

Registration number: 01118407

Christys By Design Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2019



Christys By Design Limited

Company Information

Directors G C Panons
A R Gledhill

Company secretary A R Gledhill

Registered office The Christy Group
Capitol Close
Capital Park
Barnsley
South Yorkshire
S75 3UB

Auditor Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Christys By Design Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activity

The principal activity of the company is the design and sale of accessories and costumes for children's role play dress-up.

Fair review of the business

Sales for the year reflect the continued demand levels of the prior year, with a 2% improvement in turnover compared to 2018. However, there has been some erosion of the gross margin with a fall from 26% to 25% due to increases in the underlying costs of goods sold.

Operating expenses remained broadly in line with the prior year. Profit before tax reflects a fall of £365,000 on the prior year to £1,057,000 which is predominantly due to the fall in gross margin.

The company continues to seek like for like sales growth with existing customers, leveraging its sourcing capabilities in the Far East through focused market groups in the UK and Hong Kong. Back office support such as creditor and debtor control is provided by Amscan Asia. Costs for these services are recharged based on revenues.

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

	Unit	2019	2018
Turnover	£000	22,822	22,353
Gross profit margin	%	25	26
Profit before tax	£000	1,057	1,422

Principal risks and uncertainties

Competitive trading risk

The company operates in a highly competitive market place particularly with regard to pricing, promotional activity and rapidly changing customer preferences. The company manages these risks by supplying stock on an FOB basis to its customers which avoids the requirement for holding stock and therefore stock obsolescence due to changing customer preferences. It also maintains strong relationships with its suppliers which assists in managing price fluctuations.

Credit risk

The company trades only with recognised, credit worthy third parties. All customers who wish to trade on credit terms are subject to credit verification procedures. Receivables balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Foreign exchange risk

The company's transactions are predominantly in Sterling, and US Dollar and the company is therefore exposed to the movement in foreign exchange rates. The company seeks to mitigate its exposure by undertaking most of its purchases in US Dollar and supplying to its customers primarily in US Dollar FOB.

Christys By Design Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations and monitoring projected future cash flows. Short term liquidity needs are met through an agreed bank facility or through inter-group funding when necessary. The company's exposure to liquidity risk and interest rate movements is considered to be low.

Covid-19

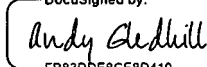
The coronavirus outbreak has developed rapidly, with a significant number of infections. On March 11, 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The outbreak of the coronavirus disease ("COVID-19") has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown which has negatively impact the company's operations and adversely affected its business.

The company put precautionary measures in place to provide safe working environments for its employees and maintain business continuity. Employees were encouraged to work from home during the lockdown periods where possible. A small number of staff were initially placed on furlough and shortened working weeks were observed during April and May. Where staff have returned to the office increased cleaning processes and social distancing protocols have been put in place.

Sales in 2020 have fallen by approximately 28% compared to 2019, largely due to the impact of the pandemic. Gradual improvements are anticipated in 2021, however the dearth of new film releases and principal role play characters will continue to adversely impact the company's revenue streams in the short term.

7 employees were furloughed at the start of lockdown, out of average employees of 31. Many have returned to the business over the summer, currently 3 employees remain on flexi-furlough, to be reviewed mid-end April 2021. Initially those furloughed received 100% of their salary with the company topping up the 20%, however, this was reduced to 80% to match the government contribution. Across the business, 5 positions (mainly selling/admin) have been made redundant, no further redundancies are planned.

Approved by the Board on 30 March 2021 and signed on its behalf by:

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A R Gledhill
Company secretary and director

Christys By Design Limited

Directors' Report for the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors of the company

The directors who held office during the year were as follows:

G C Panons

A R Gledhill - Company secretary and director

Future developments

The directors do not anticipate any significant changes in the principal activities of the company in the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend (2018 - £nil).

Going concern

The Covid-19 pandemic has caused global, social and economic disruption. The company has been impacted by the pandemic in many aspects such as supply chain, demand and workforce. Despite the challenging environment, the company has experienced full year revenue for 2020 only 28% down on 2019. The company has remained profitable during 2020.

At the year end the company had net assets and net current assets of £20.3m and cash of £1.1m. The company has maintained a strong cash flow with a cash balance of £1.9m at 28 February 2021. A cashflow model has been prepared for the company for a period of 12 months to April 2022. This demonstrates that there is sufficient forecast available cash to meet daily operational requirements in the base case scenario. The directors have performed various sensitivities on the base case scenario, including those that are considered unlikely, none of which result in the company running out of cash. Financial support has been extended to Christy Dressup Limited and has been included in the modelling referred to above.

As the vaccine rollout in the UK continues at pace, the government has announced a roadmap to cautiously ease lockdown restrictions. As the UK population slowly resume their normal activities, consumer spending is forecast to increase in 2021 with previously postponed events and parties allowed to take place. Lockdowns in the future are less likely to be severe and to be imposed.

After making all necessary enquiries, the directors have a reasonable expectation that the company 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 financial statements.

Important non adjusting events after the financial period

Subsequent to the balance sheet date, the company was acquired by Summerhouse Bidco Limited, a UK company which is part of the newly formed Amscan International Group, from Party City Holdings Inc. Consequently, with effect from 31 January 2021 the ultimate parent undertaking is Summerhouse Topco Limited.

Subsequent to the balance sheet date, as noted in the Strategic Report, the COVID-19 outbreak has developed rapidly, being declared a global pandemic. The principal risks and uncertainties and the impact on going concern have been discussed elsewhere in these financial statements. We have concluded that the outbreak is a non-adjusting event for these financial statements.

Christys By Design Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

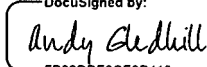
Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 30 March 2021 and signed on its behalf by:

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A R Gledhill
Company secretary and director

Christys By Design Limited

Statement of Directors' Responsibilities for the Year Ended 31 December 2019

The directors acknowledge their responsibilities for preparing the strategic report, 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 law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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.

Independent Auditor's Report to the Members of Christys By Design Limited

Opinion

We have audited the financial statements of Christys By Design Limited (the 'company') for the year ended 31 December 2019, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to notes 2 and 20 of the financial statements, which describe the potential financial and operational consequences the company is facing as a result of COVID-19.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Members of Christys By Design Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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, 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 6], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

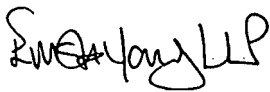
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Members of Christys By Design Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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Juliet Thomas (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

Date: 30 March 2021

Christys By Design Limited

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	3	22,822	22,353
Cost of sales		<u>(17,222)</u>	<u>(16,464)</u>
Gross profit		5,600	5,889
Distribution costs		(692)	(651)
Administrative expenses		<u>(3,851)</u>	<u>(3,817)</u>
Operating profit	4	1,057	1,421
Other interest receivable and similar income	8	<u>-</u>	<u>1</u>
Profit before tax		1,057	1,422
Taxation	9	<u>64</u>	<u>(262)</u>
Profit for the financial year		<u>1,121</u>	<u>1,160</u>

The above results were derived from continuing operations.

Christys By Design Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

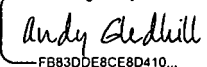
	2019 £ 000	2018 £ 000
Profit for the year	1,121	1,160
Foreign currency (losses)/gains	<u>(446)</u>	<u>875</u>
Total comprehensive income for the year	<u>675</u>	<u>2,035</u>

The notes on pages 14 to 26 form an integral part of these financial statements.

Christys By Design Limited
(Registration number: 01118407)
Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Tangible assets	10	19	26
Current assets			
Stocks	11	6	25
Debtors	12	23,787	21,819
Cash at bank and in hand		1,048	2,385
		24,841	24,229
Creditors: Amounts falling due within one year	13	(4,572)	(4,642)
Net current assets		20,269	19,587
Net assets		20,288	19,613
Capital and reserves			
Called up share capital	14	755	755
Other reserves	15	15,933	15,933
Profit and loss account	15	3,600	2,925
Total equity		20,288	19,613

The financial statements were approved and authorised by the Board on 30 March 2021, and signed on its behalf by:

DocuSigned by:

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 A R Gledhill
 Company secretary and director

Christys By Design Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Other reserves - capital contribution £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	755	15,933	2,925	19,613
Profit for the year	-	-	1,121	1,121
Other comprehensive income	-	-	(446)	(446)
At 31 December 2019	<u>755</u>	<u>15,933</u>	<u>3,600</u>	<u>20,288</u>

	Share capital £ 000	Other reserves - capital contribution £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	755	15,933	890	17,578
Profit for the year	-	-	1,160	1,160
Other comprehensive income	-	-	875	875
At 31 December 2018	<u>755</u>	<u>15,933</u>	<u>2,925</u>	<u>19,613</u>

The notes on pages 14 to 26 form an integral part of these financial statements.

Christys By Design Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

The Christy Group
Capitol Close
Capital Park
Barnsley
South Yorkshire
S75 3UB
United Kingdom

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102').

Basis of preparation

These financial statements were prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards, including FRS 102, and with the Companies Act 2006. These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are presented in pound sterling and rounded to thousands.

The company's functional currency is the US dollars, which is the currency of the primary economic environment in which the company operates. The results of the company are translated into the presentational currency of the pound sterling in accordance with the 'Foreign currency transactions and balances' accounting policy below.

Going concern

The Covid-19 pandemic has caused global, social and economic disruption. The company has been impacted by the pandemic in many aspects such as supply chain, demand and workforce. Despite the challenging environment, the company has experienced full year revenue for 2020 only 28% down on 2019. The company has remained profitable during 2020.

At the year end the company had net assets and net current assets of £20.3m and cash of £1.1m. The company has maintained a strong cash flow with a cash balance of £1.9m at 28 February 2021. A cashflow model has been prepared for the company for a period of 12 months to April 2022. This demonstrates that there is sufficient forecast available cash to meet daily operational requirements in the base case scenario.

Christys By Design Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Going concern (continued)

The directors have performed various sensitivities on the base case scenario, including those that are considered unlikely, none of which result in the company running out of cash. Financial support has been extended to Christy Dressup Limited and has been included in the modelling referred to above.

As the vaccine rollout in the UK continues at pace, the government has announced a roadmap to cautiously ease lockdown restrictions. As the UK population slowly resume their normal activities, consumer spending is forecast to increase in 2021 with previously postponed events and parties allowed to take place. Lockdowns in the future are less likely to be severe and to be imposed.

After making all necessary enquiries, the directors have a reasonable expectation that the company 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 financial statements.

Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The only significant area of estimation for the company is the expected future cash flows applied in measuring the impairment of debtors.

Summary of disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of the exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- from disclosing the company key management personnel compensation;
- from disclosing transactions with other wholly owned entities for the period that they form part of the same group;
- from preparing a statement of cash flows and the related notes on the basis that it is a qualifying entity and its parent company, Party City Holdco Inc., includes the company's cash flows in its own consolidated financial statements; and
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, including:
 - categories of financial instruments;
 - items of income, expenses, gains or losses relating to financial instruments; and
 - exposure to management of financial risks.

Christys By Design Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Name of parent of group

These financial statements are consolidated in the financial statements of Party City Holdco Inc.

The financial statements of Party City Holdco Inc. may be obtained from 80 Grasslands Road, Elmford, New York 10523.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns, rebates and discounts.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be reliably measured; (d) it is probable that future economic benefits will flow to the entity; and (e) specific criteria have been met for the company's activities.

For the sale of goods, revenue is normally recognised upon dispatch of the goods.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

The trading results of the company are translated to the company's presentational currency as follows:

- assets and liabilities for each balance sheet item are translated at the closing rate at the date of the balance sheet;
- income and expenses in the profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Tax

The tax expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Christys By Design Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	5 to 10 years straight line basis
Fixtures, fittings and office equipment	3 to 10 years straight line basis

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Impairment of assets

At each reporting date non-financial 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Christys By Design Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the a weighted average purchase cost.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

Christys By Design Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Turnover

The analysis of the company's revenue for the year from continuing operations is as follows:

	2019 £ 000	2018 £ 000
Sale of goods	<u>22,822</u>	<u>22,353</u>

The analysis of the company's turnover for the year by market is as follows:

	2019 £ 000	2018 £ 000
UK	22,457	21,316
Europe	270	797
Rest of world	<u>95</u>	<u>240</u>
	<u>22,822</u>	<u>22,353</u>

4 Operating profit

Arrived at after charging:

	2019 £ 000	2018 £ 000
Depreciation expense	29	31
Foreign exchange losses	131	122
Operating lease expense - property	230	214
Operating lease expense - plant and machinery	<u>9</u>	<u>11</u>

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Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

5 Auditor's remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	<u>24</u>	<u>23</u>
Other fees to the auditor		
Audit-related assurance services	32	30
Taxation compliance services	<u>4</u>	<u>4</u>
	<u>36</u>	<u>34</u>

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £ 000	2018 £ 000
Wages and salaries	1,100	964
Social security costs	102	97
Pension costs, defined contribution scheme	<u>90</u>	<u>106</u>
	<u>1,292</u>	<u>1,167</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Administration and support	<u>31</u>	<u>29</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Remuneration	90	88
Contributions paid to money purchase schemes	<u>12</u>	<u>9</u>
	<u>102</u>	<u>97</u>

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Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Directors' remuneration (continued)

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2019 No.	2018 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

Directors' emoluments for certain directors have been borne by another group company. These directors are also directors or officers of a number of companies within the Party City Group. The emoluments above represent the directors' assessment of the remuneration they have received from other group companies in respect of their directors' services to this company.

8 Other interest receivable and similar income

	2019 £ 000	2018 £ 000
Interest income on bank deposits	<u>-</u>	<u>1</u>

9 Taxation

Tax charged/(credited) in the profit and loss account:

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	197	265
UK corporation tax adjustment to prior periods	<u>(265)</u>	<u>(24)</u>
	(68)	241
Deferred taxation		
Arising from origination and reversal of timing differences	<u>4</u>	<u>21</u>
Tax (receipt)/expense in the income statement	<u>(64)</u>	<u>262</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

Christys By Design Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Taxation (continued)

	2019 £ 000	2018 £ 000
Profit before tax	1,057	1,422
Corporation tax at standard rate	201	270
Deferred tax expense from unrecognised tax loss or credit	4	21
Adjustment for prior periods	(265)	(24)
Tax decrease from effect of capital allowances and depreciation	(4)	(5)
Total tax (credit)/charge	(64)	262

The tax rate for the current period is same as the prior period.

Deferred tax

Deferred tax assets and liabilities included in the balance sheet are as follows:

2019	Asset £ 000
Accelerated tax depreciation	37
	41
2018	Asset £ 000
Accelerated tax depreciation	41

The amount of the net reversal of deferred tax assets and deferred tax liabilities expected to occur during the year beginning after the reporting period is £8,000 (2018 - £9,000).

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. This was subsequently confirmed in the Budget in March 2020. In addition, in the Budget of March 2021, the Chancellor announced an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023. These announcements do not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%.

If the increase in the corporation tax rate to 25% was substantively enacted at the balance sheet date, the impact would be to increase the unrecognised deferred tax asset from £37,000 to £54,000.

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Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Tangible assets

	Fixtures, fittings and office equipment £ 000
Cost	
At 1 January 2019	256
Additions	22
At 31 December 2019	278
Depreciation	
At 1 January 2019	230
Charge for the year	29
At 31 December 2019	259
Carrying amount	
At 31 December 2019	19
At 31 December 2018	26

11 Stocks

	2019 £ 000	2018 £ 000
Finished goods and goods for resale	6	25

The amount of impairment loss included in the profit and loss account is a charge of £nil (2018 - £nil).

12 Debtors

	Note	2019 £ 000	2018 £ 000
Trade debtors		5,032	5,818
Amounts owed by group undertakings		18,689	15,878
Other debtors		-	7
Prepayments		29	75
Deferred tax assets	9	37	41
		23,787	21,819

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Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Debtors (continued)

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Trade debtors are stated after provisions for impairment of £89,000 (2018 - £237,000).

13 Creditors

	2019 £ 000	2018 £ 000
Due within one year		
Trade creditors	3,396	3,581
Amounts due to group undertakings	351	260
Social security and other taxes	16	3
Other payables	6	1
Accruals	693	533
Corporation tax liability	110	264
	<u>4,572</u>	<u>4,642</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14 Share capital

Allotted, called up and fully paid shares

	2019	2019	2018	2018
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	<u>755</u>	<u>755</u>	<u>755</u>	<u>755</u>

15 Reserves

Called up share capital

Called-up share capital represents the nominal value of shares that have been issued.

Capital contribution

The capital contribution is non-returnable capital contribution received from Party City Holdings Inc. This amount is distributable in future periods, subject to the provisions of the Companies Act 2006.

Profit and loss account

The profit and loss reserve includes all current and prior period retained profits and losses.

Christys By Design Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

16 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2019 £ 000	2018 £ 000
Not later than one year	239	224
Later than one year and not later than five years	587	481
	<u>826</u>	<u>705</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £230,000 (2018 - £225,000).

17 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £90,000 (2018 - £106,000).

18 Related party transactions

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

19 Parent and ultimate parent undertaking

At the balance sheet date, the company's immediate parent was Party City Holdings Inc., incorporated in the United States, and the ultimate parent was Party City Holdco Inc., incorporated in the United States.

On 31 January 2021, the company was acquired by Summerhouse Bidco Limited, a UK company which is part of the newly formed Amscan International Group, from Party City Holdings Inc. Consequently, from 31 January 2021, the ultimate parent undertaking is Summerhouse Topco Limited. The ultimate controlling party is Endless LLP.

The only parent entity producing publicly available financial statements is Party City Holdco Inc. These financial statements are available upon request from 80 Grasslands Road, Elmford, New York 10523.

Christys By Design Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

20 Non adjusting events after the financial period

Subsequent to the balance sheet date, the company was acquired by Summerhouse Bidco Limited, a UK company which is part of the newly formed Amscan International Group, from Party City Holdings Inc. Consequently, with effect from 31 January 2021 the ultimate parent undertaking is Summerhouse Topco Limited.

Subsequent to the balance sheet date, as noted in the Strategic Report, the COVID-19 outbreak has developed rapidly, being declared a global pandemic. The principal risks and uncertainties and the impact on going concern have been discussed elsewhere in these financial statements. We have concluded that the outbreak is a non-adjusting event for these financial statements.