

Cath Kidston Group Limited

Report and Financial Statements

Period Ended

30 March 2014

Company Number 7180354

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Cath Kidston Group Limited

Report and financial statements for the period ended 30 March 2014

Contents

Page:

1	Strategic report
6	Report of the directors
8	Independent auditor's report
10	Consolidated profit and loss account
11	Consolidated balance sheet
12	Company balance sheet
13	Consolidated cash flow statement
14	Notes forming part of the financial statements

Directors

P Mason
Miss C I A Kidston
J Barber
C Parkin
K Wilson
C McKendrick
N Harrington
G Peeters
S Chidler

Registered office

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

Company number

7180354

Auditors

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

Cath Kidston Group Limited

Strategic report for the period ended 30 March 2014

The directors present their strategic report together with the audited financial statements for the 52 week period ended 30 March 2014.

Results

The consolidated profit and loss account is set out on page 10 and shows the loss for the period.

Principal activities

The principal activity of the Group is that of designer, wholesaler and retailer of fabrics, home furnishing products and fashion accessories. The principal activity of the company is that of a holding company.

Review of the business

Cath Kidston Group Limited delivered another year of strong growth with turnover increasing by 10% to £115.7 million (2013: £105.4 million). The group recorded a net loss of £2.5 million (2013: £3.6 million) after charging £25.3 million (2013: £24.6 million) of interest, depreciation, taxation and amortisation of goodwill and £2.2m of exceptional costs (2013: £nil). Before charging these items, the group's EBITDA increased by 19% to £25 million in the year.

	52 weeks to 30 March 2014 £m	52 weeks to 31 March 2013 £m	% increase
Turnover	115.7	105.4	10%
Gross profit	78.1	70.0	12%
EBITDA (before exceptionals)	25.0	21.0	19%

Worldwide network sales increased by 12% to £144m and Group sales including overseas subsidiaries increased 10% to £115.7m. International retail sales increased 37% to £46m with new franchised markets opening in Singapore, Malaysia and Indonesia during the year.

Store numbers increase by 42 to 160 (65 in the UK and 95 overseas). Two flagship stores were opened in London and Shanghai and the website was successfully re-platformed.

The group remains strongly cash generative with net cashflow of £24.7m generated from operating activities in the year and continues to invest significantly in people and infrastructure to support future growth. During the year the company refinanced with new lower cost of bank debt replacing more expensive non-bank debt by taking out a bank loan for £60m (£20m at interest rate of LIBOR + 4.50%, £20m at interest rate of LIBOR + 5.00% and £20m at LIBOR + 6.00%). 12% of the new bank debt was repaid ahead of schedule.

Cath Kidston Group Limited

Strategic report for the period ended 30 March 2014 (*continued*)

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.

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 and further store openings in Asia.

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 and this will 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

The earthquake and tsunami of March 2011 in Eastern Japan has highlighted the risks arising from natural events. Regardless of direct impacts, 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 invested in 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.

Cath Kidston Group Limited

Strategic report for the period ended 30 March 2014 (*continued*)

Principal risks and uncertainties (*continued*)

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. We mitigate this risk by establishing processes and procedures to share the know-how within the business and by regularly reviewing our pay and benefits policies, including both short and medium term incentives, to ensure we remain competitive within our peer group of companies.

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 Ireland 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.

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. The group has continued to operate with significant headroom over its bank covenants.

Financial instrument objectives and policies

The group has a number of financial risks due to the existence of financial instruments, primarily bank debt, shareholder loan notes, trade creditors and trade debtors. The risks associated with financial instruments are discussed in note 24.

Charitable contributions and CSR

During the period the company made charitable contributions of £38,000 (2013 - £37,000).

CSR is embedded in our Company's core business objectives and is very much integrated in the day to day business culture and operations. All CSR programmes reflect our company 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 company values to all our business processes, from product development and distribution, to store design.

This year we signed up to the Sustainable Clothing Action Plan (SCAP), committing to a 15% reduction in the waste, water and carbon footprint of Cath Kidston clothing by 2020. This has given us a great opportunity to work alongside other retailers and brands, as well as connect with a number of NGOs committed to sustainability in the clothing sector.

Cath Kidston Group Limited

Strategic report for the period ended 30 March 2014 (*continued*)

Charitable contributions and CSR (*continued*)

We have continued to embed our Ethical Trading Policy within our global supply chain. This policy is part of our supplier manual that all suppliers must agree to before they can work with us, and links to the Ethical Trade Initiative base code. Alongside our programme of ethical and technical audits we have a strong handle of our supply chain through factory visits and supplier meetings. In the past year we have also appointed a Quality Manager based in Hong Kong to work closely with our suppliers and factories across Asia to ensure our standards are adhered to.

This year, the company has also created a three-point programme that has streamlined how we work with charities. This has allowed us to develop a national charity partner as well as ensuring we are in touch with charities that are important to both our staff and customers.

During 2013 we established a new national partnership with a major UK charity, Crisis – The national charity for single homeless people - in order to streamline our fundraising activity. As part of this commitment we have pledged to raise £100,000 over a two year period. With Crisis, we have introduced an opt in volunteering option for our Head office team to further develop our charity and community links. Although only in its first 'term' of activation, we have seen a positive response from our staff seeing 20% already opt into the scheme.

In addition to working with a national charity, we have continued our internal quarterly fundraising programme, entitled Brighter Lives. This programme offers our staff the opportunity to nominate and fundraise for a charity that has personally touched their lives, with the support of the business and use of our facilities to host fundraising activities and events etc.

The third route to support charity is via our 67 UK stores. An annual value of £14,000 is allocated to support charities on a local level that are important to our customers. Each store team is responsible for allocating their monthly allowance to a worthy cause.

Supporting young people, entrepreneurialism and creative talent is key to the new student programme due to launch next fiscal year. A commercial brief was set through YCN aimed at students in creative education. We will impart skills, knowledge and supply industry experience through this programme by offering a paid internship opportunity for the project finalist.

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.

Cath Kidston Group Limited

Strategic report
for the period ended 30 March 2014 (*continued*)

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 days for the group were 30 days. There are no trade creditors in the company.

Approval

This Strategic Report was approved on behalf of the Board on 22/05/2014

P Mason

Director

Cath Kidston Group Limited

Report of the directors for the period ended 30 March 2014

The directors present their report together with the audited financial statements for the 52 week period ended 30 March 2014.

Directors

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

P Mason
Miss C I A Kidston
Mrs J Sendell (resigned 13th December 2013)
J Barber
C Parkin
K Wilson
C McKendrick
N Harrington
G Peeters
S Chidler (appointed 13th December 2013)

Directors' responsibilities

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

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

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

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

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

Cath Kidston Group Limited

Report of the directors for the period ended 30 March 2014 (*continued*)

Auditors

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

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

On behalf of the Board



P Mason

Director

Date 22/05/2014

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 week period ended 30 March 2014 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 March 2014 and of the group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

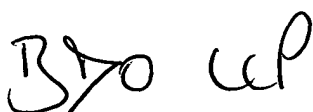
Cath Kidston Group Limited

Independent auditor's report *(continued)*

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.



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

Date 22/05/2014

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

Cath Kidston Group Limited

Consolidated profit and loss account for the period ended 30 March 2014

	Note	2014 £'000	2013 £'000
Turnover	2,3	115,689	105,403
Cost of sales		(37,541)	(35,420)
Gross profit		78,148	69,983
Distribution and administrative expenses		(62,253)	(57,136)
Operating profit before exceptional items	6	15,895	12,847
Exceptional administrative expenses		(2,178)	-
Operating profit	6	13,717	12,847
Interest receivable	7	7	8
Interest payable and similar charges	8	(13,812)	(13,458)
Loss on ordinary activities before taxation		(88)	(603)
Taxation on loss on ordinary activities	9	(2,437)	(3,033)
Loss for the financial period	20,21	(2,525)	(3,636)

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

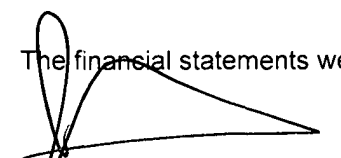
The notes on pages 14 to 33 form part of these financial statements.

Cath Kidston Group Limited

Consolidated balance sheet at 30 March 2014

<i>Company number 7180354</i>	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Intangible assets	11		79,785		84,685
Tangible assets	12		16,435		14,287
			<u>96,220</u>		<u>98,972</u>
Current assets					
Stocks	14	9,838		11,890	
Debtors due within one year	15	7,015		7,257	
Debtors due after more than one year	15	604		657	
		7,619		7,914	
Cash at bank and in hand		8,992		3,160	
		<u>26,449</u>		<u>22,964</u>	
Creditors: amounts falling due within one year	16	(15,670)		(16,275)	
Net current assets			<u>10,779</u>		<u>6,689</u>
Total assets less current liabilities			<u>106,999</u>		<u>105,661</u>
Creditors: amounts falling due after more than one year	17	(118,066)		(114,218)	
			<u>(118,066)</u>		<u>(114,218)</u>
			<u>(11,067)</u>		<u>(8,557)</u>
Capital and reserves					
Called up share capital	19		5,073		5,073
Profit and loss account	20		(16,104)		(13,579)
EBT share reserve	20		(36)		(51)
Shareholders' deficit	21		<u>(11,067)</u>		<u>(8,557)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22 May 2014


N. Harrington
Director

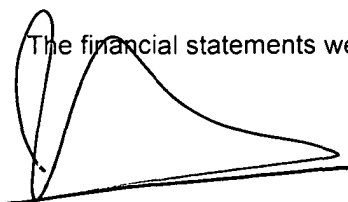
The notes on pages 14 to 33 form part of these financial statements.

Cath Kidston Group Limited

Company balance sheet at 30 March 2014

<i>Company number 7180354</i>	<i>Note</i>	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Fixed asset investment	13		5,011		5,011
Current assets					
Debtors	15	56		56	
Creditors: amounts falling due within one year	16	(11)		(31)	
Net current assets			45		25
Total assets less current liabilities			5,056		5,036
Creditors: amounts falling due after more than one year	17		(403)		(41)
			4,653		4,995
Capital and reserves					
Called up share capital	19		5,073		5,073
Profit and loss account	20		(420)		(78)
Shareholders' funds	21		4,653		4,995

The financial statements were approved by the Board of Directors and authorised for issue on 22/05/2014



N Harrington
Director

The notes on pages 14 to 33 form part of these financial statements.

Cath Kidston Group Limited

Consolidated cash flow statement for the period ended 30 March 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	26	24,696	16,601
Returns on investments and servicing of finance	27	(11,293)	(2,262)
Taxation	27	(3,127)	(2,277)
Capital expenditure and financial investment	27	(6,349)	(6,046)
Net cash inflow before financing		3,927	6,016
Financing	27	1,905	(10,015)
Increase/(decrease) in cash	28,29	5,832	(3,999)

The notes on pages 14 to 33 form part of these financial statements.

Cath Kidston Group Limited

Notes forming part of the financial statements for the period ended 30 March 2014

1 Accounting policies

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

The following principal accounting policies have been applied:

Going concern

During the period, the group made a loss of £2,525,000 (2013 - £3,636,000) and the balance sheet shows net liabilities of £11,067,000 (2013 - £8,557,000). 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 trading company within the group being profitable and strongly cash generative, and due to the group operating within its loan facilities available. In addition, the directors have considered the group's cash flow forecasts and have considered that there will be sufficient resources available to meet the group's liabilities as they fall due.

Accounting date

The accounting reference date of the company is 31 March. These financial statements have been prepared for the 52 weeks to 30 March 2014, the closest Sunday to 31 March. The comparative period represents the 52 weeks ended 31 March 2013.

Basis of consolidation

The consolidated financial statements incorporate the results of Cath Kidston Group Limited and all of its subsidiary undertakings as at 30 March 2014 using the acquisition of accounting. Under the acquisition method the results of subsidiary undertakings are included from the date of acquisition.

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. Positive goodwill is capitalised and amortised through the profit and loss account over 20 years.

Revenue recognition

Turnover 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 and Web and wholesale revenues arise upon dispatch of the goods to the customer.

Segment analysis

A segment is a distinguishable component of the group that is engaged in providing products or services (business segment) or in providing products or services in a particular territory (geographical segment), which is subject to risks and rewards that are different from other segments.

Cath Kidston Group Limited

Notes forming part of the financial statements for the period ended 30 March 2014 (*continued*)

1 Accounting policies (*continued*)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

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	-	50% per annum of cost
Plant and machinery	-	10% per annum of cost

Intangible assets and amortisation

Intangible assets are initially recognised at cost. Subsequently intangible fixed assets are stated at cost net of 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%
Design registrations	-	20%

Stocks

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.

Valuation of investments

Investments held as fixed assets, including the parent's investment in its subsidiaries, are stated at cost less any provision for impairment.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent it is considered that a net liability may crystallise.

Deferred tax balances are not discounted.

Pension costs

The group operates a defined contribution pension scheme and pension contributions are charged to profit and loss account in the year in which they become payable.

Impairment of fixed assets and goodwill

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of net realisable value and value in use.

Cath Kidston Group Limited

Notes forming part of the financial statements for the period ended 30 March 2014 (*continued*)

1 Accounting policies (*continued*)

Employee benefit trust

The cost of the group's shares held by the EBT is deducted from shareholders' funds in the group balance sheet under the heading EBT share reserve. Any cash received by the EBT on disposal of the shares it holds is also recognised directly in shareholders' funds. Other assets and liabilities of the EBT (including borrowings) are recognised as assets and liabilities of the group.

Leased assets

All leases are treated as operating leases as no leasing agreements give rights approximating to ownership of assets. Their annual rents are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the year to the first break clause.

Foreign exchange

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.

Finance costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Financial instruments

Gains and losses arising on derivative instruments used to hedge group companies' exposure to transactions in foreign currencies are recognised in the profit and loss account when the hedged transaction takes place. Cash flows arising on interest rate swaps used to manage the group's exposure to cash flow and fair value interest rate risks are accounted for as an adjustment to the interest payments on the hedged borrowings.

Financial assets

Financial assets are measured initially and subsequently at amortised cost.

Cath Kidston Group Limited

Notes forming part of the financial statements for the period ended 30 March 2014 (continued)

1 Accounting policies (continued)

Financial liability and equity

Financial liabilities are measured initially at the amount of the net proceeds.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits, with an original maturity of no more than three months.

2 Turnover

Turnover is attributable solely to continuing operations and derives from the group's principal activity.

3 Segmental analysis

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

Turnover by class of business

	2014 £'000	2013 £'000
Retail	89,705	81,845
Wholesale/licensing	25,984	23,558
	<hr/>	<hr/>
Total	115,689	105,403
	<hr/>	<hr/>

Turnover by geographical markets (by sales destination)

UK	87,496	84,353
EU	7,288	5,099
Rest of the World	20,905	15,951
	<hr/>	<hr/>
Total	115,689	105,403
	<hr/>	<hr/>

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (continued)

4 Employees

	2014 £'000	2013 £'000
Staff costs consist of:		
Wages and salaries	19,289	18,710
Social security costs	1,799	1,480
Other pension costs (note 23)	337	324
	<u>21,425</u>	<u>20,514</u>

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

	2014 Number	2013 Number
Selling	580	539
Administration	219	210
	<u>799</u>	<u>749</u>

5 Directors

	2014 £'000	2013 £'000
Directors' remuneration consists of:		
Emoluments	2,193	1,853
Company contributions to money purchase schemes in relation to directors' pensions	103	135
	<u>2,296</u>	<u>1,988</u>

The emoluments of the highest paid director were £758,000 (2013 - £567,000). This Director received pension contributions of £39,000 (2013 - £79,000). Five directors received pension contributions during the period (2013 - seven).

Total emoluments include compensation for loss of office of £nil (2013 - £32,000) paid to one director.

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (continued)

6 Operating profit

	2014 £'000	2013 £'000
This has been arrived at after charging/(crediting):		
Depreciation of tangible assets	4,081	3,126
Amoritsation of intangible assets	31	18
Amortisation of goodwill	4,973	4,972
Operating lease rentals		
- land and buildings	9,302	7,011
Auditor's remuneration		
- audit services	57	52
- non audit services including tax	42	22
Loss on disposal of fixed assets	16	111
Foreign exchange (gain) for period	(8)	-
Exceptional legal & professional costs	2,178	-
	<u> </u>	<u> </u>

Exceptional costs relate to the refinancing completed in the year.

7 Interest receivable

	2014 £'000	2013 £'000
Bank interest receivable	7	8
	<u> </u>	<u> </u>

8 Interest payable and similar charges

	2014 £'000	2013 £'000
Bank loan	2,876	765
Mezzanine loan	509	1,479
Mezzanine exceptional charge (refinance)	248	-
Accrued interest on shareholder loan notes	9,215	10,644
Amortisation of debt issue costs (note 17)	601	546
Bank interest payable	18	12
Other interest payable	345	12
	<u> </u>	<u> </u>
	13,812	13,458
	<u> </u>	<u> </u>

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (*continued*)

9 Taxation on loss on ordinary activities

	2014 £'000	2013 £'000
<i>UK corporation tax</i>		
Current tax on losses of the period	2,323	3,355
Adjustment in respect of previous periods	(259)	(25)
	<hr/>	<hr/>
Total current tax	2,064	3,330
Deferred tax movement (note 18)	373	(297)
	<hr/>	<hr/>
Taxation on loss on ordinary activities	2,437	3,033
	<hr/>	<hr/>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2014 £'000	2013 £'000
Loss on ordinary activities before tax	(88)	(603)
	<hr/>	<hr/>
Profit/(Loss) on ordinary activities at the standard rate of corporation tax in the UK of 23% (2013 - 24%)	(20)	(145)
Effects of:		
Expenses not deductible for tax purposes	2,033	2,991
Capital allowances in deficit of depreciation	153	12
Short term timing differences	(245)	307
Adjustment to tax charge in respect of previous years	(259)	(25)
Overseas losses no deferred tax recognised	402	190
	<hr/>	<hr/>
Current tax charge for period	2,064	3,330
	<hr/>	<hr/>

10 Loss for the financial period

The group has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. Cath Kidston Group Limited made a loss for the period ended 30 March 2014 of £342,000 (2013 - £42,000) which has been included in the consolidated group accounts.

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (*continued*)

11 Intangible assets

Group	Goodwill on consolidation £'000	Trademarks £'000	Design registrations £'000	Total £'000
<i>Cost</i>				
At 31 March 2013	99,443	104	79	99,626
Additions	-	32	72	104
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 March 2014	99,443	136	151	99,730
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>				
At 31 March 2013	14,917	14	10	14,941
Charge for the period	4,973	12	19	5,004
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 March 2014	19,890	26	29	19,945
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 March 2014	79,553	110	122	79,785
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	84,526	90	69	84,685
	<hr/>	<hr/>	<hr/>	<hr/>

Trademarks and design registrations have been acquired during the year as the business looks to protect itself in light of international expansion. There are no intangible fixed assets in the company.

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (*continued*)

12 Tangible assets

Group	Leasehold Property £'000	Plant and machinery £'000	Office equipment £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<i>Cost</i>						
At 31 March 2013	14,127	99	105	4,401	3,559	22,291
Additions	3,347	3	37	2,184	674	6,245
Disposals		-	(2)	(19)	(2)	(23)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 March 2014	17,474	102	140	6,566	4,231	28,513
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>						
At 31 March 2013	3,984	40	43	1,923	2,014	8,004
Charge for the period	1,926	23	29	1,280	823	4,081
Disposals	(1)	-	-	(5)	(1)	(7)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 March 2014	5,909	63	72	3,198	2,836	12,078
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>						
At 30 March 2014	11,565	39	68	3,368	1,395	16,435
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	10,143	59	62	2,478	1,545	14,287
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

There are no tangible fixed assets held in the company.

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (*continued*)

13 Fixed asset investments

Company	Shares in group undertaking £'000
At 31 March 2013 and 30 March 2014	5,011

Subsidiary undertakings.

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital 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 SL*	Spain	100%	Retailer
Cath Kidston Asia Pacific Limited*	Hong Kong	100%	Wholesaler
Cath Kidston Shanghai Limited*	China	100%	Retailer
Cath Kidston EBT Limited	United Kingdom	100%	Employee benefit trust

*Companies not directly held by Cath Kidston Group Limited.

All subsidiary companies have been included in the consolidated financial statements of the Group.

14 Stocks

	Group 2014 £'000	Group 2013 £'000
Finished goods and goods for resale	9,838	11,890

There is no material difference between the replacement cost of stock and the amounts stated above.

There is no stock held by the Company.

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (continued)

15 Debtors

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Due within one year:				
Trade debtors	2,794	2,090	-	-
Prepayments and accrued income	3,477	4,911	-	-
Other debtors	744	256	56	56
	<u>7,015</u>	<u>7,257</u>	<u>56</u>	<u>56</u>
Due after one year:				
Other debtors	484	164	-	-
Deferred taxation (note 18)	120	493	-	-
	<u>604</u>	<u>657</u>	<u>-</u>	<u>-</u>
	<u>7,619</u>	<u>7,914</u>	<u>56</u>	<u>56</u>

Other debtors falling due after more than one year relate to rent deposits.

16 Creditors: amounts falling due within one year

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Trade creditors	4,164	5,192	-	-
Other creditors	2,100	660	-	-
Corporation tax	986	2,049	-	-
Other taxes and social security	2,598	906	-	-
Accruals and deferred income	5,822	7,468	11	31
	<u>15,670</u>	<u>16,275</u>	<u>11</u>	<u>31</u>

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (continued)

17 Creditors: amounts falling due after more than one year

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Bank loan (secured)	50,026	-	-	-
Mezzanine loan (secured)	-	12,414	-	-
Shareholder loan notes & accrued interest thereon	68,040	101,804	-	-
Amounts due to group undertakings	-	-	403	41
	<u>118,066</u>	<u>114,218</u>	<u>403</u>	<u>41</u>

Maturity of debt:

Group	Bank loan 2014 £'000	Mezzanine debt 2014 £'000	Shareholder Loan notes 2014 £'000	Total 2014 £'000
In one year or less, or on demand	-	-	-	-
In more than one year but not more than two years	4,074	-	-	4,074
In more than two years but not more than five years	11,070	-	-	11,070
In more than 5 years	34,882	-	68,040	102,922
In more than one year	<u>50,026</u>	<u>-</u>	<u>68,040</u>	<u>118,066</u>

Group	Bank loan 2013 £'000	Mezzanine debt 2013 £'000	Shareholder Loan notes 2013 £'000	Total 2013 £'000
In one year or less, or on demand	-	-	-	-
In more than one year but not more than two years	-	-	-	-
In more than two years but not more than five years	-	12,414	-	12,414
In more than 5 years	-	-	101,804	101,804
In more than one year	<u>-</u>	<u>12,414</u>	<u>101,804</u>	<u>114,218</u>

Cath Kidston Group Limited

Notes forming part of the financial statements for the period ended 30 March 2014 (continued)

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

The £60m bank loan was taken out on the 1 August 2013. The bank loan was initially recorded at £60m (£2.825m of bank fees), £57,175,000 net of finance costs which were capitalised in accordance with FRS4. During the period £601,000 (2013 - £546,000) was charged to the profit and loss account. The balance remaining at the period end net of finance costs was £50,025,000 (2013 - £Nil).

Interest was payable on tranche A of the loan (£20m original value) at an interest rate of LIBOR +4.50%. Interest was payable on tranche B of the loan (£20m original value) at LIBOR + 5.00%. Interest was payable on tranche C of the loan (£20m original value) at LIBOR + 6.00%. The company was hedged on £40m against the interest payments which were paid quarterly.

Early repayments of capital were permitted and as at 30 March 2014, £7m of debt had been paid back in excess of the scheduled repayments.

On the 30 March 2010 Cath Kidston PFSCo Limited issued a total of £71.5m of fixed rate unsecured shareholder loan notes. These loan notes are listed on the Channel Islands Securities Exchange Authority Limited. Interest on the loan notes accrues at 12.5% per annum during the year. The principal element of the shareholder loans notes fall due for repayment on 30 March 2109. Interest which accrues, and is rolled up, on the shareholder loan notes before 31 March 2018 is added to the principal loan balance outstanding, and also falls due for repayment on 31 March 2109. During the year early repayment of £35,121,000 of the principal element of the shareholder loan notes was repaid as well as £7,858,000 of the interest on the loan notes. This was facilitated by the new loan of £60m taken out in the year. After 30 March 2018, interest payable on the outstanding loan notes is payable in cash on an annual basis.

On the 30 March 2010 the Company took out a mezzanine loan of £12,414,000. Interest was payable at a fixed rate of 12% on a quarterly basis. Early repayments of the capital were permitted and as at 30 March 2014, £12.4m of the capital had been paid back, using the monies from the new loan taken out in the year. The remaining balance at the period end was £nil (2013 - £12,414,000).

The interest profile of the Groups borrowings (including accrued interest) is shown below:

	2014 Floating rate	2014 Fixed rate	2013 Floating rate	2013 Fixed rate
	£'000	£'000	£'000	£'000
Sterling Borrowings				
Bank loan secured	10,026	40,000	-	-
Mezzanine loan (secured)	-	-	-	12,414
Shareholders loan notes and accrued interest thereon	-	68,040	-	101,804
	<u>10,026</u>	<u>108,040</u>	<u>-</u>	<u>114,218</u>

The company is part of the cross guarantee with other members of the group headed by Cath Kidston Group Limited. The total group borrowings covered by this guarantee at the period end was £118,066,000 (2013 - £114,218,000).

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (*continued*)

18 Deferred taxation asset

Group

	Deferred taxation £'000
At 31 March 2013	493
Charged to profit and loss account (note 9)	(373)
	<hr/>
Asset at 30 March 2014 (note 15)	120
	<hr/>

The balance of the deferred tax asset consists of timing differences in respect of:

	2014 £'000	2013 £'000
Accelerated capital allowances	(30)	(193)
Tax losses available	150	686
	<hr/>	<hr/>
Deferred tax asset	120	493
	<hr/>	<hr/>

There is no deferred taxation in the Company.

19 Share capital

	2014 Number	2013 Number	2014 £'000	2013 £'000
<i>Allotted, called up and fully paid</i>				
Ordinary 'A' shares of £1 each	3,085,881	3,085,881	3,086	3,086
Ordinary 'B' shares of £1 each	986,124	986,124	986	986
Ordinary 'C' shares of £1 each	1,000,589	1,000,589	1,001	1,001
	<hr/>	<hr/>	<hr/>	<hr/>
	5,072,594	5,072,594	5,073	5,073
	<hr/>	<hr/>	<hr/>	<hr/>

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 2 Directors.

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (continued)

20 Reserves

Group	EBT share reserve £'000	Profit and loss account £'000
At 31 March 2013	(51)	(13,579)
Loss for the period	-	(2,525)
Purchase of shareholder shares	(24)	-
Sale of shareholder shares	39	-
	<u> </u>	<u> </u>
At 30 March 2014	(36)	(16,104)
	<u> </u>	<u> </u>
Company		
At 31 March 2013	-	(78)
Loss for the period	-	(342)
	<u> </u>	<u> </u>
At 30 March 2014	-	(420)
	<u> </u>	<u> </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 30 March 2014 the Employee Benefit trust (EBT) held 35,614 shares (2013 – 51,191).

21 Reconciliation of movements in shareholders' (deficit)/funds

	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Loss for the period	(2,525)	(3,636)	(342)	(42)
Purchase of own shares	(24)	(166)	-	-
Sale of shareholder shares	39	151	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net (reduction) to shareholders' (deficit)/funds	(2,510)	(3,651)	(342)	(42)
Opening shareholders' (deficit)/funds	(8,557)	(4,906)	4,995	5,037
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Closing shareholders' (deficit)/funds	(11,067)	(8,557)	4,653	4,995
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (*continued*)

22 Commitments under operating leases

At the 30 March 2014, the group had annual commitments under non-cancellable operating leases as set out below:

	2014 Land and buildings £'000	2013 Land and buildings £'000
Operating leases which expire:		
Within one year	467	69
In two to five years	3,425	1,196
Over five years	5,271	6,029
	<hr/>	<hr/>
	9,163	7,294
	<hr/>	<hr/>

There were no operating lease commitments in the Company.

23 Pension costs

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 £337,000 (2013 - £324,000). The amount outstanding to the fund at the balance sheet date was £141,000 (2013 - £50,000).

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (continued)

24 Financial instruments

In the directors' opinion, there is no material difference between the book value and the fair value of any of the group's financial instruments at the year end.

Credit risk

The group's credit risk is primarily attributable to its trade debtors. Credit risk is managed through regular reviews of aged debtor balances and limiting the level of credit given to customers according to payment history.

Cash flow interest rate risk

Borrowings of the group are managed centrally. Operations are financed by a mixture of retained profits, bank borrowings and by term loans. The group uses interest rate swaps and fixed interest loans to achieve the desired interest rate profile on its borrowings.

As at 30 March 2014 based on current rates the notional principal amount and fair value of the liability in this company is as below:

	Notional principal amount £'000	Fair value £'000
Interest Rate Swap	40,000	(313)

Foreign exchange rate risk

The group monitors its exposure and takes out forward contracts to fix future exchange rates. The group had forward exchange transactions outstanding at 30 March 2014 with a sterling equivalent of £23,855,000 (2013 - £11,198,000) to hedge against future operating payments in US dollars.

The fair value of these derivatives at 30 March 2014 was a liability of £1,243,000 (2013 - liability of £182,000) which is not recognised in the balance sheet as the group is not yet required to adopt FRS 26 Financial Instruments Measurement.

The table below shows the currency denomination of year end cash balances:

	2014 £'000	2013 £'000
Amounts in foreign currency		
Sterling	768	(1,423)
US dollars	6,077	4,378
Euros	1,081	11
Japanese Yen	167	174
China RMB	897	18
HKD	2	2
	8,992	3,160

Cath Kidston Group Limited

Notes forming part of the financial statements for the period ended 30 March 2014 (*continued*)

25 Related party transactions

The directors have accrued, in aggregate, interest on loan notes of £2,106,000 during the year (2013 - £2,585,000). At the period end cumulative accrued interest on loan notes was £1,174,000 (2013 - £6,925,000).

The group has taken advantage of the exemption allowed by the Financial Reporting Standard 8, "Related Party Transactions", not to disclose any transactions with entities that are included in the consolidated financial statements of Cath Kidston Group Limited.

26 Reconciliation of operating profit to net cash inflow from operating activities

	2014 £'000	2013 £'000
Operating profit	13,717	12,847
Amortisation of goodwill	4,973	4,972
Depreciation of tangible fixed assets	4,081	3,126
Amortisation of intangibles	31	18
Loss on disposal of fixed assets	16	111
(Decrease)/Increase in stocks	2,052	(2,908)
Increase in debtors	(78)	(1,148)
Increase in creditors	(96)	(417)
	<hr/>	<hr/>
Net cash inflow from operating activities	24,696	16,601
	<hr/>	<hr/>

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (*continued*)

27 Analysis of cash flows for headings netted in the cash flow statement

	2014 £'000	2013 £'000
Returns on investment and servicing of finance		
Interest received	7	8
Interest paid on bank loan	(2,197)	(756)
Interest paid on Mezzanine loan	(882)	(1,490)
Bank interest payable	(18)	(12)
Other interest payable	(345)	(12)
Shareholder loan note interest	(7,858)	-
	<u>(11,293)</u>	<u>(2,262)</u>
Taxation		
Corporation tax paid	(3,127)	(2,277)
	<u></u>	<u></u>
Capital expenditure and financial investment		
Payments to acquire intangible assets	(104)	(106)
Payments to acquire tangible assets	(6,245)	(5,940)
	<u>(6,349)</u>	<u>(6,046)</u>
Financing		
Issue of bank debt	57,175	-
Repayment of Mezzanine debt	(12,414)	-
Repayment of shareholder loan notes	(35,121)	-
Repayment of bank debt	(7,750)	(10,000)
Purchase of own shares by EBT	(24)	(166)
Sale of own shares by EBT	39	151
	<u>1,905</u>	<u>(10,015)</u>

Cath Kidston Group Limited

Notes forming part of the financial statements
for the period ended 30 March 2014 (continued)

28 Reconciliation of net cash flow to movement in net debt

	2014 £'000	2013 £'000
Increase in cash	5,832	(3,999)
Cash outflow from changes in net debt	5,968	10,000
Repayment of finance lease	-	-
	<hr/>	<hr/>
Movement in net debt resulting from cash flows	11,800	6,001
Amortisation of finance costs	(601)	(546)
Accrued interest on shareholder loan notes	(9,215)	(10,644)
	<hr/>	<hr/>
Movement in net debt	1,984	(5,189)
Opening net debt	(111,058)	(105,869)
	<hr/>	<hr/>
Closing net debt	(109,074)	(111,058)
	<hr/>	<hr/>

29 Analysis of net debt

	At 31 March 2013 £'000	Cash flow £'000	Other non-cash items £'000	At 30 March 2014 £'000
Cash at bank and in hand	3,160	5,832		8,992
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due within one year	-	-	-	-
Debt due after one year	(114,218)	5,968	(9,816)	(118,066)
	<hr/>	<hr/>	<hr/>	<hr/>
	(114,218)	5,968	(9,816)	(118,066)
	<hr/>	<hr/>	<hr/>	<hr/>
Net debt	(111,058)	11,800	(9,816)	(109,074)
	<hr/>	<hr/>	<hr/>	<hr/>

The major non-cash movements in net debt are the amortisation of finance costs of £601,000 (2013 - £546,000) and the accrual of interest on shareholder loans of £9,215,000 (2013 - £10,644,000).

30 Ultimate controlling party

The ultimate controlling party of the group is TA Equity funds (TAX Limited partnership 39% shareholding and TA Atlantic & Pacific VI Limited Partnership 19.5% shareholding).