

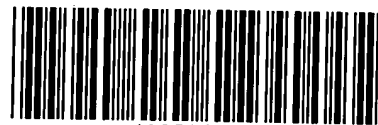
Registered number: 05396577

TANGLE TEEZER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2016

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TANGLE TEEZER LIMITED

CONTENTS

	Page(s)
Company Information	1
Strategic Report	2 - 4
Directors' Report	5 - 6
Independent Auditors' Report to the Members of Tangle Teezer Limited	7 - 9
Statement of Income and Retained Earnings	10
Statement of Financial Position	11
Statement of Cash Flows	12
Notes to the Financial Statements	13 - 32

TANGLE TEEZER LIMITED

COMPANY INFORMATION

Directors	M P Lumb S Pulfrey
Company secretary	M P Lumb
Registered number	05396577
Registered office	1st And 2nd floor 205 Stockwell Road London SW9 9SL
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 10 Bricket Road St Albans Hertfordshire AL1 3JX

TANGLE TEEZER LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2016

The directors present their strategic report for the period ended 31 December 2016.

Business review

Tangle Teezer has been incredibly proud of year on year double digit growth since inception. Whilst managing this growth, and remaining highly profitable at the same time, has always been the focus the directors have always been open to outside investment to help to grow the business. During the period the directors chose to speak with several potential investors. The process took far longer than expected and, as a result, the directors and the management team were effectively taken out of the day to day running of business for much longer than originally anticipated. At the same time news of a potential "sale of Tangle Teezer" leaked to the national press and the resulting stories were unsettling for both staff, distributors and suppliers. There is no doubt that the business performance suffered as a direct consequence of this exercise. To conclude no deal was reached and the company remains wholly privately owned with a renewed vigour for fully supporting UK manufacturing and flying the flag as a Great British Brand.

The directors made the decision to change the reporting year end to December (previously March) so a 28% decrease in sales to £20,664,000 (31 March 2016: 28,597,000) reflects the shorter accounting period. Like for like sales over the same nine month period (April to December 2016 v 2015) were 4% down on prior year (£20,664,000 versus £21,443,347).

The slight drop in sales was a result of a turbulent year of trading, in an increasingly competitive environment, which saw some transitioning of overseas distributors as well as the aforementioned investment process. Overseas sales made up 80% (31 March 2016: 81%) of total revenues with RoW sales increasing 7% and now making up 34% (31 March 2016: 27%) with established distribution continuing in over 75 countries across every continent. Tangle Teezer were also delighted to retain its Cool Brands TM status for a remarkable fifth consecutive year which puts the brand in amongst global "Super Brands". Our products also continued to win numerous awards around the world from various influential press publications within the beauty industry. The company was extremely pleased to feature on the Sunday Times Fast Track 100 League Table for the fourth consecutive year.

Gross Profit margins decreased slightly to 47% (31 March 2016: 51%) as a result of a shift in product sales mix. During the period significant amounts of expenditure were incurred during the investment process. These amounts are shown separately in "Exceptional Items". Tangle Teezer has also invested heavily in the future in order to support the expected and continued growth. This investment included a move to new, much larger, head office in January 2016 which then enabled a significant investment in staff with employee numbers increasing 61% to 45 (31 March 2016: 28). The additional staff have added much strength in depth across the whole business. Profit Before Taxation (PBT) decreased by 94% to just £417,000 (31 March 2016: £7,984,000) and PBT margins dropped to just 2% (31 March 2016: 28%). It is worth stating again that these 'one off' costs of £2M have a huge impact on bottom line profits and margins during this accounting period.

Despite a tough period of trading the company, the directors and the management team have taken many positives from the events during the period. Numerous due diligence reports just confirmed that Tangle Teezer is a truly global brand that enjoys incredible brand awareness, fierce customer loyalty, a reputation for being fun, exciting and innovative and most importantly for producing a range of extremely functional products. Innovation remains at the very core of Tangle Teezer and our goal remains to be the world's most popular hairbrush brand. Exciting collaborations with designers have proved hugely popular and new product launches are already confirmed for Q4 2017 and for throughout 2018.

TANGLE TEEZER LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2016

Principal risks and uncertainties

It is the responsibility of the Company directors to fully understand and control all risks and uncertainties that the Company may be affected by, and to assist in providing accurate responses and processes to ensure risks are kept to a minimum.

Credit Risk

Over the recent years the Company's exposure to bad debt has been minimal. However, the Company aims to set up preventative measures to reduce the chance of this happening in the future. This will be controlled through credit insurance policies and rigorous company credit checks prior to offering credit terms.

Foreign Exchange Risk

Exposure to foreign exchange risks remain minimal over the years due to the Company solely invoicing in GBP. As the Company has expanded internationally there are now a few customer accounts in foreign currencies. These customer accounts represent a very small proportion of our overall business. Otherwise exposure to foreign exchange risk is limited to costs incurred in US dollar, Euro and Chinese Yuan.

The Company holds bank accounts in all four currencies and future plans are to mitigate any risk through limiting the number of sales being invoiced in these currencies.

Commercial risks and developments

As with any successful brand, sooner or later imitation was going to be an inevitable downside. Counterfeits and cheap imitation products slowly, but surely, have increased in both numbers and frequency resulting in the appointment of a full time, in-house, Brand Protection Executive in 2013. The new position works closely with customs officials, both home and abroad, and a 'zero tolerance' approach is taken with anyone found manufacturing or distributing non-genuine product.

Another risk identified during 2015 was that the origination of our products being sold in some territories was not traceable. In early 2016 a new system of Track & Trace was introduced to mitigate the risk of products being made available for sale in unauthorised territories. This system marks every product that we sell with a unique individual identifier, allowing the source of the stock to be traced electronically. The introduction of this system targeting the grey market has had a temporary impact on our rate of sales growth towards the end of the year. Despite the short-term impact on sales the Track & Trace system is helping to strengthen the brand's credibility and is in the best long-term interests of the future development of international and domestic markets.

Financial key performance indicators

Continuous revenue growth is planned through deeper market penetration and new product diversification over the next twelve to eighteen months. In line with this, costs such as marketing, research & development and staff costs will increase due to the additional resources required to assist in taking the Company forward to the next level.

Our financial KPI's for the next 12 months will focus on:

- Exports to exceed 80% of total sales
- To maintain a gross profit margin of at least 47%
- To increase annual PST margin to a minimum of 15%

TANGLE TEEZER LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2016**

This report was approved by the board on *28 September 2017* and signed on its behalf by:

A handwritten signature in black ink, consisting of a stylized 'M' followed by a horizontal line and a small 'A' at the end.

M P Lumb
Director

TANGLE TEEZER LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2016

The directors present their annual report and the audited financial statements for the 9 month period ended 31 December 2016. The comparative figures are for the year ended 31 March 2016.

Principal activities

The principal activities of the Company in the year under review was that of design and distribution of specialist hair brushes and their associated products. All products are manufactured in the UK.

Results and dividends

The loss for the financial period amounted to £263,000 (year ended 31 March 2016: 6,847,000).

The Company paid an interim dividend of £Nil (31 March 2016: £Nil).

Directors

The directors who served during the period and up to the date of signing the financial statements were:

M P Lumb
S Pulfrey

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial 9 month period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

TANGLE TEEZER LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2016**

Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the 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 auditors are aware of that information.

Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board on 28 September 2017 and signed on its behalf by:



M P Lumb
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TANGLE TEEZER LIMITED

Report on the financial statements

Our opinion

In our opinion, Tangle Teezer Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss and cash flows for the 9 month period (the "period") 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Income and Retained Earnings for the period then ended;
- the Statement of Cash Flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

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

- 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; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TANGLE TEEZER LIMITED

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.


We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

TANGLE TEEZER LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TANGLE TEEZER LIMITED

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

Date: 28 September 2017

TANGLE TEEZER LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

		9 month period ended 31 December 2016 £000	Year ended 31 March 2016 £000
	Note		
Turnover	4	20,664	28,597
Cost of sales		(10,992)	(14,034)
Gross profit		9,672	14,563
Administrative expenses		(7,168)	(6,448)
Exceptional administrative expenses	5	(1,979)	-
Operating profit	6	525	8,115
Interest receivable and similar income	10	5	12
Interest payable and similar expenses	11	(113)	(143)
Profit before tax		417	7,984
Tax on profit	12	(680)	(1,137)
(Loss)/profit for the financial period		(263)	6,847
Retained earnings:			
Retained earnings at the beginning of the period		13,040	6,193
(Loss)/profit for the financial period/year		(263)	6,847
Retained earnings at the end of the financial period		12,777	13,040

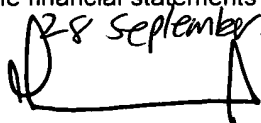
The notes on pages 13 to 32 form part of these financial statements.

TANGLE TEEZER LIMITED
REGISTERED NUMBER: 05396577

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 £000	31 March 2016 £000
Fixed assets			
Intangible assets	13	330	328
Tangible assets	14	2,744	2,374
		<u>3,074</u>	<u>2,702</u>
Current assets			
Stocks	15	4,665	3,941
Debtors: amounts falling due after more than one year	16	161	136
Debtors: amounts falling due within one year	16	7,260	5,953
Cash at bank and in hand	17	6,948	7,547
		<u>19,034</u>	<u>17,577</u>
Creditors: amounts falling due within one year	18	(6,320)	(4,365)
Net current assets		<u>12,714</u>	<u>13,212</u>
Total assets less current liabilities		<u>15,788</u>	<u>15,914</u>
Creditors: amounts falling due after more than one year	19	(2,884)	(2,725)
Provisions for liabilities			
Deferred taxation	22	(127)	(149)
Net assets		<u>12,777</u>	<u>13,040</u>
Capital and reserves			
Called up share capital	23	-	-
Capital redemption reserve	24	-	-
Retained earnings	24	12,777	13,040
Total equity		<u>12,777</u>	<u>13,040</u>

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

28 September 2017 by: 

M P Lumb
Director

The notes on pages 13 to 32 form part of these financial statements.

TANGLE TEEZER LIMITED

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

	9 month period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Cash flows from operating activities		
Profit for the financial period	(263)	6,847
Adjustments for:		
Amortisation of intangible assets	39	48
Depreciation of tangible assets	543	560
Interest paid	113	143
Interest received	(5)	(12)
Taxation charge	680	1,137
(Increase) in stocks	(725)	(1,939)
(Increase)/decrease in debtors	(2,289)	736
Decrease in amounts owed by groups	283	288
Increase/(decrease) in creditors	2,910	(19)
Corporation tax received/(paid)	328	(1,121)
Net cash generated from operating activities	1,614	6,668
Cash flows from investing activities		
Purchase of intangible fixed assets	(41)	(70)
Purchase of tangible fixed assets	(913)	(1,953)
Interest received	5	12
Increase in other loans receivable	-	(138)
Net cash used in investing activities	(949)	(2,149)
Cash flows from financing activities		
New secured loans	-	643
Repayment of loans	(1,177)	(1,313)
Other new loans	26	-
Interest paid	(113)	(143)
Net cash used in financing activities	(1,264)	(813)
Net (decrease)/increase in cash and cash equivalents	(599)	3,706
Cash and cash equivalents at beginning of period	7,547	3,841
Cash and cash equivalents at the end of period	6,948	7,547
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	6,948	7,547

TANGLE TEEZER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

1. General information

Tangle Teezer Limited (the "Company") is a private limited company, incorporated and domiciled in the United Kingdom. The address of its registered office is 1st And 2nd Floor, 205 Stockwell Road, London, England.

The principal activity of the Company in the year under review was that of design and distribution of specialist hair brushes and their associated products. All products are manufactured in the UK.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied consistently throughout the period:

2.2 Turnover

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

Sale of goods

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

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

2.3 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.4 Tangible assets

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

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

Depreciation is provided on the following basis:

Plant and machinery	- 20 - 25%
Motor vehicles	- 10%

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

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

2.5 Development costs

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are charged to the Statement of Income and Retained Earnings in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding ten years, commencing in the year the Company starts to benefit from the expenditure.

Patents and licences are stated at cost less amortisation. Amortisation is provided at 10% per annum in order to write off each asset over its estimated useful life.

2.6 Stocks

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

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

TANGLE TEEZER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.7 Debtors

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

2.8 Cash and cash equivalents

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

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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 debtors and creditors, 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 Statement of Income and Retained Earnings.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.9 Financial instruments (continued)

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

2.10 Creditors

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

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

2.12 Finance costs

Finance costs are charged to the Statement of Income and Retained Earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Operating leases

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

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

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

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

2.16 Interest income

Interest income is recognised in the Statement of Income and Retained Earnings using the effective interest method.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of Income and Retained Earnings in the period in which they are incurred.

2.18 Provisions for liabilities

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.19 Current and deferred taxation

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

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

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

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

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

2.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

TANGLE TEEZER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

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

In preparing these financial statements, the directors have had to make the following judgments:

- Determine whether leases entered into by the Company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Tangible assets (see note 5)

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

- Stock provision

A stock provision is recognised based on management's best estimate of the stock carrying value. If stock is deemed to be impaired, the carrying value is reduced to its selling price less cost to complete and sell.

4. Turnover

Analysis of turnover by country of destination:

	9 month period ended 31 December 2016 £000	Year ended 31 March 2016 £000
United Kingdom	4,084	5,419
Rest of Europe	9,602	15,492
Rest of the World	6,978	7,686
	20,664	28,597

TANGLE TEEZER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

5. Exceptional items

	9 month period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Cost associated with aborted sale of business	1,979	-

6. Operating profit

The operating profit is stated after charging/(crediting):

	9 month period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Research & development charged as an expense	167	162
Depreciation of tangible assets	543	560
Amortisation of intangible assets	39	48
Exchange differences	(64)	9
Operating lease rentals	569	580

7. Auditors' remuneration

	9 month period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	32	21
Fees payable to the Company's auditors in respect of:		
Taxation compliance services	-	8
All other services	987	44
	987	52

TANGLE TEEZER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

8. Employees

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

	9 month period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Wages and salaries	1,968	2,042
Social security costs	242	232
Other pension costs	92	113
	<u>2,302</u>	<u>2,387</u>

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

	9 month period ended 31 December 2016 Number	Year ended 31 March 2016 Number
Employees	<u>45</u>	<u>28</u>

9. Directors' remuneration

	9 month period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Aggregate directors' emoluments	548	689
Company contributions to defined contribution pension schemes	47	62
	<u>595</u>	<u>751</u>

The highest paid director received remuneration of £341,391 (31 March 2016: £398,816).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,602 (31 March 2016: £12,993).

TANGLE TEEZER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

10. Interest receivable and similar income

	9 month period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Other interest receivable	5	12

11. Interest payable and similar expenses

	9 month period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Bank interest payable	30	-
Other loan interest payable	83	143
	113	143

TANGLE TEEZER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

12. Tax on profit

	9 month period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Corporation tax		
Current tax on profits for the period	416	1,106
Adjustments in respect of prior years	286	(5)
Total current tax	702	1,101
Deferred tax		
Origination and reversal of timing differences	(7)	-
Current year charge	-	36
Adjustments in respect of prior years	(8)	-
Effect of changes in tax rates	(7)	-
Total deferred tax	(22)	36
Tax on profit	680	1,137

TANGLE TEEZER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

12. Tax on profit (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2016: lower than) the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	9 month period ended 31 December 2016 £000	Year ended 31 March 2016 £000
Profit before tax	417	7,984
Profit multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)	83	1,597
Effects of:		
Expenses not deductible for tax purposes	440	25
Capital allowances for period/year in excess of depreciation	-	11
Origination of timing differences	-	(17)
Additional deduction for R&D Expenditure	-	(123)
Non-taxable income	(115)	-
Adjustments in respect of prior years	279	(5)
Tax rate changes	(7)	-
Patent box additional deductions	-	(351)
Total tax charge for the period	680	1,137

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and 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.

TANGLE TEEZER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

13. Intangible assets

	Patents £000	Development costs £000	Total £000
Cost			
At 1 April 2016	429	73	502
Additions	41	-	41
At 31 December 2016	<u>470</u>	<u>73</u>	<u>543</u>
Accumulated amortisation			
At 1 April 2016	145	29	174
Charge for the period	33	6	39
At 31 December 2016	<u>178</u>	<u>35</u>	<u>213</u>
Net book value			
At 31 December 2016	<u>292</u>	<u>38</u>	<u>330</u>
At 31 March 2016	<u>284</u>	<u>44</u>	<u>328</u>

TANGLE TEEZER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

14. Tangible assets

	Plant and machinery £000	Motor vehicles £000	Total £000
Cost			
At 1 April 2016	3,213	17	3,230
Additions	913	-	913
At 31 December 2016	4,126	17	4,143
Accumulated Depreciation			
At 1 April 2016	852	4	856
Charge for the period	543	-	543
At 31 December 2016	1,395	4	1,399
Net book value			
At 31 December 2016	2,731	13	2,744
At 31 March 2016	2,361	13	2,374

15. Stocks

	31 December 2016 £000	31 March 2016 £000
Raw materials and consumables	2,423	1,598
Finished goods and goods for resale	2,242	2,343
	4,665	3,941

Stocks recognised in cost of sales during the year as an expense was £7,923,239 (31 March 2016: £10,156,000).

TANGLE TEEZER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

16. Debtors

	31 December 2016 £000	31 March 2016 £000
Due after more than one year		
Other loans receivable	161	136
	161	136
Due within one year		
Trade debtors	4,636	4,085
Amounts owed by group undertakings	-	283
Other debtors	1,244	1,585
Prepayments and accrued income	1,380	-
	7,260	5,953

Interest is charged on the loan at 1.5% and is due for repayment within the next 2 years. This is a commercial loan to a third party whereby the Company has invested in its supply chain.

17. Cash at bank and in hand

	31 December 2016 £000	31 March 2016 £000
Cash at bank and in hand	6,948	7,547

TANGLE TEEZER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

18. Creditors: Amounts falling due within one year

	31 December 2016 £000	31 March 2016 £000
Bank loans	219	1,555
Other loans	26	-
Trade creditors	2,324	2,026
Corporation tax	702	347
Other taxation and social security	121	70
Other creditors	134	367
Accruals and deferred income	2,794	-
	<u>6,320</u>	<u>4,365</u>

19. Creditors: Amounts falling due after more than one year

	31 December 2016 £000	31 March 2016 £000
Bank loans	<u>2,884</u>	<u>2,725</u>

TANGLE TEEZER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

20. Loans

The bank loans are shown net of capitalised finance costs of £56,500 (31 March 2016: £56,500). During the period a charge of £11,813 (31 March 2016: £13,854) for amortisation of these finance costs was made.

The loans are repayable over 4 years and 2 years.

Analysis of the maturity of loans is given below:

	31 December 2016 £000	31 March 2016 £000
Amounts falling due within one year		
Bank loans	219	1,555
Other loans	26	-
	245	1,555
Amounts falling due 1-2 years		
Bank loans	2,884	1,379
Amounts falling due 2-5 years		
Bank loans	-	1,346
Total	3,129	4,280

TANGLE TEEZER LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2016**

21. Financial instruments

	31 December 2016 £000	31 March 2016 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	6,041	13,636
Financial liabilities		
Financial liabilities measured at amortised cost	(8,255)	(6,673)
	(8,255)	(6,673)

Financial assets measured at amortised cost comprise trade debtors, other debtors and amounts owed by related parties.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, other creditors and accruals.

Information regarding the Company's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Directors' report.

22. Deferred taxation

	2016 £000
At beginning of the period	149
Charged to profit or loss	(22)
At end of the period	127

The provision for deferred taxation is made up as follows:

	31 December 2016 £000	31 March 2016 £000
Accelerated capital allowances	127	149

TANGLE TEEZER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

23. Called up share capital

	31 December 2016 £	31 March 2016 £
Shares classified as equity		
Allotted, called up and fully paid		
180,000 (31 March 2016: 180,000) Ordinary shares of £0.001 each	<u>180</u>	<u>180</u>

24. Reserves

Capital redemption reserve

Records the nominal value of own shares that have been acquired by the Company and cancelled.

Profit and loss account

Records retained earnings and accumulated losses.

Called up share capital

Records the nominal value of shares issued.

25. Pension commitments

The Company operates a defined contribution scheme for its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension costs charge represents contributions payable by the Company to the fund of £92,000 (31 March 2016: £113,000).

26. Commitments under operating leases

At 31 December/31 March 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2016 £000	31 March 2016 £000
Not later than 1 year	577	573
Later than 1 year and not later than 5 years	2,234	2,256
Later than 5 years	851	1,850
	<u>3,662</u>	<u>4,679</u>

TANGLE TEEZER LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

27. Related party transactions

During the year, £Nil dividends (31 March 2016: £Nil) were paid to Mr S Pulfrey, a Company Director.

During the year, royalties of £1,278,486 (31 March 2016: £2,675,000) were paid to Mr S Pulfrey, a Company Director.

At 31 December 2016, there was a liability of £125,477 (31 March 2016: £68,000) held in the directors current account with one director and an asset of £60,764 (31 March 2016: £50,000) with another director. No interest is charged on these balances which are due to be repaid within one year.

During the year the Company traded with Tangle Teezer Inc, of which Mr S Pulfrey is a director. The Company sold goods amounting to £732,388 (31 March 2016: £1,053,000). Included in trade debtors is £779,540 (31 March 2016: £819,000). Also within debtors is the sum of £331,927 (31 March 2016: £283,000) owed to the Company at the balance sheet date. The receivable is unsecured with no terms and conditions and no guarantees have been received.

28. Controlling party

The Company is under the control and ultimate control of Mr S Pulfrey.