

Group Financial Statements Ensco 1090 Limited

For the year ended 31 March 2016



Company No.09227120

Company Information

Directors	D E Schweiger M Schweiger J Winterbottom A Lees M Lacey A Dunkley G Panons
Company secretary	M Schweiger
Registered number	09227120
Registered office	c/o UHY Hacker Young St James Building 79 Oxford Street Manchester M1 6HT
Business address	Character House 1 Oak Green Stanley Green Business Park Cheadle Hulme Cheshire SK8 6QL
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 4 Hardman Square Spinningfields Manchester M3 3EB
Bankers	National Westminster Bank Plc 23 Stamford New Road Altrincham Cheshire WA14 1DB

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Directors' report

For the year ended 31 March 2016

The directors present their report and the financial statements for the year ended 31 March 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgments and accounting estimates that are reasonable and prudent;
- 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 group's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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.

Principal activities

The principal activity of the group is the marketing and sales of licensed products and textiles. The principal activity of the company is that of a holding company.

Results

The loss for the year, after taxation, amounted to £3,632,077 (loss of £1,537,565 for the period ended 31 March 2015).

Directors

The directors who served during the year were:

D E Schweiger
M Schweiger
J Winterbottom
A Lees
M Lacey
M Hancox (resigned 30 June 2015)
A Dunkley (appointed 23 March 2016)
G Panons (appointed 23 March 2016)

Directors' report

For the year ended 31 March 2016

Financial instruments

The financial risk management objectives and policies of the entity are detailed in note 24 to the financial statements.

Post balance sheet events

There have not been any significant matters affecting the company since year end.

Disclosure of information to auditor

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

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

Auditor

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

This report was approved by the board on 19 August 2016 and signed on its behalf.



D E Schweiger
Director

Strategic report

For the year ended 31 March 2016

Business review

The group's main focus during the period has been to grow profitable business through the development of existing and new licensed products. During the year to 31 March 2016 turnover for the Group was £32,063,752 which compares to £11,501,407 in the period from incorporation to 31 March 2015. The trading subsidiary of the Group is Character World Limited and your attention is drawn to those financial statements which report the results for the 12 months to March 2016 and for the comparative period of the 15 months to 31 March 2015. The Strategic Report for that company states that "the company has continued to hold the major licences and distribute to the leading retailers and has revenue in 2016 of £32,063,752 compared to the 15 months to March 2015 revenue of £40,377,366. Whilst reported turnover has decreased by 21% this reflects the shorter reporting period. Profit on ordinary activities before taxation decreased from £1,788,015 in the 15 months to March 2015 to £1,660,386 in the 12 months to March 2016 – a reduction of 7%."

Principal risks and uncertainties

The principal risks and uncertainties facing the group are its exposure to quick changes in trends and fashions, rising material and freight costs, interest rates affecting its bank loans, its exposure to minimum guarantee obligations, exposure to foreign currency markets and credit risks with its trade debtors.

The directors closely monitor the popularity of current stock lines and continue to identify new products and licences which will generate future revenues. During 2015 and 2016, a number of new licences were signed to ensure continuity of turnover. The directors also monitor LIBOR and foreign currency markets to ensure that fluctuations in interest and currency rates have the smallest possible effect on the group's trading results and cash flows. The directors have hedged exposure to interest rates by capping LIBOR increases for its bank loans. The group also maintains credit insurance.

The referendum vote to leave the European Union naturally introduces new uncertainties into an already challenging market place. At the signing date the company had reviewed the opportunities and risks this brings while reviewing the going concern assumption, which is judged to be unaffected despite the inherent uncertainty in the UK economy.

Future developments

Since the year end, the group has won licences within the UK and Europe that will enable the group to expand its business.

Strategic report

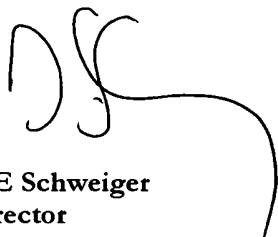
For the year ended 31 March 2016

Going concern

The group has a strong and stable client base. The directors believe that the group is well placed to manage its business risk successfully.

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

This report was approved by the board on 1st August 2016 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'D E Schweiger', with a long horizontal flourish extending to the right.

D E Schweiger
Director

Independent auditor's report to the members of Ensco 1090 Limited

We have audited the consolidated financial statements of Ensco 1090 Limited for the year ended 31 March 2016, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated statement of cash flows, the consolidated and company statement 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 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 1, 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 (APB'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 Financial Reporting Council'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 company's affairs as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 period for which the financial statements are prepared is consistent with the financial statements.



Grant Thornton

Independent auditor's report to the members of Ensco 1090 Limited

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Stuart Muskett (Senior statutory auditor)
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

22 August 2016

Consolidated Income Statement

For the year ended 31 March 2016

	Note	Year Ended 31 March 2016 £	Period Ended 31 March 2015 £
Turnover	5	32,063,752	11,501,407
Cost of sales		<u>(23,058,770)</u>	<u>(8,042,303)</u>
Gross profit		9,004,982	3,459,104
Distribution costs		(552,557)	(170,583)
Administrative expenses		(9,388,002)	(3,859,972)
Operating loss		<u>(935,577)</u>	<u>(571,451)</u>
Interest payable and similar charges	6	<u>(3,032,113)</u>	<u>(1,152,552)</u>
Loss on ordinary activities before taxation	7	(3,967,690)	(1,724,003)
Tax on loss on ordinary activities	10	335,613	186,438
Loss for the financial period		<u><u>(3,632,077)</u></u>	<u><u>(1,537,565)</u></u>

Consolidated statement of comprehensive income

For the year ended 31 March 2016

	Year Ended 31 March 2016 £	Period Ended 31 March 2015 £
Loss for the financial period	(3,632,077)	(1,537,565)
Other comprehensive income	-	-
Total comprehensive loss for the financial period	<u><u>(3,632,077)</u></u>	<u><u>(1,537,565)</u></u>

Consolidated statement of financial position

As at 31 March 2016

	Note	31 March 2016 £	31 March 2015 £
Fixed assets			
Intangible assets	11	31,955,283	34,294,049
Tangible assets	12	<u>1,202,164</u>	<u>1,032,738</u>
		33,157,447	35,326,787
Current assets			
Stocks	14	4,520,229	4,826,053
Debtors	15	7,944,206	8,142,571
Cash at bank and in hand	19	<u>882,804</u>	<u>1,917,012</u>
		13,347,239	14,885,636
Creditors: amounts falling due within one year	16	<u>(9,878,828)</u>	<u>(9,869,762)</u>
Net current assets		<u>3,468,411</u>	<u>5,015,874</u>
Total assets less current liabilities		36,625,858	40,342,661
Creditors due in more than one year	17	(38,650,203)	(38,221,686)
Provisions for liabilities			
Deferred tax	18	<u>(3,060,657)</u>	<u>(3,573,900)</u>
Net liabilities		<u>(5,085,002)</u>	<u>(1,452,925)</u>
Capital and reserves			
Called up share capital	20	84,640	84,640
Retained losses		<u>(5,169,642)</u>	<u>(1,537,565)</u>
		<u>(5,085,002)</u>	<u>(1,452,925)</u>

The financial statements were approved by the Board of Directors on 18 August 2016.

Signed on behalf of the board of directors:


Director
D E Schweiger

Company registration no: 09227120

Company statement of financial position

As at 31 March 2016

	Note	31 March 2016 £	31 March 2015 £
Fixed assets			
Investments	13	<u>84,500</u>	<u>84,500</u>
		84,500	84,500
Current assets			
Debtors	15	<u>7,974,397</u>	<u>7,974,397</u>
		7,974,397	7,974,397
Creditors: amounts falling due within one year	16	<u>(2,649)</u>	<u>(2,649)</u>
Net current assets		<u>7,971,748</u>	<u>7,971,748</u>
Total assets less current liabilities		8,056,248	8,056,248
Creditors due in more than one year	17	<u>(9,077,721)</u>	<u>(8,297,139)</u>
Net liabilities		<u>(1,021,473)</u>	<u>(240,891)</u>
Capital and reserves			
Called up share capital	19	84,640	84,640
Retained losses		<u>(1,106,113)</u>	<u>(325,531)</u>
		<u>(1,021,473)</u>	<u>(240,891)</u>

The financial statements were approved by the Board of Directors on 18th August 2016.
Signed on behalf of the board of directors:


Director
D E Schweiger

Company registration no: 09227120

Consolidated statement of cash flows

For the year ended 31 March 2016

	Year Ended 31 March 2016 £	Period Ended 31 March 2015 £
Cash flows from operating activities		
Loss for the financial period	(3,632,077)	(1,537,565)
Adjustments for:		
Amortisation of intangible assets	2,338,766	787,442
Depreciation of tangible assets	186,797	98,007
Interest paid	3,032,113	1,111,221
Taxation	(335,613)	(186,438)
Decrease in trade and other debtors	50,566	3,401,361
Decrease/(increase) in stocks	305,824	(1,143,337)
Decrease in trade and other creditors	(2,971,346)	(695,744)
Cash from operations	(1,024,970)	1,834,947
Income taxes paid	-	-
Net cash (used in)/generated from operating activities	(1,024,970)	1,834,947
Cash flows from investing activities		
Purchases of tangible assets	(356,223)	(304,519)
Purchase of subsidiary undertakings	-	(17,554,075)
Cash acquired with subsidiary undertakings	-	(498,925)
Net cash used in investing activities	(356,223)	(18,357,519)
Cash flows from financing activities		
New bank loans (net of issue costs)	3,128,431	13,345,747
New loan notes	-	24,089,255
Repayment of bank loans	(2,100,000)	-
Interest paid	(681,446)	(126,041)
Repayment of loan notes	-	(18,869,377)
Net cash generated from financing activities	346,985	18,439,584
Net (decrease)/increase in cash and cash equivalents	(1,034,208)	1,917,012
Cash and cash equivalents at the beginning of period	1,917,012	-
Cash and cash equivalents at end of period	882,804	1,917,012

Consolidated statement of changes in equity

For the year ended 31 March 2016

	Called-up share capital	Retained losses	Total
	£	£	£
At incorporation	-	-	-
Issue of shares	84,640	-	84,640
Loss and total comprehensive loss for the period	-	(1,537,565)	(1,537,565)
At 31 March 2015	84,640	(1,537,565)	(1,452,925)
Loss and total comprehensive loss for the year	-	(3,632,077)	(3,632,077)
At 31 March 2016	84,640	(5,169,642)	(5,085,002)

Company statement of changes in equity

For the year ended 31 March 2016

	Called-up share capital £	Retained losses £	Total £
At incorporation			
Issue of shares	84,640	-	84,640
Loss and total comprehensive loss for the period	-	(325,531)	(325,531)
At 31 March 2015	84,640	(325,531)	(240,891)
Loss and total comprehensive loss for the period	-	(780,582)	(780,582)
At 31 March 2016	84,640	(1,106,113)	(1,021,473)

Notes to the financial statements

For the year ended 31 March 2016

1 Company information

Ensco 1090 Limited is a limited company incorporated in the UK and its registered office is Character World, c/o UHY Hacker Young, St James Building, 79 Oxford Street, Manchester, M1 6HT.

2 Basis of preparation

The financial statements have been prepared under the historical costs convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

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

The financial statements are presented in Sterling (£).

Basis of consolidation

The consolidated income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes include the financial statements of the holding company and its subsidiary undertakings made up to 31 March 2016. The results of subsidiaries sold or acquired are included in the consolidated income statement up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Director's report and the Strategic report.

The group has prepared forecasts and projections for a period in excess of twelve months following the approval of these financial statements. These forecasts show that the group will be able to operate within the level of its banking facilities for the foreseeable future.

The directors have considered the going concern assumption in the light of the foregoing and have concluded that there is a reasonable expectation that the company and the group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these significant judgments and estimates have been made include:

- The useful expected lives of intangible fixed assets
- The valuation of intangible fixed assets
- Stock provisions
- Guaranteed minimum royalty provisions

Notes to the financial statements

For the year ended 31 March 2016

4 Principal accounting policies

4.1 Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- | | |
|------------------------|----------|
| - Goodwill | 15 years |
| - Contract intangibles | 15 years |

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

4.2 Tangible assets

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

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives, using the straight-line method. The rates applicable are:

- | | |
|----------------------------|-----------|
| - Fixtures and fittings | 10% – 33% |
| - Alterations to leasehold | 5% – 10% |

4.3 Impairment of assets

At each reporting date, fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.4 Stocks

Stock is valued at the lower of cost and net realisable value. The cost of stock represents the purchase value of the goods and costs to bring it to its current location. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

4.5 Debtors

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

The group operates an invoice discounting facility for the settlement of certain trade debtors.

Notes to the financial statements

For the year ended 31 March 2016

4 Principal accounting policies (continued)

4.6 Creditors

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

4.7 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

No assets are held under finance leases.

Notes to the financial statements

For the year ended 31 March 2016

4 Principal accounting policies (continued)

4.8 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

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

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

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

Notes to the financial statements

For the year ended 31 March 2016

4 Principal accounting policies (continued)

4.9 Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The group does not recognise a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months, as any provision would not be material to the financial statements

4.10 Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the group has a legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Deferred tax assets and liabilities are not discounted.

4.11 Turnover

Turnover comprises revenue recognised by the group in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods. Revenue is measured at fair value of the consideration received, excluding discounts, rebated, VAT and other sales taxes or duty.

4.12 Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Notes to the financial statements

For the year ended 31 March 2016

4 Principal accounting policies (continued)

4.13 Foreign currency translation

Transactions in currencies other than the functional currency (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

4.14 Investments

Investments are held as fixed assets are shown at cost less provision for impairment

4.15 Royalties payable

Royalties payable in accordance with licensing agreements are recognised as costs of sale when the associated revenue is recognised.

Where a licence requires royalties to be paid in advance, this is initially deferred and allocated to cost of sales as the associated revenue is recognised.

Certain licences require a guaranteed level of royalties to be paid. Where the forecast level of sales associated with a licence is anticipated to result in a loss on the licence, provision is made immediately for the anticipated loss.

4.16 Business combinations and goodwill

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired. On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

Notes to the financial statements

For the year ended 31 March 2016

5 Turnover

Turnover, analysed geographically between markets, was as follows:

	Year Ended 31 March 2016	Period Ended 31 March 2015
	£	£
United Kingdom	24,086,026	10,705,802
Rest of the European Union	7,887,868	795,605
Rest of World	89,858	-
	<u>32,063,752</u>	<u>11,501,407</u>

All turnover represents the sale of goods.

6 Interest payable and similar charges

	Year Ended 31 March 2016	Period Ended 31 March 2015
	£	£
Amortisation of debt issue costs	209,864	61,665
Changes in fair value of derivatives	(424,947)	41,331
Bank interest payable	728,543	214,536
Loan note interest payable	2,518,653	835,020
	<u>3,032,113</u>	<u>1,152,552</u>

Loan note interest relates to the loan notes due to Palatine Private Equity and the management team as disclosed in note 17.

Notes to the financial statements

For the year ended 31 March 2016

7 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after:

	Year Ended 31 March 2016	Period Ended 31 March 2015
	£	£
Auditor's remuneration:		
Audit service	26,100	8,267
Non – audit services:		
Tax compliance services	7,800	1,640
VAT services	14,050	4,400
Tax advisory services	2,000	5,453
Foreign exchange gains	(153,614)	(82,857)
Changes in fair value of derivatives	(424,947)	41,331
Amortisation of intangible fixed assets	2,338,766	787,442
Depreciation of tangible fixed assets	186,797	98,007
Operating lease rentals – land and buildings	239,083	108,199
Non recurring advisory costs	144,694	-
Legal costs to defend business intellectual property	227,015	-
Restructuring costs	181,920	-
Stock re-work costs	229,896	-

8 Staff costs

Staff costs during the period were as follows:

	Year Ended 31 March 2016	Period Ended 31 March 2015
	£	£
Wages and salaries	3,527,917	1,089,029
Social security costs	302,762	108,930
Cost of defined contribution scheme	18,487	-
	<u>3,849,166</u>	<u>1,197,959</u>

The average number of employees of the group during the year was:

	Year Ended 31 March 2016	Period Ended 31 March 2015
	Number	Number
Directors	7	7
Administration and design	76	64
	<u>83</u>	<u>71</u>

Notes to the financial statements

For the year ended 31 March 2016

Remuneration in respect of directors was as follows:

	Year Ended 31 March 2016 £	Period Ended 31 March 2015 £
Remuneration for qualifying services	1,147,243	301,757
Cost of defined contribution scheme	4,928	-
	<u>1,152,171</u>	<u>301,757</u>

The highest paid director received remuneration of £200,000 (2015: £66,667). The value of the group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2015: £nil).

9 Loss for the financial year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The parent company's loss for the year ended 31 March 2016 is £780,582 (2015: £325,531).

10 Tax on loss on ordinary activities

The tax credit is based on the loss for the year and represents:

	Year Ended 31 March 2016 £	Period Ended 31 March 2015 £
UK Corporation Tax	177,630	(340,689)
Deferred taxation	(513,243)	154,251
Tax on results on ordinary activities	<u>(335,613)</u>	<u>(186,438)</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the United Kingdom at 20% (2015: 21.4%). The differences are explained as follows:

Loss on ordinary activities before tax	<u>(3,967,690)</u>	<u>(1,724,003)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 20% (2015 : 21.4%)	(793,538)	(368,937)
Expenses not deductible for tax purposes	401,336	72,623
Fixed asset differences	1,905	61,734
Adjustments in respect of prior year periods (deferred tax)	67,800	-
Deferred taxation not recognised	284,013	47,254
Deferred taxation: effect of change in tax rates	(297,129)	888
Tax on results on ordinary activities	<u>(335,613)</u>	<u>(186,438)</u>

Notes to the financial statements

For the year ended 31 March 2016

During the year the UK corporation tax rate was decreased. The Finance Act 2015 included changes which will also affect future tax charges. The rate of Corporation tax will reduce to 19% from 1 April 2017 and to 18% from 1 April 2018. On 16 March 2016 it was announced that the rate will be further reduced to 17% from 1 April 2020.

11 Intangible fixed assets

The group

	Contract intangibles £	Goodwill £	Total £
Cost			
At 1 April 2015	18,449,000	16,632,491	35,081,491
Additions	-	-	-
At 31 March 2016	18,449,000	16,632,491	35,081,491
Amortisation			
At 1 April 2015	(409,978)	(377,464)	(787,442)
Charge for the year	(1,229,933)	(1,108,833)	(2,338,766)
At 31 March 2016	(1,639,911)	(1,486,297)	(3,126,208)
Net book value			
At 31 March 2016	16,809,089	15,146,194	31,955,283
At 31 March 2015	18,039,022	16,255,027	34,294,049

Amortisation of intangible fixed assets is included in administrative expenses.

Notes to the financial statements

For the year ended 31 March 2016

12 Tangible fixed assets

The group

	Leasehold improvements £	Fixtures and Fittings £	Total £
Cost			
At 1 April 2015	297,865	832,880	1,130,745
Additions	20,150	336,073	356,223
At 31 March 2016	318,015	1,168,953	1,486,968
Depreciation			
At 1 April 2015	31,235	66,772	98,007
Provided in the year	31,660	155,137	186,797
At 31 March 2016	62,895	221,909	284,804
Net book value			
At 31 March 2016	255,120	947,044	1,202,164
At 31 March 2015	266,630	766,108	1,032,738

The company

The company does not hold any tangible fixed assets

Notes to the financial statements

For the year ended 31 March 2016

13 Fixed asset investments

Company

	Total £
Cost and net book amount	
At 1 April 2015	84,500
Additions	-
At 31 March 2016	<u>84,500</u>

At 31 March 2016, the group and the company had interests in the following subsidiaries:

Subsidiaries	Shares held	Proportion held (%)	Country of incorporation	Nature of business
Ensco 1089 limited	Ordinary	100%	United Kingdom	Holding company
Character World Holdco Limited	Ordinary	100%	United Kingdom	Holding company
Character World Bidco Limited	Ordinary	100%	United Kingdom	Holding company
Character World Limited	Ordinary	100%	United Kingdom	Marketing and sales of licenced products
Character World China Holdings Limited	Ordinary	100%	United Kingdom	Holding company
Character World Trading (Shanghai) Limited	Ordinary	100%	China	Quality control and sourcing products

14 Stocks

	The group 31 March 2016 £	The group 31 March 2015 £	The company 31 March 2016 £	The company 31 March 2015 £
Finished goods and goods for sale	<u>4,520,229</u>	<u>4,826,053</u>	-	-
	<u>4,520,229</u>	<u>4,826,053</u>	-	-

An impairment credit of £827,144 (2015: impairment charge of £204,277) was recognised in cost of sales against stock during the period due to slow-moving and obsolete stock.

15 Debtors

	The group 31 March 2016 £	The group 31 March 2015 £	The company 31 March 2016 £	The company 31 March 2015 £
Due within one year				
Trade debtors	6,493,887	6,478,650	-	-
Royalty advances	960,117	1,226,908	-	-
Amounts owed by group undertakings	-	-	7,974,397	7,974,397
Other debtors	-	34,641	-	-
Corporation tax recoverable	87,228	264,858	-	-
Prepayments and accrued income	373,143	137,514	-	-
Financial instruments –forward contracts	29,831	-	-	-
	<u>7,944,206</u>	<u>8,142,571</u>	<u>7,974,397</u>	<u>7,974,397</u>

Notes to the financial statements

For the year ended 31 March 2016

All amounts owed by group undertakings are repayable on demand.

16 Creditors: amounts falling due within one year

	The group 31 March 2016 £	The group 31 March 2015 £	The company 31 March 2016 £	The company 31 March 2015 £
Trade creditors	2,377,913	4,659,284	-	-
Royalties payable	1,483,309	1,598,138	-	-
Proceeds of factored debt	-	283,460	-	-
Financial instruments – forward contracts	-	395,116	-	-
Accruals and deferred income	1,494,913	1,786,599	2,649	2,649
Bank loan	1,394,262	1,147,165	-	-
Invoice discounting facility	3,128,431	-	-	-
	<u>9,878,828</u>	<u>9,869,762</u>	<u>2,649</u>	<u>2,649</u>

17 Creditors: amounts falling due in more than one year

	The group 31 March 2016 £	The group 31 March 2015 £	The company 31 March 2016 £	The company 31 March 2015 £
Bank loan	11,100,000	13,400,000	-	-
Loan notes	28,432,927	25,914,274	9,077,721	8,297,139
Unamortised debt issue costs	(882,724)	(1,092,588)	-	-
	<u>38,650,203</u>	<u>38,221,686</u>	<u>9,077,721</u>	<u>8,297,139</u>

Loan notes are made up of amounts due to Palatine Private Equity (£18,261,918), the ultimate controlling party, and the remaining loan notes of £9,077,721 are due to the management team. The loan notes are repayable in November 2020 and incur interest at a rate of 10% per annum, which is rolled up annually.

Bank loans are repayable in monthly instalments until the loan facilities expire in 2019. There are two loan facilities being facility A of £6.4 million and facility B of £6 million. The interest for facility A is LIBOR plus 3.25% and for facility B is LIBOR plus 3.75%. Interest is payable quarterly on both loan facilities.

The revolving credit facility was repaid during the year and replaced with an invoice discounting facility of up to £8,000,000 which is subject to a non-utilisation fee of 1%. The bank loans and invoice discounting facility are secured by legal charges over certain of the group's assets which include trade receivables.

Notes to the financial statements

For the year ended 31 March 2016

17 Creditors: amounts falling due in more than one year (continued)

Loans are repayable as follows:

	The group 31 March 2016 £	The group 31 March 2015 £	The company 31 March 2016 £	The company 31 March 2015 £
Within one year	1,394,262	1,147,165	-	-
Between one to two years	1,300,000	1,300,000	-	-
Between two to five years	38,232,927	5,100,000	9,077,721	-
More than five years	-	32,914,274	-	8,297,139
	<u>40,927,189</u>	<u>40,461,439</u>	<u>9,077,721</u>	<u>8,297,139</u>

18 Deferred taxation – group

Deferred taxation provided for at 20% in the financial statements is set out below:

	The group 31 March 2016 £	The group 31 March 2015 £
Accelerated capital allowances	35,025	(33,900)
Intangible assets	3,025,632	3,607,800
	<u>3,060,657</u>	<u>3,573,900</u>
		The group Year ended 31 March 2016 £
At 1 April 2015		3,573,900
Credit in the period		(513,243)
At 31 March 2016		<u>3,060,657</u>

Notes to the financial statements

For the year ended 31 March 2016

19 Cash and cash equivalents

	The group 31 March 2016 £	The group 31 March 2015 £	The company 31 March 2016 £	The company 31 March 2015 £
Cash and cash equivalents	882,804	1,917,012	-	-

20 Called up share capital

	Year ended 31 March 2016 £	Period Ended 31 March 2015 £
Allotted and fully paid:		
51,000 – Ordinary A shares of £1 each	51,000	51,000
30,000 – Ordinary B shares of £1 each	30,000	30,000
14,000 – Ordinary C shares of 1p each	140	140
3,500 – Ordinary D shares of £1 each	3,500	3,500
	84,640	84,640

All shares rank pari passu.

21 Capital commitments

The company and group had no capital commitments at 31 March 2016 or 31 March 2015.

22 Related party transactions

	Year ended 31 March 2016 £	Period ended 31 March 2015 £
Rent and service charges charged by TDM Properties Limited	239,083	108,199
Amounts owed to TDM Properties Limited	-	-

D E Schweiger and M Schweiger are interested in TDM Properties Limited as directors and shareholders.

Management have determined that the only key management personnel are the directors of the company. The directors remuneration has been disclosed in note 8 of these financial statements.

23 Control

Palatine Private Equity are considered to be the ultimate controlling party by virtue of their majority shareholding in the company.

Notes to the financial statements

For the year ended 31 March 2016

24 Financial risk management

The group has exposures to four main areas of risk - foreign exchange currency exposure, liquidity risk, interest rate risk and customer credit exposure.

Foreign exchange transactional currency exposure

The group is exposed to currency exchange rate risk due to a significant proportion of its receivables and operating expenses being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the use of forward foreign exchange contracts.

Liquidity risk

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through its operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the group has credit facilities available.

Customer credit exposure

The group may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and the credit insurance maintained by the group.

Interest rate risk

The group borrows from its bankers using two floating rate bank facilities which have been hedged such that LIBOR increases are capped. In addition, the group is funded by loan notes provided by its shareholders.

Notes to the financial statements

For the year ended 31 March 2016

25 Financial instruments

	The group 31 March 2016 £	The group 31 March 2015 £	The company 31 March 2016 £	The company 31 March 2015 £
Financial assets measured at amortised cost	7,376,691	8,430,303	7,974,397	7,974,397
Financial assets measured at fair value through profit or loss	29,831	-	-	-
Financial liabilities measured at amortised cost	(48,529,031)	(46,098,194)	(9,080,370)	(8,299,788)
Financial liabilities measured at fair value through profit or loss	-	(395,116)	-	-

Derivative financial instruments, designated as fair value through profit or loss, comprise of foreign currency forward contracts which are not traded in active markets. These have been fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract.

26 Leasing commitments

The group's future minimum operating lease payments are as follows:

	31 March 2016 £	31 March 2015 £
Within one year	257,600	277,428
Between one and five years	980,504	1,046,170
More than five years	117,856	117,856