

Cath Kidston Group Limited

Annual Report and Financial Statements

For the 52 weeks ended

27 March 2016

Company Number 07180354



Contents

Page:

1	Strategic report
7	Directors' report
7	Directors' responsibilities statement
10	Independent auditor's report
12	Consolidated income statement
13	Consolidated statement of comprehensive income
14	Consolidated balance sheet
16	Company balance sheet
17	Consolidated statement of changes in equity
18	Company statement of changes in equity
19	Consolidated cash flow statement
20	Notes to the consolidated and company financial statements

Directors

W Flanz
N Harrington
G Peeters
M Wikstrom
K Wilson
S You

Registered office

Frestonia,
125-135 Freston Road,
London,
W10 6TH

Company number

7180354

Auditor

Deloitte LLP,
Chartered Accountants and Statutory Auditor
2 New Street Square,
London,
EC4A 3BZ

Cath Kidston Group Limited

Strategic report for the 52 weeks ended 27 March 2016

The directors present their strategic report together with the audited financial statements for the 52 week period ended 27 March 2016.

Results

The consolidated income statement is set out on page 12. The company made an operating loss of £2.1m after exceptional costs of £1.7m (2015: operating profit of £2.5m after exceptional costs of £3.8m).

Acquisition of Japan Franchise Partner

In July 2015, the board announced a further investment in the growth of the business in Asia, with the agreement to purchase the Cath Kidston business in Japan, the Group's largest market outside the UK, from its franchise partner Sanei International. Cath Kidston Group took on ownership of these stores on 1 September 2015, acquiring 25 of the 33 Japanese stores.

Cath Kidston first entered Japan in 2006. The Japanese business has grown strongly over the last four years with double digit sales growth each year. Volume growth in Japan has been driven by three main categories – home, childrenswear and bags. The Japanese business today represents circa 20% of the Group's global retail sales.

In order to fully realise the brand's potential in Japan, the Group believes a wholly owned business model better enables the business to connect more directly to its consumers and better understand their preferences and tastes in order to innovate and invest in a more targeted way. This is also part of the Group's plan to expand its business globally.

Japanese revenue during the year was impacted as the business transitioned from a franchise business to a retail business and this is reflected in the March 2016 financial statements. Today, the Cath Kidston Japan business is performing strongly and like for like sales are up more than 30%. We continue to see significant opportunity across Japan and it is a market in which we are actively looking to expand our presence.

Overall Trading

The trading results for the year ended 27 March 2016 can be summarised as follows:

	2016 (£m)	2015 (£m)	2016 vs. 2015	2016 Unaudited Pro forma ¹ (£m)
Group Sales	119.8	118.3	+1.3%	123.2
International Sales	32.0	30.8	+3.9%	35.4
Gross Profit	78.7	76.5	+2.9%	79.5
Underlying EBITDA ²	6.3	11.8	(46.6%)	13.2
Loss after Taxation	(17.3)	(10.5)	(64.8)%	

Note 1: As a result of the significant impact of the buy-back of the Japanese franchise business, the directors have sought to present, for illustrative purposes only, pro forma results which exclude the impact of the Japan acquisition and estimates the impact if it were assumed that the Japan business continued to be operated on a franchise basis. In preparing the pro forma results, management have made certain high-level estimations, including an assumption that sales growth in 2016 would have been equivalent to the actual growth achieved in the Japanese franchise business in 2015 and that gross profit margins would have been consistent with 2014 actual margins (which management believe best represents the underlying profitability of the franchise business). The pro forma results are unaudited.

Note 2: In line with previous years and with most private equity funded companies, EBITDA for the year is before charging a number of non-cash items, including notional interest on shareholder loan notes and depreciation. Underlying EBITDA is before charging certain one off and non-recurring items of an exceptional nature. Loss after taxation is after charging all of the above items. Underlying EBITDA reflects the Operating Loss of £(2.1)m (2015: Operating Profit of £2.1m) adding back depreciation and impairment losses of £6.6m (2015: £5.8m), amortisation of £0.1m (2015: £0.1m) and exceptional items of £1.7m (2015: £3.8m)

Cath Kidston Group Limited

Strategic report
for the 52 weeks ended 27 March 2016

Financial Highlights - 52 weeks ended 27 March 2016

- Group sales up 1.3% to £119.7m (2015: £118.3m)
- International sales up 3.9% to £32.0m (2015: £30.8m)
- Group EBITDA of £6.3m down reflecting the impact of the Japan acquisition and a further substantial investment in infrastructure including new stores in Japan and an expansion of our direct sourcing operations in Hong Kong.
- Store numbers increased by 13 to 218 at year end. Since year end, we opened three new stores including our first stores in India in Mumbai and New Delhi.
- On a pro-forma basis (refer to note 1 above), Group Sales were up 4.0% and Gross Profit up 3.9% delivering Underlying EBITDA of £13.2m.

Cath Kidston is performing strongly both at home in the UK and internationally, with Japan and Thailand particularly strong. Our international stores provide a natural hedge to the weaker sterling and we benefit from our diversification both in terms of the breadth of our customer base and the product range. We are also seeing the strength of Brand Britain as evidenced by the outperformance of our London tourist stores versus the rest of the UK and our British heritage is as important to our prints and products today as it has ever been.

Trading in the six months to 24th September 2016 represented the best start to the year we have ever had. We are constantly innovating and our quirky fun prints appeal to people across the world, whether it is in Manchester or Mumbai. More recently, the Future Florals collection and two collaborations with Disney this year have been amongst our most successful product initiatives ever with many of the products selling out within hours. In the last month we have opened our first ever stores in India and, while it is early days, we are pleased with the start so far and see great potential for the brand there. Asia continues to be a very strong market for us and we are planning more store openings in the region next year.

We are confident that the major initiatives we have taken, including the acquisition of the Japanese business and the new product and marketing strategy, will deliver further growth and we are very excited about 2017.

Outlook

Looking forward to the following year the Group has implemented a number of initiatives during the last twelve months that are starting to deliver positive change.

1. Product and marketing actions

A new design director and product director have been appointed with customer reaction being positive to new product introductions. A new two year global collaboration with Disney has been signed to grow sales and the customer base and additional expenditure spent on marketing to 'target' and 'lapsed' consumers.

2. Store actions

A trial to reconfigure stores to changing product mix, allocating more space to faster growing categories, has been successful and will be implemented in 12 stores this year.

3. Deliberate actions to reduce discounting

This impacted UK sales in the short term in Q3 FY16 but benefited Q4 FY16 sales.

The Cath Kidston Group remains cash generative with net cash flow generated from operating activities of £4.4m and continues to invest significantly in people and infrastructure to support future growth.

Cath Kidston Group Limited

**Strategic report
for the 52 weeks ended 27 March 2016**

Key Performance Indicators

Management drives business performance through the setting of clearly defined and measured key performance indicators (KPI's), taking appropriate action where required to enhance the financial results of the business.

The key financial performance indicators that are used to monitor and manage the business are primarily:

- Year on year turnover growth of the core portfolio
- EBITDA by sales channel and EBITDA as a percentage of sales
- Turnover and margin by store, channel and product category
- Like for like sales growth
- Delivery of new stores to time and on budget
- Increasing the wholesale customer portfolio and current volumes
- Percentage to sales for warehousing and delivery, catalogue costs, occupancy and staff costs
- Average transaction value and footfall conversion (average transaction value being the average value of each purchase made by our customers)
- Stock turn
- Cash generation

We also focus on head office overheads with the target of continually improving the cost efficiency of the business, whilst at the same time investing to supporting growth in key strategic areas.

Change in Ownership since Year End

During September 2016, Baring Private Equity Asia ("Baring Asia") acquired the equity stake of TA Associates, the US private equity company, becoming the controlling majority shareholder in Cath Kidston Group Limited ("Cath Kidston Group"). To strengthen the Group's cash flow and covenant headroom position, the shareholders have injected a further £25m of funding into the Group, part of which was used to pay down some of the Group's bank debt. The Group has also undertaken a refinancing on the bank debt during September 2016.

Baring Asia has been a shareholder in Cath Kidston Group since July 2014 when it acquired a minority stake from TA Associates. Baring Asia is one of the largest and most established independent private equity firms in Asia. Successful expansion across Asia has been a key strategic priority for Cath Kidston Group for some years and Baring Asia's expertise in the region was, and continues to be, a prime attraction for the Group.

Cath Kidston Group products are now sold in 15 countries across Asia and the Middle East, with 70% of Cath Kidston Group's 226 stores today located outside of the UK. Since Baring Asia's initial investment in 2014, the number of Asian stores has increased from 91 to 133. Its first stores in India are set to open in early autumn 2016 with an initial two stores in Delhi, and store openings in Mumbai to follow.

William Flanz, Senior Advisor to Baring Asia since 2003 and ex-Chairman and CEO of Gucci Group, N.V., is now Chairman of Cath Kidston Group replacing Paul Mason who stepped down as Chairman on 19 September 2016 after six years in the role.

TA Associates, which first invested in Cath Kidston Group in 2010, no longer hold a shareholding in Cath Kidston.

Future Developments

The Group continues to seek opportunities to increase the size of the retail portfolio, grow mail order and web sales, increase average order values and encourage repeat visits; and to develop and increase the wholesale customer base, which includes the Group's successful international activities, with further store openings in Asia.

Cath Kidston Group Limited

**Strategic report
for the 52 weeks ended 27 March 2016**

Principal Risks and Uncertainties

Economic environment

The Group is reliant on discretionary consumer spending within the economy to provide demand for its products. The current economic environment is continuing to affect consumer confidence in certain of the

Group's markets and this could potentially have a negative impact on future revenue and profits. An uncertain outlook, with volatile demand and restricted credit, will also potentially impact on our trading partners and suppliers, dependent on their levels of indebtedness.

The Board believes that a strong aspirational brand that continues to design interesting, differentiated and affordable products will be able to grow sales despite the pressures on consumer spending. The Group seeks to mitigate these risks by achieving a broad appeal for its products across a wide demographic and geographic spread. In particular, the growing demand for the Group's products in overseas markets will reduce the reliance on the UK consumer. This risk is further mitigated by the Group building its capacity to deliver products through a wide range of channels to market, ensuring it is positioned to react to changing consumer purchasing habits.

Natural risks

Such events can negatively impact on consumer spending and provide logistical difficulties that need to be overcome. The Board believes that such risks are mitigated through diversification of its supply base and building global demand for its products.

Brand

The increasing popularity of the brand has exposed the Group to counterfeit risk, particularly in Asia. The Board remains vigilant in combating counterfeit cases and have significantly increased legal costs in order to minimise the exposure to this risk. The international expansion strategy will act as a natural deterrent to this risk by creating a legal presence in the countries where counterfeit products are being detected.

People

We are a creative business and rely on the know-how of our senior management and the creative skills of the design teams to create the products that attract customers and develop the sales and distribution channels that present these products to our customers. We are therefore exposed to the risk of key people leaving the business.

Key trading partners and supply chain

The Group has a number of key partners (specifically suppliers of goods and services, distributors in Asia and department store operators in the UK) that it is reliant on for the on-going operations of its commercial activities. There is a risk that these suppliers may fail to produce goods to agreed deadlines or quality standards, that distributors fail to manage their operations effectively or that department stores deselect our products. We seek to mitigate these risks by maintaining strong collaborative relationships with such key trading partners and by developing relationships with new partners or prospective partners that provide alternative sources of products and sales as the business expands.

Foreign exchange

The Group has exposure to translation and transaction foreign exchange risk, both in terms of inflows due to its stores in overseas territories and our US website and outflows through its purchasing of goods and raw materials in currencies other than sterling. The Group monitors its exposure and takes out forward contracts to fix future exchange rates.

Cath Kidston Group Limited

**Strategic report
for the 52 weeks ended 27 March 2016**

Principal Risks and Uncertainties *(continued)*

Financial

The Group monitors cash flow as part of its day-to-day control procedures. The Board considers cash flow projections on a quarterly basis and ensures appropriate investment decisions are made in light of these projections and to meet its financial covenants.

Financial risk management objectives and policies

The risks associated with financial instruments are discussed in note 32.

Charitable contributions and corporate social responsibility (CSR)

During the period the Group made charitable contributions of £8,246 (2015: £15,000).

CSR is embedded in our Group's core business objectives and is very much integrated in the day to day business culture and operations. All CSR programmes reflect our Group values of being ethical and honest, approachable and inclusive.

As we continually strive to manage our business activities in a responsible way, our objective this year was to further embed our Group values to all our business processes, from product development and distribution, to store design.

We have continued to embed our Ethical Trading Policy within our global supply chain and ensure all new suppliers have been audited and understand the Cath Kidston standard. As countries of supply extend from China, India and Thailand to further countries in South East Asia, we have evolved our audit programme in these new emerging markets for the Cath Kidston business.

Employee Involvement

Within the bounds of commercial confidentiality, information is disseminated to all members of staff about matters that affect the progress of the Group and are of interest and concern to them as employees.

Employment policy

The Group is committed to providing Equal Opportunities to all its employees from recruitment and selection, through training and development, appraisal and promotion, to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion.

All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit.

Disabled persons

Every effort is made to ensure that people with disabilities should have full and fair consideration for all vacancies bearing in mind their aptitude. In the event of members of staff becoming disabled we endeavour to retain them in the workforce and ensure that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Policy and practice on the payment of creditors

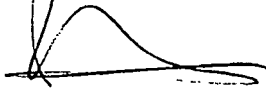
It is the Group's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract and no agreement is reached in advance of raising an order, the policy is that any valid invoice will be paid in full. Average payment in the Financial Year were 29 days.

Cath Kidston Group Limited

Strategic report
for the 52 weeks ended 27 March 2016

Approval

This Strategic Report was approved on behalf of the Board of Directors and signed on behalf of the Board on 10 February 2017.

A handwritten signature in black ink, appearing to be 'N Harrington', written over a horizontal line.

N Harrington

Director

Cath Kidston Group Limited

Directors report for the 52 weeks ended 27 March 2016

The directors present their report together with the audited group financial statements for the 52 week period ended 27 March 2016. The prior period covers the 52 week period to 29 March 2015.

The strategic report forming part of this Annual Report and audited financial statements includes the following matters that are otherwise required under section 416-418 of the Companies Act 2006 to be included in this Report of the directors:

- Future developments – page 3
- Financial risk management objectives and policies – page 5
- Employee involvement – page 5
- Disabled persons – page 5

The Group has adopted International Financial Reporting Standards (IFRS) for the first time in the current year. Note 35 describes the adjustments arising on transition.

Directors

The directors of the company who served during the period and since the period end were:

D Chen (resigned 18 October 2016)
W Flanz
N Harrington
C Kidston (resigned 15 February 2016)
P Mason (resigned 19 September 2016)
C Parkin (resigned 13 September 2016)
G Peeters
L Widengren (resigned 13 September 2016)
K Wilson
M Wikstrom (appointed 1 September 2016)
S You (appointed 18 October 2016)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 parent company financial statements, the Directors are required to:

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

Cath Kidston Group Limited

Directors report for the 52 weeks ended 27 March 2016

Directors' responsibilities (continued)

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' indemnities

The company has made qualifying third party indemnity provision for the benefit of its directors which were made during the year and remain in force at the date of this report.

Going Concern

The nature of the Group's activities and a review of the more significant risk factors have been set out in the Strategic Report. On the basis of current financial projections and available financing facilities, the directors have formed a judgement, at the time of approving the financial statements, that the Group has adequate resources available to continue operating for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

As part of the change of ownership from TA Associates to Baring Private Equity Asia ("Baring Asia"), Baring Asia subscribed to additional shares in Cath Kidston Group and to strengthen the Group's cash flow and covenant headroom position, the shareholders have injected a further £25m of funding into the Group, part of which was used to pay down some of the Group's bank debt. The Group has also undertaken a refinancing on the bank debt during September 2016.

Existence of branches outside of the UK

The company has branches, as defined in section 1046 (3) of the Companies Act 2006, outside the UK including:

- Ireland
- France

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and

Cath Kidston Group Limited

Directors report for the 52 weeks ended 27 March 2016

- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board:



**N Harrington
Director**

10 February 2017

Cath Kidston Group Limited

Independent auditor's report

TO THE MEMBERS OF CATH KIDSTON GROUP LIMITED

We have audited the financial statements of Cath Kidston Group Limited for the 52 weeks ended 27 March 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company Balance Sheets, the consolidated and company statement of changes in equity, the consolidated Cash Flow Statement and the related notes 1 to 35. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 27 March 2016 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the directors for the financial period for which the financial statements are prepared is consistent with the financial statements.

Cath Kidston Group Limited

Independent auditor's report

Matters on which we are required to report by exception

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

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



Emma Cox BA, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP,
Chartered Accountants and Statutory Auditor
London, UK

10 February 2017

Cath Kidston Group Limited

Consolidated income statement for the 52 weeks ended 27 March 2016

	Note	2016 £'000	Restated* 2015 £'000
Continuing operations			
Revenue	5	119,718	118,290
Cost of sales		(41,030)	(41,755)
Gross profit		78,688	76,535
Other operating income	5	680	248
Distribution and Administration costs	6	(79,816)	(70,906)
Exceptional administration costs	7	(1,688)	(3,769)
Operating (loss)/profit		(2,136)	2,108
Interest revenue	10	36	307
Other gains and (losses)	11	989	(671)
Finance costs	12	(15,702)	(13,052)
Loss before tax		(16,813)	(11,308)
Tax	13	(457)	781
Loss for the period from continuing operations		(17,270)	(10,527)

*Restated on transition to IFRS. Disclosure provided in note 35.

Cath Kidston Group Limited

Consolidated statement of comprehensive income for the 52 weeks ended 27 March 2016

	2016 £'000	Restated* 2015 £'000
Loss for the period	(17,270)	(10,527)
Items that may be reclassified subsequently to profit or loss:		
Gains on fair value movement of derivative	422	978
Deferred tax	(87)	(196)
	<u>335</u>	<u>782</u>
	<u>(16,935)</u>	<u>(9,745)</u>
Other comprehensive loss for the period net of tax	(16,935)	(9,745)
Total comprehensive loss for the period	(16,935)	(9,745)

*Restated on transition to IFRS. Disclosure provided in note 35

Cath Kidston Group Limited

Consolidated balance sheet as at 27 March 2016

	Note	2016 £'000	Restated* 2015 £'000	Restated* 2014 £'000
Non-current assets				
Goodwill	14	83,397	79,556	79,556
Other intangible assets	15	730	538	232
Property, plant and equipment	16	14,559	15,189	16,435
Trade and other receivables	18	2,374	821	485
Deferred tax asset	23	523	889	227
Derivative financial instruments	19	-	-	25
		<u>101,583</u>	<u>96,993</u>	<u>96,960</u>
Current assets				
Inventories	20	16,998	15,355	9,838
Trade and other receivables	18	9,847	9,404	7,014
Cash and bank balances		9,903	5,028	8,992
Derivative financial instruments	19	227	158	9
Current tax assets		142	162	-
		<u>37,117</u>	<u>30,107</u>	<u>25,853</u>
Total assets		<u>138,700</u>	<u>127,100</u>	<u>122,813</u>
Current liabilities				
Trade and other payables	21	(14,951)	(8,625)	(8,862)
Current tax liabilities		-	-	(986)
Borrowings	22	(21,872)	(13,500)	-
Derivative financial instruments	19	-	(588)	(909)
Accruals and Deferred revenue		(10,025)	(9,044)	(8,019)
Provisions	24	(146)	(724)	-
		<u>(46,994)</u>	<u>(32,481)</u>	<u>(18,776)</u>
Current net (liabilities)/assets		<u>(9,877)</u>	<u>(2,374)</u>	<u>7,077</u>
Non-current liabilities				
Borrowings	22	(131,121)	(116,158)	(118,066)
Derivative financial instruments	19	(457)	(819)	(681)
Long-term provisions	24	(1,426)	(2,006)	-
		<u>(133,004)</u>	<u>(118,983)</u>	<u>(118,747)</u>
Total liabilities		<u>(179,998)</u>	<u>(151,464)</u>	<u>(137,523)</u>
Net liabilities		<u>(41,298)</u>	<u>(24,364)</u>	<u>(14,710)</u>

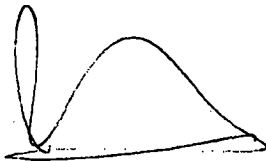
Cath Kidston Group Limited

Consolidated balance sheet as at 27 March 2016

	Note	2016 £'000	Restated* 2015 £'000	Restated* 2014 £'000
Equity				
Called up share capital	25	63	61	5,073
Share premium account	26	76	76	-
Hedging Reserve	26	(128)	(463)	(1,245)
EBT Reserve	26	-	-	(36)
Retained earnings	26	(41,309)	(24,038)	(18,502)
Total equity		(41,298)	(24,364)	(14,710)

*Restated on transition to IFRS. Disclosure provided in note 35.

The financial statements were approved by the board of directors and authorised for issue on 10 February 2017. They were signed on its behalf by:



N. Harrington

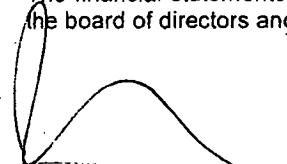
Director

Cath Kidston Group Limited

Company balance sheet as at 27 March 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Investments in subsidiaries	17	5,011	5,011
		<u>5,011</u>	<u>5,011</u>
Current assets			
Trade and other debtors	18	1,048	995
		<u>1,048</u>	<u>995</u>
Total assets		<u>6,059</u>	<u>6,006</u>
Current liabilities			
Borrowings	22	(5,050)	(3,920)
Accruals and Deferred revenue		(368)	(1,025)
		<u>(5,418)</u>	<u>(4,945)</u>
Net current liabilities		<u>(4,370)</u>	<u>(3,950)</u>
Total liabilities		<u>(5,418)</u>	<u>(4,945)</u>
Net assets		<u>641</u>	<u>1,061</u>
Equity			
Called up Share capital		63	61
Share premium account		76	76
Retained earnings		502	924
Total equity		<u>641</u>	<u>1,061</u>

The financial statements of Cath Kidston Group Limited (registered number 07180354) were approved by the board of directors and authorised for issue on 10 February 2017. They were signed on its behalf by:


N. Harrington

Director

Cath Kidston Group Limited

Consolidated statement of changes in equity for the 52 weeks ended 27 March 2016

	Share Capital £000	Share Premium £000	Hedging Reserve £000	EBT Share Reserve £000	Retained Earnings £000	Total Equity £000
Balance at 30 March 2014	5,073	-	-	(36)	(16,104)	(11,067)
Effect of change in accounting policy for IFRS Transition*	-	-	(1,245)	-	(2,398)	(3,643)
Balance at 30 March 2014 as restated	5,073	-	(1,245)	(36)	(18,502)	(14,710)
Loss for the period	-	-	-	-	(10,527)	(10,527)
Other comprehensive income for the period, net of income tax	-	-	782	-	-	782
Total comprehensive income for the period	5,073	-	(463)	(36)	(29,029)	(24,455)
Issue of share capital	10	76	-	-	-	86
Capital Reduction	(5,022)	-	-	-	4,991	(31)
Purchase of Shareholder Shares	-	-	-	(1,898)	-	(1,898)
Sale of Shareholder Shares	-	-	-	1,934	-	1,934
Balance at 29 March 2015 as restated	61	76	(463)	-	(24,038)	(24,364)
Loss for the period	-	-	-	-	(17,270)	(17,270)
Other comprehensive income for the period, net of income tax – movement in fair value of derivatives	-	-	335	-	-	335
Total comprehensive income for the period	61	76	(128)	-	(41,308)	(41,299)
Issue of share capital	2	-	-	-	-	2
Balance at 27 March 2016	63	76	(128)	-	(41,308)	(41,297)

*Restated on transition to IFRS. Disclosure provided in note 35.

Cath Kidston Group Limited

Company statement of changes in equity for the 52 weeks ended 27 March 2016

	Share Capital £000	Share Premium £000	Retained Earnings £000	Total Equity £000
Balance at 30 March 2014	5,073	-	(420)	4,653
Effect of change in accounting policy for FRS 101 Transition	-	-	-	-
Balance at 30 March 2014 as restated	5,073	-	(420)	4,653
Loss for the period	-	-	(3,647)	(3,647)
Total comprehensive income for the period	5,073	-	(4,067)	1,006
Issue of share capital	10	76	-	86
Capital Reduction	(5,022)	-	4,991	(31)
Balance at 29 March 2015 as restated	61	76	924	1,061
Loss for the period	-	-	(422)	(422)
Total comprehensive income for the period	61	76	502	639
Issue of share capital	2	-	-	2
Capital Reduction	-	-	-	-
Balance at 27 March 2016	63	76	502	641

Cath Kidston Group Limited

Consolidated statement of cash flows for the year ended 27 March 2016

	Note	2016 £'000	2015 £'000
Net cash from operating activities	28	4,448	1,680
Investing activities			
Purchase of property, plant and equipment		(4,850)	(4,759)
Purchase of patents and trademarks		(307)	(370)
Acquisition of subsidiary	27	(2,535)	-
Interest received		30	241
Proceeds from hedging activities		334	782
Net cash used in investing activities		(7,328)	(4,106)
Financing activities			
Interest paid		(3,740)	(3,897)
Issue of bank debt		1,500	3,500
Repayments of borrowings		(10,004)	(1,227)
Proceeds on issue of shares		2	86
Proceeds on shareholder loan notes		19,997	-
Net cash from/(used in) financing activities		7,755	(1,538)
Net increase/(decrease) in cash and cash equivalents		4,875	(3,964)
Cash and cash equivalents at beginning of period		5,028	8,992
Cash and cash equivalents at end of period		9,903	5,028

Cath Kidston Group Limited

Notes to the consolidated and company financial statements For the year ended 27 March 2016

1 General information

Cath Kidston Group Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on the contents page. The principal activities of the company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the strategic report on pages 1 to 6.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

2 Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the new year

The Group has adopted International Financial Reporting Standards (IFRS) for the first time in the current year. As part of this adoption, the following new and revised Standards and Interpretations have been adopted in the current year. The prior year financial statements were re-stated for material adjustments on adoption of IFRS in the current year. For more information see note 35.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, in the year ended 27 March 2016 the Company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 'Reduced Disclosure Framework'. The financial statements have therefore been prepared in accordance with FRS 101. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 Financial Instruments: Classification and Measurement
- IFRS 15 Revenue and Contracts from Customers
- IFRS 16 Leases
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The directors expect that the adoption of IFRS 16 on leases will have a material impact on the Group's results in future periods. The directors do not expect that the adoption of the other Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable effect until a detailed review has been completed.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (*continued*) For the year ended 27 March 2016

3 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the results of Cath Kidston Group Limited and all of its subsidiary undertakings as at the balance sheet date each year.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired during the year are included in the consolidated income statement from the date the Company gains control.

Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Going concern

During the period, the Group made a loss of £17.3m (2015 - £10.5m loss) and the balance sheet shows net liabilities of £41.3m (2015 - £24.4m net liabilities), including shareholder loan notes and accrued interest thereon of £108.3m (2015 - £76.6m). The directors have considered the situation and have concluded that it is appropriate to prepare the financial statements on the going concern basis. This is due to the Group generating positive operating cash flow, and due to the Group operating within its loan facilities available.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (*continued*) for the year ended 27 March 2016

3 Significant accounting policies (*continued*)

As described in note 22, the Group is financed through bank debt and shareholder loan notes, with the shareholder loans notes rolling up interest until 31 March 2018, after which interest payable will be settled in cash. Subsequent to the period-end, to strengthen the Group's cash flow and covenant headroom position, the shareholders have injected a further £25m of funding into the Group, part of which was used to pay down some of the Group's bank debt. The Group has also undertaken a refinancing on the bank debt during September 2016.

The directors have considered the Group's cash flow forecasts, including the headroom on covenants and loan facilities available, and have concluded that there will be sufficient resources available to meet the Group's liabilities as they fall due. As a result, the financial statements have been prepared on a going concern basis.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method and the results of subsidiary undertakings are included from the date of acquisition. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- assets (or disposal Groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill is not amortised but is reviewed for impairment at least annually.

Revenue Recognition

Revenue comprises the invoiced value of goods and services supplied by the Group, net of value added tax and trade discounts. Revenue is recognised when the risks and rewards of ownership have substantially transferred to the customer. Retail revenue arises upon physical transferral of goods to the customer at point of sale. Mail order, web and wholesale revenues are recognised when risk has passed to the customer, being dispatch of the goods other than for UK Wholesale customers where risk passes on delivery of goods.

Foreign currencies

For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (*continued*) for the year ended 27 March 2016

3 Significant accounting policies (*continued*)

Retirement benefit costs

The Group operates a defined contribution pension scheme and pension contributions are charged to profit and loss account in the year on a straight line basis in which they become payable.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairment.

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

Leasehold property	-	Term of lease
Office equipment	-	25% per annum of cost
Fixtures and fittings	-	25% per annum of cost
Computer equipment	-	25% - 50% per annum of cost
Plant and machinery	-	10% - 33% per annum of cost

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (*continued*) for the year ended 27 March 2016

3 Significant accounting policies (*continued*)

Intangible Assets

Intangible assets are initially recognised at cost. Subsequently intangible fixed assets are stated at cost net of accumulated amortisation and any provision for impairment.

Amortisation is provided at rates calculated to write off the cost of intangible assets less their estimated residual values over their expected useful lives. It is calculated at the following rates:

Trademarks	-	10%
Patents	-	20%

Inventories

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and is based on the cost of purchase on a first in first out basis.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial assets and liabilities at FVTPL

Financial assets and liabilities are classified as at FVTPL when the financial asset or liability is either held for trading or it is designated as at FVTPL. Derivatives that are not designated in hedging relationships are classified as held for trading.

Financial assets and liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 19.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (*continued*) for the year ended 27 March 2016

3 Significant accounting policies (*continued*)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 19.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Provisions

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

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (*continued*) for the year ended 27 March 2016

3 Significant accounting policies (*continued*)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Separate financial statements of the company

The separate financial statements of the company are presented as required by the Companies Act 2006. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of a cash-flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis except for the remeasurement of certain financial instruments to fair value. The principal accounting policies adopted are the same as those set out above for the consolidated financial statements except as noted below.

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis over the lease term.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Inventory Provision

The Group designs, produces and sells luxury goods and as such is at risk that the net realisable value of stock will be less than the carrying value. Provisions for raw materials are calculated based upon expected future usage and for finished goods upon the saleability of finished goods and age and condition of the items. The provision at the year end was £465,000 (2015: £299,000).

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued) for the year ended 27 March 2016

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £83.4 million.

5 Revenue

Revenue is attributable solely to continuing operations and derives from the sale of goods.

	2016 £000	2015 £000
Continuing operations		
Sales of goods	119,718	118,290
Other operating income	680	248
	<u>120,398</u>	<u>118,538</u>

The Group's primary reporting segment for reporting segment information is the business segment.

Revenue by class of business

	2016 £000	2015 £000
Retail	98,594	90,001
Wholesale/licensing	21,804	28,537
	<u>120,398</u>	<u>118,538</u>

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued) for the year ended 27 March 2016

5 Revenue (continued)

Revenue by geographical markets (by sales destination)

	2016 £000	2015 £000
UK	84,973	84,889
EU	7,765	7,409
Rest of the World	27,660	26,240
	<u>120,398</u>	<u>118,538</u>

Turnover was up £1.4m on the year at £119.7m (2015: £118.3m), Japanese income during the year was materially impacted as the business transitioned from a franchise business to a retail business. There were no franchise sales in the year and half a year's retail sales. If the retail stores had traded for a full year sales would have been £7.2m higher.

6 Distribution and administration costs

	2016 £000	Restated* 2015 £000
Distribution and administration costs	79,816	70,906
	<u>79,816</u>	<u>70,906</u>

Distribution and administration costs have increased in the year due to £6.1m increase in costs relating to the Japanese business as well as £2.2m relating to new stores costs in UK Retail.

7 Profit for the period

Profit for the period from continuing operations has been arrived at after charging/(crediting):

	2016 £000	Restated* 2015 £000
Net foreign exchange losses/(gains)	1,062	(223)
Depreciation of property, plant and equipment	5,905	5,094
Impairment of property, plant and equipment	703	709
Loss on disposal of property, plant and equipment	65	205
Amortisation of intangible assets	115	64
Staff costs (see note 9)	26,765	23,427
Exceptional costs	1,688	3,769

Exceptional costs in 2016 relate to costs associated with the purchase of the Cath Kidston business from the franchise partner in Japan. In 2015 exceptional costs relate to costs incurred in relation to the sale of certain shares to Baring Private Equity Asia V Holding (18) Limited ("Baring Asia") from existing shareholders completed in July 2014.

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own profit and loss account for the period. The company reported a loss for the financial period ended 27 March 2016 of £0.4m (2015: £3.6m loss).

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued) for the year ended 27 March 2016

8 Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2016 £000	2015 £000
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	80	63
Fees payable to the company's auditor and their associates for other services to the Group		
- The audit of the company's subsidiaries	10	10
	<u>90</u>	<u>73</u>
	2016 £000	2015 £000
- Corporate financial services	60	24
- Other services	18	65
Total non-audit fees	<u>78</u>	<u>89</u>

9 Staff Costs

The average monthly number of employees (including executive directors) was:

	2016 Number	2015 Number
Selling	767	715
Administration	225	219
	<u>992</u>	<u>934</u>

Their aggregate remuneration comprised:

	2016 £000	2015 £000
Wages and salaries	24,363	21,173
Social security costs	2,141	1,930
Other pension costs (see note 31)	261	324
	<u>26,765</u>	<u>23,427</u>

The £3.4m increase in staff costs in 2016 is due to the purchase of the Japan franchise and additional staff.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued) for the year ended 27 March 2016

10 Interest Revenue

	2016 £000	2015 £000
Interest revenue:		
Bank deposits	6	2
Other loans and receivables	30	305
Total interest revenue	<u>36</u>	<u>307</u>

Interest revenue relates to revenue earned on financial assets classified as loans and receivables.

11 Other gains and (losses)

	2016 £000	2015 £000
Change in the fair value of derivatives outstanding at year end and classified as held for trading	1,020	307
Reclassification to profit and loss	(422)	(978)
Other realised gains	391	-
Total other gains / (losses)	<u>989</u>	<u>(671)</u>

No other gains or losses have been recognised in respect of loans and receivables, other than impairment losses recognised/reversed in respect of trade receivable bad debt (see note 18). No gains or losses have been recognised on financial liabilities measured at amortised cost.

12 Finance Costs

	2016 £000	2015 £000
Interest on bank overdrafts and loans	3,581	3,882
Interest on shareholder loans	11,800	8,505
	<u>15,381</u>	<u>12,387</u>
Unwinding of discount on provisions	321	665
	<u>15,702</u>	<u>13,052</u>

The interest on shareholder loans has increased £3.3m (2015: decreased £0.7m). £20m of additional shareholder loan notes were issued during 2016 to fund the purchase of the Japan franchise business and the associated refinancing of the Group's debt.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued) for the year ended 27 March 2016

13 Tax

	2016 £000	Restated* 2015 £000
Tax charged in the income statement		
Corporation tax:		
Adjustment in respect of prior years	177	23
Current tax on profits for the year	1	-
Foreign tax suffered	-	53
	<u>178</u>	<u>76</u>
Deferred tax (see note 23):		
Prior year charge	131	86
Credit/(charge) to profit and loss	148	(944)
	<u>279</u>	<u>(857)</u>
	<u>457</u>	<u>(781)</u>
Deferred tax (see note 23):		
Arising on income and expenses recognised in other comprehensive income:		
Fair value remeasurement of trading derivatives that are not designated in hedge accounting relationships	(87)	(196)
	<u>(87)</u>	<u>(196)</u>
Total income tax expense recognised in other comprehensive income		

Corporation tax is calculated at 20% (2015: 21%) of the estimated taxable profit for the period.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the period can be reconciled to the profit in the income statement as follows:

	2016 £000	Restated* 2015 £000
Loss before tax on continuing operations	(16,813)	(10,879)
Tax at the UK corporation tax rate of 20% (2015: 21%)	(3,362)	(2,284)
Effects of:		
Expenses not deductible for tax purposes	2,423	1,031
Adjustment to tax charge in respect of previous years	307	108
Overseas losses not deferred tax recognised	1,034	413
Effects of overseas tax rates	-	53
Effects of changes in UK tax rates	55	33
Amounts not recognised	-	(135)
Tax expense for the period	<u>457</u>	<u>(781)</u>

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued) for the year ended 27 March 2016

14 Goodwill

	Restated* £000
Cost	
At 30 March 2014 and at 29 March 2015	79,556
Recognised on acquisition of a subsidiary	3,841
At 27 March 2016	83,397
Accumulated impairment losses	
At 30 March 2014 and at 29 March 2015	-
Impairment losses for the year	-
At 27 March 2016	-
Carrying amount	
At 30 March 2014 and 29 March 2015	79,556
At 27 March 2016	83,397

There is no goodwill recognised in the company (2015: nil).

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) or group of units that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2016 £000	Restated* 2015 £000	Restated* 2014 £000
Cath Kidston Group Limited	79,556	79,556	79,556
Cath Kidston Japan K.K.	3,841	-	-
	83,397	79,556	79,556

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs and the group of units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (*continued*) for the year ended 27 March 2016

15 Other Intangible Assets

	Trademarks £000	Patents £000	Total £000
Cost			
At 30 March 2014	136	151	287
Additions	276	94	370
At 29 March 2015	412	245	657
Additions	240	67	307
At 27 March 2016	652	312	964
Amortisation			
At 30 March 2014	26	29	55
Charge for the year	22	42	64
At 29 March 2015	48	71	119
Charge for the year	55	60	115
At 27 March 2016	103	131	234
Carrying amount			
At 27 March 2016	549	181	730
At 29 March 2015	364	174	538
At 27 March 2014	110	122	232

There are no intangible assets in the company (2015: nil).

Cath Kidston Group Limited

Notes to the consolidated and company financial statements *(continued)* for the year ended 27 March 2016

16 Property, plant and equipment

	Leasehold Property £000	Plant and machinery £000	Office equipment £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost						
At 30 March 2014	17,474	102	140	6,566	4,231	28,513
Additions	1,885	6	19	1,655	1,194	4,759
Disposals	(284)	-	-	(85)	(74)	(443)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 29 March 2015	19,075	108	159	8,136	5,351	32,829
Additions	2,847	78	18	1,914	1,186	6,043
Disposals	(737)	(1)	(5)	(346)	(138)	(1,227)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 27 March 2016	21,185	185	172	9,704	6,399	37,645
Accumulated depreciation and impairment						
At 30 March 2014	5,909	63	72	3,198	2,836	12,078
Charge for the year	2,433	24	34	1,627	976	5,094
Impairment loss	629	1	1	61	17	709
Eliminated on disposals	(161)	-	-	(54)	(26)	(241)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 29 March 2015	8,810	88	107	4,832	3,803	17,640
Charge for the year	3,079	14	28	1,693	1,091	5,905
Impairment loss	391	-	2	293	17	703
Eliminated on disposals	(826)	(3)	(3)	(281)	(48)	(1,162)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 27 March 2016	11,454	99	134	6,537	4,863	23,086
Carrying amount						
At 27 March 2016	9,731	86	37	3,169	1,536	14,559
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 29 March 2015	10,265	20	52	3,304	1,548	15,189
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 March 2014	11,565	39	68	3,368	1,395	16,435
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

There are no fixed assets held in the company (2015: nil).

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued) for the year ended 27 March 2016

17 Subsidiaries

The subsidiaries of the Group and their activities are as follows:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held	Nature of Business
Cath Kidston PFSCo Limited	United Kingdom	100%	Holding Company
Cath Kidston Mezzco Limited*	United Kingdom	100%	Holding Company
Cath Kidston Acquisitions Limited*	United Kingdom	100%	Holding Company
Cath Kidston Limited*	United Kingdom	100%	Designer, wholesaler and retailer
Cath Kidston Spain S.L.U.*	Spain	100%	Retailer
Cath Kidston Asia Pacific Limited*	Hong Kong	100%	Wholesaler
Cath Kidston Trading (Shanghai) Ltd*	China	100%	Retailer
Cath Kidston EBT Limited	United Kingdom	100%	Employee Benefit Trust
Cath Kidston Japan K.K.*	Japan	100%	Retailer

* Companies not directly held by Cath Kidston Group Limited.

Company	2016 £000	2015 £000
Shares in Group undertaking	5,011	5,011
Total fixed asset investments	5,011	5,011

18 Trade and Other Receivables

	Group 2016 £000	Restated* Group 2015 £000	Company 2016 £000	Company 2015 £000
Amount receivable for the sale of goods	4,167	3,970	-	-
Allowance for doubtful debts	(44)	(52)	-	-
	<u>4,123</u>	<u>3,918</u>	<u>-</u>	<u>-</u>
Other debtors	1,597	1,665	870	851
Prepayments and accrued income	4,127	3,821	30	-
Amounts owed by Group undertakings	-	-	148	145
	<u>9,847</u>	<u>9,404</u>	<u>1,048</u>	<u>996</u>
Due after more than one year	2,374	821	-	-
Total Debtors	12,221	10,225	1,048	996

The average credit period taken on sales of goods is 30 days.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued) for the year ended 27 March 2016

18 Trade and Other Receivables (continued)

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The average age of these receivables is 49 days (2015: 60 days).

Ageing of past due but not impaired receivables

	2016 £000	2015 £000
31-60 days	513	245
61-90 days	1,265	98
91-120 days	69	62
Total	<u>1,847</u>	<u>405</u>

Movement in the allowance for doubtful debts

	2016 £000	2015 £000
Balance at the beginning of the period	(52)	(39)
Impairment losses recognised	8	(13)
Balance at the end of the period	<u>(44)</u>	<u>(52)</u>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

There are no impaired trade receivables.

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

19 Derivative Financial Instruments

	2016 £000	2015 £000	2014 £000
Financial assets carried at fair value through profit or loss (FVTPL):			
Held for trading derivatives that are not designated in hedge accounting relationships:			
Foreign currency options	-	75	(183)
Forward foreign currency contracts	227	(505)	(1,060)
Interest Rate Swaps	(457)	(819)	(313)
	<u>(230)</u>	<u>(1,249)</u>	<u>(1,556)</u>

There are no derivative financial instruments held in the company (2015: nil).

Further details of derivative financial instruments are provided in note 32.

The Group's derivatives are classified as being within level 2 of the fair value hierarchy.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (*continued*) for the year ended 27 March 2016

20 Inventories

	2016 £000	2015 £000
Finished goods and goods for resale	16,508	14,583
Raw materials	490	772
	<u>16,998</u>	<u>15,355</u>

There are no inventories held by the company.

The cost of inventories recognised as an expense during the year was £39.9 million (2015: £41.3 million).

21 Trade and other payables

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade creditors	(10,929)	(6,056)	-	-
Other creditors	(4,022)	(2,569)	-	-
	<u>(14,951)</u>	<u>(8,625)</u>	<u>-</u>	<u>-</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 36 days. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates to their fair value.

The increase in trade and other payables in 2016 is due to the purchase of the Japan franchise business which accounts for £3.3m of the increase.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued)
for the year ended 27 March 2016

22 Borrowings

	Group 2016 £000	Restated* Group 2015 £000	Company 2016 £000	Company 2015 £000
Unsecured borrowing at amortised cost				
Bank overdrafts	-	-	-	-
Shareholder loan notes & accrued interest thereon	(108,343)	(76,545)	-	-
Amounts due to Group undertakings	-	-	(5,050)	(3,920)
	<u>(108,373)</u>	<u>(76,545)</u>	<u>(5,050)</u>	<u>(3,920)</u>
Secured borrowing at amortised cost				
Bank loans	(41,018)	(51,023)	-	-
Drawn RCF	(5,000)	(3,500)	-	-
Bank fees	1,367	1,410	-	-
	<u>(152,994)</u>	<u>(129,658)</u>	<u>(5,050)</u>	<u>(3,920)</u>
Total borrowings falling due				
Not later than one year	(21,872)	(13,500)	(5,050)	(3,920)
Later than one year but not later than five years	(2,396)	(8,571)	-	-
Later than five years	(128,726)	(107,587)	-	-

All borrowings are denominated in GBP.

The other principal features of the Group's borrowings are as follows.

- (i) Bank overdrafts are repayable on demand.
- (ii) The company has a rolling credit facility available of £6.5m (2015: £5.0m), of which £5.0m was utilised at the balance sheet date (2015: £3.5m).
- (ii) The Group has two principal loans:
 - (a) A bank loan of £41.0m (2015: £51.0m). The loan was taken out on 1 August 2013. The loan has three tranches which carry interest rates at 4.50 – 6.00% above 3 month LIBOR. The loan is due for repayment in full in August 2021. The Group hedges a portion of the loan for interest rate risk using an interest rate swap exchanging fixed rate interest for variable rate interest. The company is part of the cross guarantee with other members of the Group. The total Group borrowings covered by this guarantee at the period end was £153.0m (2015: £129.7m).
 - (b) Fixed rate unsecured shareholder loan notes of £108 million (2015: £76.5 million). The notes were issued on 30 March 2010 and are listed on the Channel Islands Securities Exchange Authority Limited. Interest on the notes accrues at 12.5% per annum during the year. The principal element of the notes falls due for repayment on 30 March 2109. Interest which accrues and is rolled up, on the shareholder loan notes from 31 March 2018 is added to the principal loan balance outstanding, and falls due for repayment on 31 March 2109. After 30 March 2018, interest payable on the outstanding loan notes is payable in cash on an annual basis. In 2015, an additional £20m of shareholder loan notes were issued. During September 2016, the bank debt was refinanced.

The weighted average interest rates paid during the year were as follows:

	2016 %	2015 %
Bank overdrafts	0.0	0.0
Loans from related parties	10.9	11.1
Bank loans	7.9	7.2

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued) for the year ended 27 March 2016

23 Deferred tax

The following are the major deferred tax assets recognised by the Group and movements thereon during the current and prior reporting period.

	Decelerated/ (Accelerated) tax depreciation £000	Temporary differences £000	Total £000
At 31 March 2014	(673)	900	227
Prior year charge	36	(122)	(86)
Charge to profit or loss	529	415	944
Charge to other comprehensive income	-	(196)	(196)
At 30 March 2015	(108)	997	889
Prior year charge	(131)	-	(131)
Charge/(credit) to profit or loss	506	(654)	(148)
Charge to other comprehensive income	-	(87)	(87)
At 27 March 2016	267	256	523

There is no deferred taxation in the Company (2015: nil).

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. No balances have been offset.

At the balance sheet date, the Group has no unused tax losses (2015: nil) available for offset against future profits.

24 Provisions

	2016 £000	Restated* 2015 £000	2014 £000
Current	(146)	(724)	-
Non-current	(1,426)	(2,006)	-
	(1,572)	(2,730)	-

Provision for leases

At 30 March 2015	(2,730)
Additional provision in the year	-
Utilisation of provision	1,158
At 27 March 2016	(1,572)

The provision above relates to onerous lease contracts. This represents the present value of future lease payments that the Group is presently obliged to make under non-cancellable onerous operating lease contracts. The estimate may vary as a result of changes in the utilisation of the leased premises. The unexpired terms of the leases range from 2 to 17 years.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued)
for the year ended 27 March 2016

25 Share Capital

	2016 Number	2015 Number	2014 Number	2016 £000	2015 £000	2014 £000
<i>Allotted, called up and fully paid</i>						
Ordinary 'A' shares of £0.01 each	4,010,640	4,010,640	3,085,881	40	40	3,086
Ordinary 'B' shares of £0.01 each	842,628	575,718	986,124	8	6	986
Ordinary 'C' shares of £0.01 each	484,934	484,934	1,000,589	5	5	1,001
Ordinary 'D' shares of £0.01 each	77,080	77,080	-	1	1	-
Ordinary 'E' shares of £1 each	9,450	9,400	-	9	9	-
Deferred shares of £0.01 each	15,033	15,033	-	-	-	-
	<u>5,439,765</u>	<u>5,172,805</u>	<u>5,072,594</u>	<u>63</u>	<u>61</u>	<u>5,073</u>

All classes of shares rank pari passu in terms of rights to dividends and capital. Ordinary 'A' shares carry the ability to appoint up to two directors.

On 7 May 2015 the Group issued 266,910 additional Ordinary 'B' shares at a nominal value of £0.01 and 50 additional Ordinary 'E' shares at a nominal value of £0.01.

26 Reserves

	Share premium £000	EBT Share Reserve £000	Hedging Reserve £000	Retained Earnings £000
Balance at 30 March 2014	-	(36)	-	(16,104)
Effect of change in accounting policy	-	-	(1,245)	(2,398)
Restated balance at 30 March 2014	-	(36)	(1,245)	(18,502)
Net loss for the period	-	-	782	(10,527)
Capital reduction	-	-	-	4,991
Issue of Shares	76	-	-	-
Purchase of shareholder shares	-	(1,898)	-	-
Sale of shareholder shares	-	1,934	-	-
Balance at 29 March 2015	<u>76</u>	<u>-</u>	<u>(463)</u>	<u>(24,038)</u>
Net profit/(loss) for the period	-	-	335	(17,270)
Balance at 27 March 2016	<u>76</u>	<u>-</u>	<u>(128)</u>	<u>(41,308)</u>

On 2 March 2011 the Group established an employee benefit trust, Cath Kidston EBT Limited, for the purpose of facilitating the holding of shares in the Group for the benefit of employees of the Group. From time to time the Group recommends that the Trust acquires shares from or sells shares to employees at fair market value as determined by periodic revaluation of shares by a suitably qualified third party.

At 27 March 2016 the Employee Benefit trust (EBT) held nil shares (2015 – nil).

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued) for the year ended 27 March 2016

27 Acquisition of a Subsidiary

The Group established a subsidiary to acquire the business of its former franchise partner on 31 August 2015, Cath Kidston K.K. The trading assets were acquired to allow the Group to further the brand's presence in the region.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

The acquiring entity was Cath Kidston Japan K.K., a new subsidiary within the Group. All of the Group's operations in Japan are now undertaken by this entity.

	Fair value £000
Financial assets	
Inventory	-
Property, plant and equipment	1,192
Total identifiable assets	1,192
Goodwill	3,841
Total consideration	5,033
Satisfied by:	
Cash	2,535
Deferred consideration	2,498
	5,033
Net cash outflow arising on acquisition	
Cash consideration	2,535
Less: cash and cash equivalent balances acquired	-
	2,535

The fair value of the financial assets includes leasehold improvements, which are present in the 27 stores for which leases are transferred. The fair value of £1.2m has been calculated based on depreciated replacement cost per IFRS 13.

There is goodwill of £3.8m arising from the acquisition. The entire amount is not tax deductible.

Acquisition-related costs (included in exceptionals) amount to £1.5m.

Cath Kidston Japan K.K. contributed £5.9m revenue and £2.9m loss to the Group's loss for the period between the date of acquisition and the balance sheet date.

The Cath Kidston business was transferred to its wholly owned subsidiary, Cath Kidston Japan K.K., including stores and product inventory.

The Japanese business has grown strongly over the last four years with double digit sales growth each year. Volume growth in Japan has been driven by three main categories – home, children's wear and bags. The Japanese business represents approximately 15% of the Group's global retail sales.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (*continued*) for the year ended 27 March 2016

28 Notes to the statement of cash flows

	2016 £000	Restated* 2015 £000
Loss for the period	(17,270)	(10,527)
<i>Adjustments for:</i>		
Income tax expense	457	(781)
Finance costs	15,702	13,052
Interest income	(36)	(307)
Restructuring costs	-	3,769
Depreciation of property, plant and equipment	5,905	5,094
Impairment loss on fixtures and equipment	703	709
Amortisation of intangible assets	115	64
Effects of Foreign Exchange rates	-	-
Loss on disposal of property, plant and equipment	65	205
Operating cash flows before movements in working capital	5,641	11,278
(Increase) in inventories	(1,643)	(5,517)
(Increase) in receivables	(1,996)	(3,235)
(Decrease)/increase in provisions	(1,157)	2,730
Increase in payables	3,672	389
Cash generated from operations	4,517	5,647
Costs of fundamental restructuring	-	(2,745)
Income taxes paid	(69)	(1,220)
Net cash from operating activities	4,448	1,682
	2016 £000	2015 £000
Cash and bank balances	9,903	5,028

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet position as shown above.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued) for the year ended 27 March 2016

29 Contingent liabilities

There are no contingent liabilities.

30 Operating lease arrangements

The Group as lessee

Lease payments under operating leases recognised as an expense in the year are £16.3m (2015: £12.7m).

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £000	2015 £000
Within one year	15,480	9,996
In the second to fifth years inclusive	46,586	35,483
After five years	16,549	12,396
	<u>78,615</u>	<u>57,875</u>

Operating lease payments represent rentals payable by the Group for certain of its office and store properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 2 years with an option to extend for a further 5 years at the then prevailing market rate.

31 Retirement benefit scheme

Defined contribution schemes

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 cost charge represents contributions payable by the company to the fund of £261,000 (2015 - £324,000). The amount outstanding to the fund at the balance sheet date was £75,000 (2015 - £71,000).

32 Financial Instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of net debt (borrowings disclosed in note 22 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves, and retained earnings as disclosed in notes 25 to 26).

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued) for the year ended 27 March 2016

32 Financial Instruments (continued)

Categories of financial instruments

		2016 £000	2015 £000
Financial assets			
Cash and bank balances		9,903	5,028
Fair value through profit and loss (FVTPL)			
Held for trading		227	75
Debt instruments measured at amortised cost:			
Trade Receivables	18	4,123	3,918
Other Debtors	18	1,597	1,665
Financial liabilities			
Fair value through profit and loss (FVTPL)			
Held for trading		(457)	(1,324)
Amortised cost		(152,994)	(129,658)

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on operating payments; and
- interest rate swaps to mitigate the risk of rising interest rates.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk management

The Group has exposure to translation and transaction foreign exchange risk. The Group monitors its exposure and takes out forward contracts to fix future exchange rates.

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed centrally by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its trade debtors. Credit risk is managed through regular reviews of aged debtor balances and limited the level of credit given to customers according to payment history.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (*continued*) for the year ended 27 March 2016

32 Financial Instruments (*continued*)

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, bank borrowings and term loans, and by continuously monitoring cash flow as part of its day-to-day control procedures.

At 27 March 2016, the Group has a rolling credit facility of £6.5m available (2015 - £5.0m available), of which £5.0m was utilised at year end (2015 - £3.5m).

33 Events after the balance sheet date

Subsequent to the year-end, to strengthen the Group's cash flow and covenant headroom position, the shareholders have injected a further £25m of funding into the Group and at the same time the Group refinanced the remaining bank debt during September 2016.

34 Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2016 £000	2015 £000
Short-term employee benefits	37	102
	<u>37</u>	<u>102</u>

Aggregate directors' remuneration

The total amounts for directors' remuneration in accordance with Schedule 5 to the Accounting Regulations were as follows:

	2016 £000	2015 £000
Salaries, fees, bonuses and benefits in kind	1,162	1,585
	<u>1,162</u>	<u>1,585</u>

Directors' transactions

During the year, outstanding loans issued to directors, from the Group, were £750,000 (2015 - £750,000) with associated accrued interest of £29,753 (2015 - nil). Loan notes issued to the Group, from directors, was £134,981 (2015 - £7,609,273). At period end, cumulative interest accrued on the directors' loan notes was £15,058 (2015 - £647,595).

Cath Kidston Group Limited

Notes to the consolidated and company financial statements (continued) for the year ended 27 March 2016

34 Related party transactions (continued)

Ultimate controlling party

During September 2016 Baring Private Equity Asia ("Baring Asia") acquired the equity stake of TA Associates, the US private equity company, becoming the controlling majority shareholder in Cath Kidston Group Limited ("Cath Kidston Group"). TA Associates, which first invested in Cath Kidston Group in 2010, no longer hold a shareholding in Cath Kidston.

The remaining shares are owned by directors, management and employees.

35 Transitioning from old UK GAAP to IFRS

Basis of accounting

In the year ended 27 March 2016 the Group has changed its accounting framework from UK GAAP to IFRS and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. The prior year financial statements were restated for material adjustments on adoption of IFRS in the current year. For more information see below.

Explanation of transition to IFRS

This is the first year that the Group has presented its financial statements under IFRS (International Financial Reporting Standards) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 30 March 2014 and the date of transition to IFRS was therefore 31 March 2014.

Reconciliation of equity

Note	At 31 March 2014 £000	At 29 March 2015 £000
Equity reported under UK GAAP	(11,067)	(25,146)
Adjustments to equity on transition to IFRS		
1 FY14 Adjustments	-	(3,643)
2 Operating Leases	(1,938)	(647)
3 Financial Instruments	(1,556)	305
4 Short Term Employee benefits	(256)	(8)
5 Goodwill	-	4,972
6 Tax	107	232
7 Onerous Leases	-	429
Equity reported under IFRS	(14,710)	(23,364)

Notes to the reconciliation of equity at 31 March 2014 and 29 March 2015

- Adjustments relate to FY14 adjustments to equity on transition to IFRS being operating leases, financial instruments, short term employee benefits and tax.
- Lease incentives are recognised over the full term of the lease under IFRS, rather than over the shorter period of either the lease term or the rent review date.
- Financial Instruments are measured at fair value through profit and loss under IFRS. Initial movements in the fair value of financial instruments held are recognised in hedging reserve.
- An expense and liability is recognised for all short-term employee benefits expected to be settled within 12 months of the balance sheet date under IFRS.

Cath Kidston Group Limited

Notes to the consolidated and company financial statements *(continued)* for the year ended 27 March 2016

35 Transitioning from old UK GAAP to IFRS *(continued)*

5. Goodwill – Goodwill is held at cost less impairment under IFRS and is tested annually for signs of impairment, rather than being held at amortised cost.
6. Tax – The various transitional adjustments lead to different temporary differences. According to the accounting policies in Note 3, the Group has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.
7. Onerous Leases – Following a review of accounting policy under transition to IFRS, an additional onerous lease provision has been recognised.

Reconciliation of total comprehensive income for the period ended 29 March 2015

	2015 £000
Total comprehensive income for the financial period under UK GAAP	(14,168)
1 Operating Leases	(649)
2 Financial Instruments	(671)
3 Goodwill Amortisation	4,972
4 Short Term Employee benefits	(8)
5 Tax	426
6 Onerous Lease	(429)
Total comprehensive income for the financial year under IFRS	<u>(10,527)</u>

Notes to the reconciliation of profit or loss for 2015

1. Lease incentives are recognised over the full term of the lease under IFRS, rather than over the shorter period of either the lease term or the rent review date.
2. Financial Instruments relate to derivatives and are measured at fair value at each balance sheet date under IFRS. The gain or loss for financial instruments is recognised in hedging reserve.
3. Under IFRS, goodwill is not amortised but is reviewed for impairment at least annually.
4. An expense and liability is recognised for all short-term employee benefits expected to be settled within 12 months of the balance sheet date under IFRS.
5. Tax impact on IFRS recognised through profit and loss account.
6. Revision to accounting policy on transition to IFRS.