

Topps MK Holdings Limited

Consolidated Report and Financial Statements

53 week period ended

31 December 2016

Company Number 07160564

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Topps MK Holdings Limited

**Report and financial statements
for the 53 week period ended 31 December 2016**

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Directors

C J N Rodman
K Treharne

Secretary and registered office

K Treharne, 18 Vincent Avenue, Crownhill, Milton Keynes, MK8 0AW

Company number

07160564

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Bankers

Lloyds Bank, 249 Silbury Boulevard, Milton Keynes, MK9 1NA

Lawyers

Taylor Wessing LLP, 5 New Street Square, London, EC4A 3TW

Topps MK Holdings Limited

Strategic report for the 53 week period ended 31 December 2016

The directors present their strategic report together with the audited financial statements, for the 53 week period ended 31 December 2016.

Principal activities, trading review and future developments

The principal activity of the company continues to be that of an investment holding company.

The principal activities of the group continue to be the design and marketing of children's sticker books and collections, the creation and marketing of distinctive confectionery products, and income from the licensing of various intellectual properties.

The overall increase in group turnover in the period resulted from improved sales in the entertainment and sports collections to £56.3m (previous period £52.4m) following successful football collections and an increase in sales of confectionery products to £19.9m (previous period £13.7m) through expansion in non EU countries. Operating profit has decreased primarily due to increased licensing costs.

In November 2016, the company paid a dividend of £3.4m (see note 19) and subsequent to this the company has processed an impairment of £18.8m to its investments in subsidiaries as disclosed in note 12, which has had no impact on the consolidated results of the group. The impairment was as a result of management having assessed the recoverable amount of an investment to be less than its carrying amount, taking account of year end and expected post year end trading.

Key performance indicators

The directors consider that turnover and operating results, excluding exceptional items, are considered to be the key performance indicators of the group.

| | 53 week period ending 31 December 2016 £'000 | 52 week period ending 26 December 2015 £'000 | Variance % |
|------------------|----------------------------------------------------------|----------------------------------------------------------|---------------|
| Revenue | 85,010 | 73,508 | 15.6% |
| Operating profit | 1,013 | 5,041 | (79.9%) |

Principal risks and uncertainties

The group competes for sales as well as shelf space with large corporations in the food, confectionery, publishing, toy and other industries. This results not only in downward pressure on its margins but also the risk that it will not meet our customers' expectations. The group believes that the industry in which it operates is highly competitive.

If the group was unable to renew or continue to operate under certain licenses this could have a material effect on activities.

The group believes that there are suitable sources available of raw materials to meet its requirements should the current suppliers become unable to meet the group's needs.

The group has certain support agreements, given by the parent company, The Topps Company, Inc. within the group.

On behalf of the Board



K Treharne
Director

Date: 29 November 2017

Topps MK Holdings Limited

Directors' report for the 53 week period ended 31 December 2016

The directors present their report together with the audited financial statements for the 53 week period ended 31 December 2016.

Directors

The directors of the company during the year were:

C J N Rodman

W A Hillier (resigned 30 August 2017)

K Treharne was appointed a director after the period end on 7 September 2017.

Financial risk management

The group formally reviews risks and appropriate processes are put in place to monitor and mitigate financial risks. The main financial risks arising from the group's activities are credit risk and liquidity risk.

Credit risk is monitored closely with only appropriate levels of credit given to customers based on previous experience and current credit worthiness. A robust policy is adopted where amounts are overdue.

The group has significant sales and purchases in Euro and US dollars, which provides a natural hedge against currency rate fluctuations. Other foreign currencies are actively monitored and forward exchange contracts are entered into to mitigate any risk if necessary.

Directors' responsibilities

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 group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

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

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

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

Topps MK Holdings Limited

Directors' report
for the 53 week period ended 31 December 2016 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board



K Treharne
Director

Date: 29 November 2017

Topps MK Holdings Limited

Independent auditor's report

TO THE MEMBERS OF TOPPS MK HOLDINGS LIMITED

We have audited the financial statements of Topps MK Holdings Limited for the 53 week period ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated statement of cash flows, the consolidated and company statements of changes in equity and the related notes. 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 Financial Reporting Standard 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 auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's profit for the 53 weeks 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.

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

Topps MK Holdings Limited

Independent auditor's report (continued)

Matters on which we are required to report by exception

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

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.



*Iain Henderson (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom*

Date 29 November 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Topps MK Holdings Limited

Consolidated income statement of total comprehensive income for the 53 week period ended 31 December 2016

| | Note | 53 week period ended 31 December 2016 £'000 | 52 week period ended 26 December 2015 £'000 |
|-------------------------------------------------------------|------|---------------------------------------------------------|---------------------------------------------------------|
| Turnover | 3 | 85,010 | 73,508 |
| Cost of sales | | (68,608) | (55,696) |
| Gross profit | | 16,402 | 17,812 |
| Other administrative expenses | | (15,618) | (12,917) |
| Other operating income | | 229 | 146 |
| Operating profit | 6 | 1,013 | 5,041 |
| Interest receivable and similar income | 7 | 24 | 20 |
| Interest payable and similar charges | 8 | (1,595) | (2,312) |
| (Loss)/profit on ordinary activities before taxation | | (558) | 2,749 |
| Taxation on (loss)/profit on ordinary activities | 9 | (3) | (4) |
| (Loss)/profit for the financial period | | (561) | 2,745 |
| Other comprehensive income | | | |
| Exchange translation difference arising in consolidation | | 1,834 | 401 |
| Total comprehensive income for the period | | 1,273 | 3,146 |

All amounts relate to continuing operations.

The notes on pages 12 to 25 form part of these financial statements.

Topps MK Holdings Limited

Consolidated balance sheet at 31 December 2016

| | Note | 31 December 2016 £'000 | 26 December 2015 £'000 |
|-------------------------------------------------------|------|------------------------------|------------------------------|
| Assets | | | |
| Fixed assets | | | |
| Intangible assets | 10 | 93 | 800 |
| Tangible assets | 11 | 562 | 561 |
| | | <u>655</u> | <u>1,361</u> |
| Current assets | | | |
| Stocks | 13 | 4,355 | 3,433 |
| Debtors | 14 | 66,431 | 49,941 |
| Cash at bank and in hand | | 12,654 | 13,942 |
| | | <u>83,440</u> | <u>67,316</u> |
| Creditors: amounts falling due within one year | 15 | <u>(70,882)</u> | <u>(53,815)</u> |
| Net current assets | | <u>12,558</u> | <u>13,501</u> |
| Total assets less current liabilities | | <u>13,213</u> | <u>14,862</u> |
| Creditors: amounts falling due after one year | 16 | <u>(29,431)</u> | <u>(28,994)</u> |
| Provisions for liabilities and charges | 17 | <u>(555)</u> | <u>(550)</u> |
| Net liabilities | | <u>(16,773)</u> | <u>(14,682)</u> |
| Capital and reserves | | | |
| Called up equity share capital | 19 | 11,421 | 11,421 |
| Share premium | | 33,692 | 33,692 |
| Merger reserve | | (70,062) | (70,062) |
| Capital contribution | | 318 | 318 |
| Profit and loss account | | 7,858 | 9,949 |
| Shareholders' deficit | | <u>(16,773)</u> | <u>(14,682)</u> |

The financial statements were approved by the board of directors and authorised for issue on 29 November 2017



K Treharne
Director

The notes on pages 12 to 25 form part of these financial statements.

Topps MK Holdings Limited

Consolidated statement of changes in equity for the year ended 31 December 2016 *(continued)*

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Capital contribution £'000 | Profit and loss account £'000 | Total equity £'000 |
|--------------------------------------------------------|---------------------------|---------------------------|----------------------------|----------------------------------|----------------------------------------|--------------------------|
| 27 December 2014 | 1 | 33,692 | (70,062) | 318 | 6,803 | (29,248) |
| Comprehensive income for the period | | | | | | |
| Profit for the period | - | - | - | - | 2,745 | 2,745 |
| Currency translations | - | - | - | - | 401 | 401 |
| Total comprehensive income for the period | - | - | - | - | 3,146 | 3,146 |
| Contributions by and distributions to the owners | | | | | | |
| Share issuance | 11,420 | - | - | - | - | 11,420 |
| 26 December 2015 | 11,421 | 33,692 | (70,062) | 318 | 9,949 | (14,682) |
| Comprehensive income for the period | | | | | | |
| Loss for the period | - | - | - | - | (561) | (561) |
| Currency translations | - | - | - | - | 1,834 | 1,834 |
| Total comprehensive income for the period | - | - | - | - | 1,273 | 1,273 |
| Contributions by and distributions to the owners | | | | | | |
| Dividend | - | - | - | - | (3,364) | (3,364) |
| 31 December 2016 | 11,421 | 33,692 | (70,062) | 318 | 7,858 | (16,773) |

The notes on pages 12 to 25 form part of these financial statements

Topps MK Holdings Limited

Consolidated statement of cash flows for the 53 week period ended 31 December 2016

| | 53 week period ended 31 December 2016 £'000 | 52 week period ended 26 December 2015 £'000 |
|-------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Cash flows from operating activities | | |
| (Loss)/profit for the financial period | (561) | 2,745 |
| Adjustments for: | | |
| Depreciation and amortisation of fixed assets | 1,039 | 1,051 |
| Net interest payable | 1,571 | 2,292 |
| Taxation expense | 3 | 4 |
| Increase in trade and other debtors | (16,490) | (14,913) |
| Increase in stocks | (922) | (2,059) |
| Increase in trade and other creditors | 17,504 | 18,031 |
| Increase in provisions | 5 | - |
| Foreign exchange | 375 | 350 |
| Loss on disposal of fixed assets | - | 26 |
| Cash from operations | | |
| Interest received | 24 | 20 |
| Interest paid | (1,595) | (4,551) |
| Taxation paid | (3) | (31) |
| Net cash generated from operating activities | 950 | 2,965 |
| Cash flows from investing activities | | |
| Purchases of tangible fixed assets | (184) | (327) |
| Purchase on intangible assets | (114) | - |
| Net cash from investing activities | (298) | (327) |
| Cash flows from financing activities | | |
| Equity dividends paid | (3,364) | - |
| Net cash used in financing activities | (3,364) | - |
| Net (decrease)/increase in cash and cash equivalents | (2,712) | 2,638 |
| Cash and cash equivalents at beginning of year | 13,942 | 11,216 |
| Foreign exchange | 1,424 | 88 |
| Cash and cash equivalents at end of year | 12,654 | 13,942 |
| Cash and cash equivalents comprise: | | |
| Cash at bank and in hand | 12,654 | 13,942 |

The notes on page 12 to 25 form part of these financial statements.

Topps MK Holdings Limited

Company balance sheet at 31 December 2016

| <i>Company number 07160564</i> | Note | 31 December 2016 £'000 | 26 December 2015 £'000 |
|-------------------------------------------------------|------|------------------------------|------------------------------|
| Assets | | | |
| Fixed assets | | | |
| Investments | 12 | 62,767 | 81,610 |
| | | <hr/> | <hr/> |
| Creditors: amounts falling due within one year | 15 | (795) | (795) |
| | | <hr/> | <hr/> |
| Net current liabilities | | (795) | (795) |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 61,972 | 80,815 |
| | | <hr/> | <hr/> |
| Creditors: amounts falling due after one year | 16 | (26,500) | (26,500) |
| | | <hr/> | <hr/> |
| Net assets | | 35,472 | 54,315 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up equity share capital | | 11,421 | 11,421 |
| Share premium | | 33,692 | 33,692 |
| Profit and loss account | | (9,641) | 9,202 |
| | | <hr/> | <hr/> |
| Shareholders' funds | 19 | 35,472 | 54,315 |
| | | <hr/> | <hr/> |

The company's loss for the financial year was £15,479,000 (2015: profit of £2,239,000)

The financial statements were approved by the Board of Directors and authorised for issue on 29 November 2017



K Treharne
Director

The notes on pages 12 to 25 form part of these financial statements.

Topps MK Holdings Limited

Company statement of changes in equity for the 53 week period ended 31 December 2016

| | Share capital £'000 | Share premium £'000 | Profit and loss account £'000 | Total equity £'000 |
|--------------------------------------------------|---------------------------|---------------------------|-------------------------------------|-----------------------|
| 27 December 2014 | 1 | 33,692 | 6,963 | 40,656 |
| Comprehensive income for the period | | | | |
| Profit for the period | - | - | 2,239 | 2,239 |
| Total comprehensive income for the period | - | - | 2,239 | 2,239 |
| Contributions by and distributions to the owners | | | | |
| Share issuance | 11,420 | - | - | 11,420 |
| 26 December 2015 | 11,421 | 33,692 | 9,202 | 54,315 |
| Comprehensive loss for the period | | | | |
| Loss for the period | - | - | (15,479) | (15,479) |
| Total comprehensive loss for the period | - | - | (15,479) | (15,479) |
| Contributions by and distributions to the owners | | | | |
| Dividend | - | - | (3,364) | (3,364) |
| 31 December 2016 | 11,421 | 33,692 | (9,641) | 35,472 |

The notes on pages 12 to 25 form part of these financial statements.

Topps MK Holdings Limited

Notes forming part of the financial statements for the 53 week period ended 31 December 2016

1 Accounting policies

Topps MK Holdings Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

Basis of preparation

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first-time adoption of FRS 102 is given in note 22.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group's accounting policies.

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom accounting standards.

The financial statements are made up to the Sunday closest to 31 December each year. Consequently, the financial statements for the current period cover 53 weeks ended 31 December 2016.

Going Concern

A review of the group's business activities, performance and position, together with principal risks, uncertainties and financial risk management are included in the strategic and directors' reports. The group has significant cash reserves and cash inflows from operations and an established portfolio of sports and entertainment licences. Therefore, despite a deficit on shareholders' funds, the directors believe that the group is well placed to manage its business risks and have reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to prepare the financial statements on a going concern basis. If required, the group has the support of The Topps Company, Inc, by nature of their legal and commercial working relationship.

Basis of consolidation

The consolidated financial statements present the results of Topps MK Holdings Limited and all of its subsidiary undertakings ("the group") as if they formed a single entity.

The consolidated financial statements incorporate the results of business combination using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recorded at the fair values at the acquisition date. The results of acquired operations are included in the statements of total comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 28 December 2014. Therefore the group continues to recognize a merger reserve which arose from a past business combination that was accounted for as a merger in accordance with UK GAAP as applied at that time.

Topps MK Holdings Limited

Notes forming part of the financial statements for the 53 week period ended 31 December 2016 (continued)

1 Accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised on a reducing balance method through the profit and loss account over the directors' estimate of its useful economic life which is five years. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Turnover and returns

Turnover represents the value of sales, excluding VAT, to third party customers net of discount, allowances, volume and promotional rebates and includes income from the licensing from various intellectual properties. Turnover is recognised when the significant risks and rewards of ownership are transferred to the customer in accordance with the term of the contract with the customer.

Provision has been made for estimated returns in respect of sales during the year. Returns provisions are based on a combination of market data and historical results of similar collections.

Licence and royalty payments

Amounts due under licence agreements are charged to the profit and loss account in line with sales of the respective collections. Where there is evidence that any collection is expected to make losses, full provision is made for the present obligation under the contract.

Fixed asset investments

Investments held as fixed assets are stated at cost less any provisions for impairment. The cost of the investment is calculated as the fair value of the shares issued at the date of acquisition.

Tangible fixed assets and depreciation

Tangible fixed assets are included at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual values over their estimated useful lives. It is calculated at the following rates.

| | |
|-----------------------------------------|----------------------------|
| Leasehold improvements | over the term of the lease |
| Plant, equipment, fixtures and fittings | 10% - 33% |

Impairment of fixed assets

Assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Stocks

Stocks are valued at the lower of cost and net realisable value with due allowance for obsolete and slow moving items, determined on a first in, first out basis. Cost represents invoice price and other directly attributable costs. Net realisable value is based on estimated selling price less further costs to be incurred to completion and disposal.

Topps MK Holdings Limited

Notes forming part of the financial statements for the 53 week period ended 31 December 2016 (*continued*)

1 Accounting policies (*continued*)

Foreign currencies

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in sterling, which is the company's functional currency and the group's presentational currency.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences which arise from the translation of opening net assets and results of foreign subsidiary undertakings are taken to other comprehensive income. Transactions in foreign currencies are recorded at the rate of ruling at the date of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account.

Taxation

Current tax is provided on taxable profits, at amounts expected to be paid (or recovered), subject to group relief, using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred at that date which will result in an obligation to pay more tax or a right to pay less tax. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which the future reversal of underlying timing differences can be deducted. Deferred tax amounts are not discounted.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the life of the lease.

Pensions

The group operates defined contribution stakeholder pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. Employees are eligible to contribute to their company's defined contribution scheme. Employer contributions and costs relating to this scheme are charged to the profit and loss account in the year in which they become payable.

Financial instruments

Debt instruments are initially recorded at the present value of the future payments discounted at a market rate of interest that would be payable on a similar debt instrument. The difference between the debt proceeds and the amount recorded is credited to equity as a capital contribution.

Reserves

The company's reserves are as follows;

- Called up share capital represents the nominal value of shares issued and the share premium account includes the premium on issue of equity shares net of any issue costs.
- The capital contribution reserve represents the equity component of debt instruments calculated in accordance with the effective interest method.
- The merger reserve arose on a past business combination that was accounted for as a group reorganisation in accordance with UK GAAP as applied at the time.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Liquid resources

For the purpose of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

Topps MK Holdings Limited

Notes forming part of the financial statements
for the 53 week period ended 31 December 2016 (*continued*)

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether to recognise any deferred tax asset in relation to the current trading losses. This requires an estimation over the recoverability of the deferred tax asset based on forecasts of future taxable profits, which by their nature are uncertain.

Other key sources of estimation uncertainty

- *Fixed asset investments (see note 12)*

The most critical estimates, assumptions and judgements relate to the determination of the carrying value of fixed asset investments. Determining this amount requires an estimation of the value in use of the cash generating unit to which the investment has been allocated versus a calculation of the fair value less cost to sell. The recoverable amount is the higher of the two calculations. Key areas of judgement in the value in use calculation include the estimation of future cash flows expected to arise from the CGU, the long-term growth rates and a suitable discount rate to apply to cash flows in order to calculate present value.

- *Tangible fixed assets (see note 11)*

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Intra-group loan (see note 16)*

The inter-group loan is initially recorded on inception at the present value of the expected cash flows under an effective interest rate method using a market rate of interest that would be payable on a similar third party debt instrument. The assessment of the market rate involves an inevitable degree of judgement given that this can only be tested reliably by the market itself had the company sought to enter into a third party borrowing arrangement.

- *Sales or returns provision*

Sales return provisions are estimated as of the balance sheet date based on a combination of market data and historical results of similar collections. While the estimates and related assumptions used in the preparation of the financial statements are appropriate, actual results could differ from these estimates.

Topps MK Holdings Limited

Notes forming part of the financial statements
for the 53 week period ended 31 December 2016 (*continued*)

3 Turnover

Analysis of turnover by geographical market:

| | 53 week period ended 31 December 2016 £'000 | 52 week period ended 26 December 2015 £'000 |
|-------------------|---------------------------------------------------------|---------------------------------------------------------|
| UK | 29,002 | 24,172 |
| Europe | 29,713 | 29,381 |
| Americas | 13,372 | 9,101 |
| Rest of the World | 12,923 | 10,854 |
| | <hr/> | <hr/> |
| | 85,010 | 73,508 |
| | <hr/> | <hr/> |

Analysis of turnover by class of business:

| | 53 week period ended 31 December 2016 £'000 | 52 week period ended 26 December 2015 £'000 |
|------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Sports & entertainment | 56,348 | 52,379 |
| Confectionery | 19,941 | 13,683 |
| Other | 8,721 | 7,446 |
| | <hr/> | <hr/> |
| | 85,010 | 73,508 |
| | <hr/> | <hr/> |

4 Employees

Staff costs (including directors) consist of:

| | 53 week period ended 31 December 2016 £'000 | 52 week period ended 26 December 2015 £'000 |
|-----------------------|---------------------------------------------------------|---------------------------------------------------------|
| Wages and salaries | 5,730 | 5,428 |
| Social security costs | 686 | 675 |
| Other pension costs | 535 | 557 |
| | <hr/> | <hr/> |
| | 6,951 | 6,660 |
| | <hr/> | <hr/> |

Topps MK Holdings Limited

Notes forming part of the financial statements
for the 53 week period ended 31 December 2016 (*continued*)

4 Employees (*continued*)

The average number of employees (including directors) during the period was as follows:

| | 53 week period ended 31 December 2016 Number | 52 week period ended 26 December 2015 Number |
|-------------------------------|----------------------------------------------------------|----------------------------------------------------------|
| Sales and distribution | 32 | 31 |
| Administrative and management | 82 | 81 |
| | <hr/> | <hr/> |
| | 114 | 112 |
| | <hr/> | <hr/> |

5 Directors' emoluments

| | 53 week period ended 31 December 2016 £'000 | 52 week period ended 26 December 2015 £'000 |
|-------------------------------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Remuneration | 613 | 503 |
| Pension contributions – money purchase pension scheme | 51 | 65 |
| | <hr/> | <hr/> |
| | 664 | 568 |
| | <hr/> | <hr/> |
| Number of directors with retirement benefits accruing under money purchase pension scheme | 2 | 2 |
| | <hr/> | <hr/> |
| <i>Highest paid director</i> | | |
| Remuneration | 370 | 392 |
| Pension contributions – money purchase pension scheme | 19 | 48 |
| | <hr/> | <hr/> |

Directors of the group are considered to be the only key management personnel.

Topps MK Holdings Limited

Notes forming part of the financial statements
for the 53 week period ended 31 December 2016 (*continued*)

6 Operating profit

| | 53 week period ended 31 December 2016 £'000 | 52 week period ended 26 December 2015 £'000 |
|--------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Operating profit is stated after charging: | | |
| Depreciation on tangible fixed assets | 218 | 185 |
| Amortisation of intangible fixed assets | 821 | 863 |
| Operating lease rentals | | |
| Land and buildings | 406 | 330 |
| Other | 35 | 49 |
| Auditor's remuneration | | |
| Audit services | 103 | 115 |
| Non audit services | 45 | 33 |
| Loss on disposal of fixed assets | - | 26 |
| Foreign exchange | 445 | 96 |
| Inventory expense | 17,250 | 15,303 |

7 Interest receivable and similar income

| | 53 week period ended 31 December 2016 £'000 | 52 week period ended 26 December 2015 £'000 |
|--------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Bank interest receivable | 24 | 20 |
| | 24 | 20 |

8 Interest payable and similar charges

| | 53 week period ended 31 December 2016 £'000 | 52 week period ended 26 December 2015 £'000 |
|--------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Interest payable on group borrowings | 1,590 | 2,312 |
| Other interest payable | 5 | - |
| | 1,595 | 2,312 |

Topps MK Holdings Limited

Notes forming part of the financial statements
for the 53 week period ended 31 December 2016 (continued)

9 Taxation

Taxation charge on (loss)/profit on ordinary activities

| | 53 week period ended 31 December 2016 £'000 | 52 week period ended 26 December 2015 £'000 |
|----------------------|---------------------------------------------------------|---------------------------------------------------------|
| UK current tax | - | - |
| Overseas current tax | 3 | 4 |
| | <hr/> | <hr/> |
| Total current tax | 3 | 4 |
| | <hr/> | <hr/> |

The tax assessed for the period is higher than (2015: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

| | 53 week period ended 31 December 2016 £'000 | 52 week period ended 26 December 2015 £'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| (Loss)/profit on ordinary activities before tax | (558) | 2,749 |
| | <hr/> | <hr/> |
| (Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (52 week period ended 26 December 2015 – 20.25%) | (112) | 555 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 153 | 218 |
| Trading losses carried forward | 1,275 | 409 |
| Difference due to overseas tax rate | (8) | - |
| Difference due to overseas double tax relief | (1,336) | (1,200) |
| Other timing differences | 31 | 22 |
| | <hr/> | <hr/> |
| | 3 | 4 |
| | <hr/> | <hr/> |

Certain overseas entities within the group are part of a consolidated tax return submitted by The Topps Company, Inc. During the year foreign tax that could be attributable to these overseas entities is £1,336,000 (2015 - £1,200,000) and The Topps Company, Inc, has not sought to recover these amounts from the respective group entities.

Topps MK Holdings Limited

Notes forming part of the financial statements
for the 53 week period ended 31 December 2016 (*continued*)

9 Taxation (continued)

Deferred taxation

The following deferred tax assets have not been recognised as the directors do not consider that sufficient taxable profits will be available in the respective jurisdictions in the future to realise the deferred tax assets:

| | 31 December 2016 £'000 | 26 December 2015 £'000 |
|--------------------|------------------------------|------------------------------|
| Trading losses | 3,224 | 2,558 |
| Non-trading losses | 901 | 1,849 |
| | <hr/> | <hr/> |
| | 4,125 | 4,407 |
| | <hr/> | <hr/> |

10 Intangible fixed assets

| Group | Software £'000 | Goodwill £'000 |
|-----------------------|-------------------|-------------------|
| <i>Cost</i> | | |
| At 27 December 2015 | - | 10,647 |
| Additions | 114 | - |
| | <hr/> | <hr/> |
| At 31 December 2016 | 114 | 10,647 |
| <i>Amortisation</i> | | |
| At 27 December 2015 | - | 9,847 |
| Charge for the period | 21 | 800 |
| | <hr/> | <hr/> |
| At 31 December 2016 | 21 | 10,647 |
| | <hr/> | <hr/> |
| <i>Net book value</i> | | |
| At 31 December 2016 | 93 | - |
| | <hr/> | <hr/> |
| At 26 December 2015 | - | 800 |
| | <hr/> | <hr/> |

Topps MK Holdings Limited

Notes forming part of the financial statements
for the 53 week period ended 31 December 2016 (*continued*)

11 Tangible fixed assets

| Group | Leasehold improvements £'000 | Plant, equipment, fixtures and Fittings £'000 | Total £'000 |
|-----------------------|------------------------------------|-----------------------------------------------------------|----------------|
| <i>Cost</i> | | | |
| At 27 December 2015 | 307 | 1,653 | 1,960 |
| Additions | - | 184 | 184 |
| Disposals | - | (178) | (178) |
| Exchange differences | 12 | 37 | 49 |
| | | | |
| At 31 December 2016 | 319 | 1,696 | 2,015 |
| | | | |
| <i>Depreciation</i> | | | |
| At 27 December 2015 | 116 | 1,283 | 1,399 |
| Charge for the period | 48 | 170 | 218 |
| Disposals | - | (178) | (178) |
| Exchange differences | - | 14 | 14 |
| | | | |
| At 31 December 2016 | 164 | 1,289 | 1,453 |
| | | | |
| <i>Net book value</i> | | | |
| At 31 December 2016 | 155 | 407 | 562 |
| | | | |
| At 26 December 2015 | 191 | 370 | 561 |

12 Fixed asset investments

| Company | Investment in subsidiary undertakings £'000 |
|--------------------------------------------|------------------------------------------------------|
| <i>Cost</i> | |
| At 31 December 2016 and 27 December 2015 | 81,610 |
| | |
| Impairment of investment during the period | (18,843) |
| | |
| <i>Net book value</i> | |
| At 27 December 2015 | 81,610 |
| At 31 December 2016 | 62,767 |

Topps MK Holdings Limited

Notes forming part of the financial statements
for the 53 week period ended 31 December 2016 (continued)

12 Fixed asset investments (continued)

The company has subsidiary undertakings, with a proportion of voting rights and ordinary share capital directly held of 100%, unless otherwise indicated (*note 1*) and at the registered addresses, (*note 2-12*) as at 31 December 2016 as follows:

| Name | Country of incorporation | Registered Address | Principal activities during period |
|---------------------------------------------------|--------------------------|--------------------|--------------------------------------------------|
| Topps Europe Holdings Limited | England | (2) | Retention and use of licence agreements |
| Topps Europe Limited (1) | England | (2) | Sale of sticker and other collections |
| Bazooka Candy Brands International Limited | England | (3) | Sales of confectionery products |
| Topps International Limited (1) | Ireland | (4) | Non-trading |
| Topps Properties Inc. | USA | (5) | Retention and use of group license agreements |
| TCI Acquisition Inc. | USA | (5) | Intermediate holding company |
| GMG Lifestyle Entertainment Inc. (1) | USA | (5) | Marketing and distribution of prepaid gift cards |
| Topps Deutschland GmbH(1) | Germany | (6) | Sale of sticker and other collections |
| Topps Italia SRL(1) | Italy | (7) | Sale of sticker and other collections |
| Topps Singapore Holdings Pte Ltd(1) | Singapore | (8) | Intermediate holding company |
| Topps India Sports & Entertainment Pvt. Ltd(1) | India | (9) | Sale of sticker and other collections |
| Topps Esportes E Entretenimento do Brasil Ltda(1) | Brazil | (10) | Sale of sticker and other collections |
| Topps Benelux BV | Netherlands | (11) | Non trading |

(1) Not directly owned

(2) 18 Vincent Avenue, Crownhill, Milton Keynes MK8 0AW

(3) 15 Petersham Road, Richmond TW 106TP

(4) Floor 2, The Business Centre, Clontarf Street, Cork Ireland

(5) One Whitehall Street, New York, NY 10004-2109 USA

(6) Geoth Strabe 18, 60313 Frankfurt am Main, Germany

(7) 20130 Milano, Italy

(8) 160 Robinson Road, 17-01, Singapore Business Federation Centre, Singapore 068914

(9) Unit 104, 1st floor, Wing 36B, Turner Road Building, Turner Road, Bandra West, Mumbai, 400 050

(10) Av. Engenheiro Luiz Carlos Berrini, 1310-1311 Torre Thera Office, Sao Paulo, Brooklin, Brasil

(11) Aeolusstraat 8, 5258 AM, Berlicum NB

13 Stocks

| Group | 31 December 2016 £'000 | 26 December 2015 £'000 |
|----------------|------------------------------|------------------------------|
| Raw materials | 524 | 969 |
| Finished goods | 3,831 | 2,464 |
| | <hr/> | <hr/> |
| | 4,355 | 3,433 |
| | <hr/> | <hr/> |

Topps MK Holdings Limited

Notes forming part of the financial statements
for the 53 week period ended 31 December 2016 (*continued*)

14 Debtors

| Group | 31 December 2016 £'000 | 26 December 2015 £'000 |
|--------------------------------------|------------------------------|------------------------------|
| Trade debtors | 53,851 | 39,689 |
| Amounts due from group undertakings | 5,496 | 5,022 |
| Other debtors | 3,535 | 2,823 |
| Prepayments and accrued income | 3,402 | 2,179 |
| Overseas corporation tax recoverable | 147 | 228 |
| | <u>66,431</u> | <u>49,941</u> |

15 Creditors falling due within one year

| | Group 31 December 2016 £'000 | Group 26 December 2015 £'000 | Company 31 December 2016 £'000 | Company 26 December 2015 £'000 |
|------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| Trade creditors | 49,377 | 33,124 | - | - |
| Balance due to group undertakings | 15,396 | 9,557 | 795 | 795 |
| Other taxation and social security | 285 | 1,189 | - | - |
| Other creditors | 1,725 | 3,728 | - | - |
| Accruals and deferred income | 4,099 | 6,217 | - | - |
| | <u>70,882</u> | <u>53,815</u> | <u>795</u> | <u>795</u> |

16 Creditors falling due after one year

| | Group 31 December 2016 £'000 | Group 26 December 2015 £'000 | Company 31 December 2016 £'000 | Company 26 December 2015 £'000 |
|------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------|-----------------------------------------|
| Loan note due to group undertaking | 26,500 | 26,500 | 26,500 | 26,500 |
| Balance due to group undertaking | 2,931 | 2,494 | - | - |
| | <u>29,431</u> | <u>28,994</u> | <u>26,500</u> | <u>26,500</u> |

The unsecured loan note payable to group of £26,500,000 was refinanced to mature on 30 June 2018, with interest at 6% payable annually.

During the years 2016 and 2015, the company made cash payments of interest of £1,590,000 and £4,550,800, respectively.

Topps MK Holdings Limited

Notes forming part of the financial statements
for the 53 week period ended 31 December 2016 (*continued*)

17 Provisions for liabilities

| Group | Dilapidations £'000 | Contingent consideration £'000 | Total £'000 |
|----------------------|------------------------|--------------------------------------|----------------|
| At 27 December 2015 | 150 | 400 | 550 |
| Additions | - | - | - |
| Payment of earn-out | - | (87) | (87) |
| Exchange differences | - | 92 | 92 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2016 | 150 | 405 | 555 |
| | <hr/> | <hr/> | <hr/> |

The contingent consideration has arisen on the acquisition of GMG Lifestyle Entertainment Inc. and is calculated by reference to the expected post acquisition performance of the business up to July 2018.

18 Financial instruments

Financial assets measured at amortized costs comprise cash, trade debtors and other debtors of £75,536,000 and £61,476,000, at 31 December 2016 and 26 December 2015, respectively.

Financial liabilities measured at amortized costs comprise of loan notes, trade creditors, other creditors and accruals of £98,855,000 and £83,359,000, at 31 December 2016 and 26 December 2015, respectively.

19 Called up share capital

| | Allotted, called up and fully paid | | | |
|----------------------------|------------------------------------|-------------------------------|--------------------------|--------------------------|
| | 31 December 2016 Number | 26 December 2015 Number | 31 December 2016 £ | 26 December 2015 £ |
| Ordinary shares of £1 each | 11,421,000 | 1,000 | 11,421,000 | 1,000 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

On 18 November 2016, £0.2945 per share (2015: £nil) was paid as a dividend totalling £3,364,000.

20 Financial commitments

Operating lease commitments

The group had total minimum lease payments under non-cancellable operating leases as set out below:

| | Land and Buildings 31 December 2016 £'000 | Other 31 December 2016 £'000 | Land and Buildings 26 December 2015 £'000 | Other 26 December 2015 £'000 |
|----------------------------|-------------------------------------------------------|---------------------------------------|-------------------------------------------------------|---------------------------------------|
| Within one year | 410 | 92 | 352 | 24 |
| Between two and five years | 851 | 151 | 940 | 11 |
| Later than five years | 363 | - | 458 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 1,624 | 243 | 1,750 | 35 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Topps MK Holdings Limited

Notes forming part of the financial statements
for the 53 week period ended 31 December 2016 (*continued*)

21 Ultimate parent company and controlling party

The immediate parent undertaking is Topps Cayman Limited, a company incorporated in the Cayman Islands. The ultimate parent undertaking is Tornante-MDP Joe Holding LLC, which is registered in the United States of America.

In the opinion of the directors, Madison Dearborn Capital Partners V, LP, is the ultimate controlling party by virtue of their interests in the ultimate parent undertaking.

22 First time adoption of FRS 102

| Group | | Equity as at 27 December 2014 £'000 | Profit for the 52 week period ended 26 December 2015 £'000 | Equity as at 26 December 2015 £'000 |
|------------------------------------------------------------------|------|----------------------------------------------|---------------------------------------------------------------------------|----------------------------------------------|
| | Note | | | |
| As previously stated under former UK GAAP | | (29,566) | 2,665 | (15,080) |
| Transitional adjustments | | | | |
| Adjustments arising on accounting treatment for inter-group loan | a | 318 | 80 | 398 |
| As stated in accordance with FRS 102 | | (29,248) | 2,745 | (14,682) |

Explanation of changes to previously reported profit and equity:

- a. FRS 102 requires certain financial liabilities to be initially recorded at present value of the future payments discounted at a market rate of interest for a similar third party debt instrument, and based on the terms and conditions, the inter-group loan with the related party falls within scope of this requirement. Under previous UK GAAP the inter-group loan was accounted for at historical cost. This change has been retrospectively applied, which has the effect of increasing the profit for the 52 week period ended 26 December 2015, and increasing the reported equity as at 31 December 2016.

23 Post balance sheet events

On 2 July 2017, The Topps Company, Inc. waived the interest free loan in the group's inactive wholly-owned subsidiary, Topps International Limited. The group commenced dissolution of this entity. This balance is reported in balance due to group undertaking in note 16.