 12.

At the period end, the group owed an amount due of £5,511,083 (2014: £4,961,866) in respect of a \$12,000,000 loan note issued by Munchkin Inc on 17 January 2011. This loan note including principal and accrued interest charged at a rate equal to the greater of 7% or the Wall Street Journal "prime rate" plus 3.75% will become fully repayable on demand.

The Dunn family are the ultimate controlling shareholders of Munchkin Inc., the group's ultimate parent undertaking.

Transactions with related parties during the financial year were in the normal course of business.

Key management personnel

Certain senior employees have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of those individuals is £136,788 (2014: £242,346)

24 Ultimate parent company

The holding company and ultimate controlling party is Munchkin Inc, a company registered in the USA.

25 Transition to FRS 102

The group and company transitioned to FRS102 from previously extant UK GAAP as at 1 January 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 January 2014

	Group £	Company £
Equity Shareholders funds at 1 January 2014 under previous UK GAAP	(1,849,111)	-
Increase in deferred tax liability	(862,705)	-
Equity Shareholders funds at 1 January 2014 under FRS 102	(2,711,816)	-

Reconciliation of equity at 31 December 2014

	£	£
Equity Shareholders funds at 31 December 2014 under previous UK GAAP	(2,038,526)	-
Increase in deferred tax liability	(765,882)	-
Equity Shareholders funds at 31 December 2014 under FRS 102	(2,804,408)	-

The deferred tax liability was recognised on the intangible assets in relation to its acquisition of Lindam Limited.

On transition to FRS 102 from previous UK GAAP, the group and company have taken advantage of transitional relief as follows:

Business combinations

The group has elected not to apply Section 19 Business Combinations and Goodwill to business combinations that were effected before the date of transition to FRS 102. No adjustment has been made to the carrying value of goodwill and intangible assets subsumed within goodwill that has not been separately recognised.

Investments in subsidiaries

The company has elected to treat the carrying amount of investments in subsidiaries under the previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.

Lease incentives

The group and company have not applied paragraphs 20.15A or 20.25A to lease incentives where the lease commenced before the date of transition to FRS 102. It has continued to recognise any residual benefit or cost associated with the lease incentives on the same basis that applied prior to the transition to FRS 102.