

Company registration number 07969584 (England and Wales)

MAGIC MADHOUSE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

MAGIC MADHOUSE LIMITED

COMPANY INFORMATION

Director	M Duke
Company number	07969584
Registered office	Unit 1 Great Cambridge Industrial Estate Lincoln Road Enfield Middlesex EN1 1SH
Auditor	Gravita Audit Limited Finsgate 5-7 Cranwood Street London EC1V 9EE

MAGIC MADHOUSE LIMITED

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MAGIC MADHOUSE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The director presents the strategic report for the year ended 31 March 2022.

Review of the business

In 2022 the company has done mostly well, with revenue and profit up YoY. Conditions of COVID-19 meant an ever changing landscape of demand as we slowly came out of the pandemic. Overall we were pleased with the growth of the company YoY and expect further growth in future years.

As we exited the pandemic, we lost a lot of staff hired over the past 12 months as their industries re-opened. We had a higher than average staff turnover, where possible, we re-hired but also took this as an opportunity to re-evaluate roles within the wider business.

As our inventory grew, we found cost effective ways of ensuring we could hold enough stock to meet our market demand, whilst not affecting our efficiency levels.

Overall the business position is good going into the 2023 financial, we have a healthy stock position to meet demand going forward, recognise growth within our market place, however remain cautious as lockdown eases and buying habits return to normal.

We are aiming to increase our profit margin, by reducing costs and improving efficiencies within our logistics hubs, which will enable us to invest in more staff.

We are expecting an increase in turnover as orders increase, as well as AOV. Shipping and packaging costs have also increase as the war in Ukraine has inflationary measures on the market, such as transport.

Our aim is a 18% growth YoY as demand for our products increase whilst continuing to adapt to changing customers habits.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The principal risks are as follows:

Inflationary Risk

Changes in the wider economy could lead to increased fixed costs and changes in customer habits. The company continues to review their wider costings and have a strong history of being on point with any changes in customer trends.

Liquidity Risk

Liquidity is the risk that cash may not be available to pay obligations when they fall due. The company reviews cash flow on a regular basis to ensure that sufficient headroom exists for at least the forthcoming twelve month period.

Going Concern Risk

The director has noted that the core revenue streams continue to remain popular and is confident that the company is well positioned for the future.

Key performance indicators

The key performance indicators are the YoY sales and Gross Profit Margin (GPM).

In the period sales increased by 15% to £14,140,916 and GPM increased from 29% to 33%.

MAGIC MADHOUSE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

Future developments

As a business we continue to maintain stock of as many products possible, maintain fast dispatch times with competitive prices. We are improving our supply chains and our working methods in order to increase stock levels and efficiencies, whilst in those areas of the business expand personnel where needed.

The companies financial position is relatively healthy going into the festive season, with the upcoming festive months and a strong releases in Q1 2024 providing strong cashflow for investment into the 2024 seasonal period.

Demand for trading card games continue to grow with expected record breaking Magic the Gathering sets and new card games like Lorcana and Star Wars Unlimited expecting to do well in 2024 should bolster and improve the market. We expect Pokemon sales to marginally increase, but at a slower rate to rival games due to the continue wider reach into retailers in the market. Margins are also dropping as inflationary pressures are causing consumer cautiousness in the market.

On behalf of the board

M Duke
Director

27 February 2024

MAGIC MADHOUSE LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The director presents his annual report and financial statements for the year ended 31 March 2022.

Principal activities

The principal activity of the company continued to be that of retail sales of games and toys.

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £41,080. The director does not recommend payment of a final dividend.

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

M Duke

Statement of director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. He is 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

M Duke
Director

27 February 2024

MAGIC MADHOUSE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF MAGIC MADHOUSE LIMITED

Qualified Opinion

We have audited the financial statements of Magic Madhouse Limited (the 'company') for the year ended 31 March 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of the company's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

We were not appointed as auditor of the company until after 31 March 2022 and thus did not observe the counting of physical inventories at the beginning or end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 1 April 2021 and 31 March 2022, which are included in the balance sheet at £1,337,537 and £3,353,915 respectively, by using other audit procedures.

Consequently we were unable to determine whether any adjustment to this amount was necessary. In addition, were any adjustment to the inventory balance to be required, the strategic report would also need to be amended.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

MAGIC MADHOUSE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF MAGIC MADHOUSE LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £1,337,537 and £3,353,915 held at 1 April 2021 and 31 March 2022. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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

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

MAGIC MADHOUSE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF MAGIC MADHOUSE LIMITED

Responsibilities of director

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and Health and safety
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- understanding the business model as part of the control and business environment;
- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

MAGIC MADHOUSE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF MAGIC MADHOUSE LIMITED

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and enquiring with the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters which we are required to address

Corresponding figures in the financial statements are derived from the company's prior period financial statements which were not audited.

Use of our audit report

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

Sudhir Rawal FCA
Senior Statutory Auditor
For and on behalf of Gravita Audit Limited

27 February 2024

Chartered Accountants
Statutory Auditor

Finsgate
5-7 Cranwood Street
London
EC1V 9EE

MAGIC MADHOUSE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Turnover	3	14,140,916	12,345,371
Cost of sales		(9,519,675)	(8,736,408)
Gross profit		4,621,241	3,608,963
Administrative expenses		(3,205,802)	(2,554,263)
Other operating income		42,932	185,844
Operating profit	4	1,458,371	1,240,544
Interest receivable and similar income	8	49	242
Interest payable and similar expenses	9	(11,665)	(14,295)
Profit before taxation		1,446,755	1,226,491
Tax on profit	10	(283,746)	(233,806)
Profit for the financial year		1,163,009	992,685

The profit and loss account has been prepared on the basis that all operations are continuing operations.

MAGIC MADHOUSE LIMITED

BALANCE SHEET

AS AT 31 MARCH 2022

		2022		2021	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	12		155,058		209,831
Current assets					
Stocks	13	3,353,915		1,337,537	
Debtors	14	467,451		427,197	
Cash at bank and in hand		727,346		1,084,702	
		<u>4,548,712</u>		<u>2,849,436</u>	
Creditors: amounts falling due within one year	15	<u>(1,547,033)</u>		<u>(948,355)</u>	
Net current assets			3,001,679		1,901,081
Total assets less current liabilities			3,156,737		2,110,912
Creditors: amounts falling due after more than one year	16		-		(75,000)
Provisions for liabilities					
Deferred tax liability		38,764		39,868	
		<u>(38,764)</u>		<u>(39,868)</u>	
Net assets			<u>3,117,973</u>		<u>1,996,044</u>
Capital and reserves					
Called up share capital	19		1		1
Profit and loss reserves			3,117,972		1,996,043
Total equity			<u>3,117,973</u>		<u>1,996,044</u>

The financial statements were approved and signed by the director and authorised for issue on 27 February 2024

M Duke
Director

Company Registration No. 07969584

MAGIC MADHOUSE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 April 2020		1	1,042,938	1,042,939
Year ended 31 March 2021:				
Profit and total comprehensive income for the year		-	992,685	992,685
Dividends	11	-	(39,580)	(39,580)
Balance at 31 March 2021		1	1,996,043	1,996,044
Year ended 31 March 2022:				
Profit and total comprehensive income for the year		-	1,163,009	1,163,009
Dividends	11	-	(41,080)	(41,080)
Balance at 31 March 2022		1	3,117,972	3,117,973

MAGIC MADHOUSE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	22		(57,381)		820,421
Interest paid			(11,665)		(14,295)
Income taxes (paid)/refunded			(121,828)		1,028
Net cash (outflow)/inflow from operating activities			(190,874)		807,154
Investing activities					
Purchase of tangible fixed assets		(10,451)		(151,509)	
Interest received		49		242	
Net cash used in investing activities			(10,402)		(151,267)
Financing activities					
Proceeds from new bank loans		-		150,000	
Repayment of bank loans		(115,000)		-	
Dividends paid		(41,080)		(39,580)	
Net cash (used in)/generated from financing activities			(156,080)		110,420
Net (decrease)/increase in cash and cash equivalents			(357,356)		766,307
Cash and cash equivalents at beginning of year			1,084,702		318,395
Cash and cash equivalents at end of year			727,346		1,084,702

MAGIC MADHOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

Company information

Magic Madhouse Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit 1 Great Cambridge Industrial Estate, Enfield, England, EN1 1SH.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	25% Reducing balance
Computers	33.3% Reducing balance
Motor vehicles	25% Straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

MAGIC MADHOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell 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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. 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.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and costs incurred in bringing the stocks to their present location and condition.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

MAGIC MADHOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end 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 have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

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

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

MAGIC MADHOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

MAGIC MADHOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

1 Accounting policies

(Continued)

1.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Stock

The company distributes games and toys which are high in volume and subject to consumer demands. Due to the nature of some of the stock items, held, a portion of the stock for which original cost is not easily obtained is estimated based on managements best calculations.

3 Turnover and other revenue

	2022	2021
	£	£
Turnover analysed by class of business		
Sale of goods	14,140,916	12,345,371
	<u> </u>	<u> </u>
	2022	2021
	£	£
Other revenue		
Interest income	49	242
Grants received	29,140	185,844
	<u> </u>	<u> </u>

MAGIC MADHOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(9,141)	(15,740)
Government grants	(29,140)	(185,844)
Depreciation of owned tangible fixed assets	65,224	49,000
	<u>65,224</u>	<u>49,000</u>

5 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	27,500	-
	<u>27,500</u>	<u>-</u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was

2022	2021
Number	Number
59	53
<u>59</u>	<u>53</u>

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	1,105,861	980,605
Social security costs	74,817	69,188
Pension costs	28,483	26,446
	<u>1,209,161</u>	<u>1,076,239</u>

7 Director's remuneration

	2022	2021
	£	£
Remuneration for qualifying services	9,715	9,557
	<u>9,715</u>	<u>9,557</u>

8 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	49	242
	<u>49</u>	<u>242</u>

MAGIC MADHOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

		(Continued)	
8	Interest receivable and similar income		
		2022	2021
		£	£
	Investment income includes the following:		
	Interest on financial assets not measured at fair value through profit or loss	49	242
		<u> </u>	<u> </u>
9	Interest payable and similar expenses		
		2022	2021
		£	£
	Interest on financial liabilities measured at amortised cost:		
	Interest on bank overdrafts and loans	9,294	9,302
	Other finance costs:		
	Other interest	2,371	4,993
		<u> </u>	<u> </u>
		11,665	14,295
		<u> </u>	<u> </u>
10	Taxation		
		2022	2021
		£	£
	Current tax		
	UK corporation tax on profits for the current period	284,850	214,329
		<u> </u>	<u> </u>
	Deferred tax		
	Origination and reversal of timing differences	(1,104)	19,477
		<u> </u>	<u> </u>
	Total tax charge	283,746	233,806
		<u> </u>	<u> </u>
The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:			
		2022	2021
		£	£
	Profit before taxation	1,446,755	1,226,491
		<u> </u>	<u> </u>
	Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	274,883	233,033
	Tax effect of expenses that are not deductible in determining taxable profit	155	-
	Permanent capital allowances in excess of depreciation	9,811	(19,476)
	Deferred tax	(1,103)	20,249
		<u> </u>	<u> </u>
	Taxation charge for the year	283,746	233,806
		<u> </u>	<u> </u>

MAGIC MADHOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

11 Dividends

	2022 £	2021 £
Interim paid	41,080	39,580

12 Tangible fixed assets

	Fixtures and fittings £	Computers £	Motor vehicles £	Total £
Cost				
At 1 April 2021	142,053	170,460	67,006	379,519
Additions	3,421	7,030	-	10,451
At 31 March 2022	145,474	177,490	67,006	389,970
Depreciation and impairment				
At 1 April 2021	72,948	81,522	15,218	169,688
Depreciation charged in the year	17,611	30,861	16,752	65,224
At 31 March 2022	90,559	112,383	31,970	234,912
Carrying amount				
At 31 March 2022	54,915	65,107	35,036	155,058
At 31 March 2021	69,105	88,938	51,788	209,831

13 Stocks

	2022 £	2021 £
Finished goods and goods for resale	3,353,915	1,337,537

The cost of opened playing card stock cannot be allocated to individual playing cards in a meaningful way as owing to the nature of the market, the selling price of these items can range from a negligible value to a value in excess of cost which is highly subjective and cannot be readily estimated. The directors therefore have applied a policy of valuing such stock at a nil value at the balance sheet date.

14 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Other debtors	419,765	313,015
Prepayments and accrued income	47,686	114,182
	467,451	427,197

MAGIC MADHOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

15 Creditors: amounts falling due within one year

	Notes	2022 £	2021 £
Bank loans	17	35,000	75,000
Trade creditors		703,504	252,909
Corporation tax		501,529	338,507
Other taxation and social security		144,114	103,097
Other creditors		124,284	135,582
Accruals and deferred income		38,602	43,260
		<u>1,547,033</u>	<u>948,355</u>

16 Creditors: amounts falling due after more than one year

	Notes	2022 £	2021 £
Bank loans and overdrafts	17	-	75,000
		<u>-</u>	<u>75,000</u>

17 Loans and overdrafts

	2022 £	2021 £
Bank loans	35,000	150,000
	<u>35,000</u>	<u>150,000</u>
Payable within one year	35,000	75,000
Payable after one year	-	75,000
	<u>35,000</u>	<u>150,000</u>

The loan has been drawn down in the year with interest payable at 10.1% per annum.

The loan was fully repaid on 1 April 2022.

18 Retirement benefit schemes

	2022 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	28,483	26,446
	<u>28,483</u>	<u>26,446</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

19 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital				
Issued and fully paid				
Ordinary share of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

MAGIC MADHOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2022

20 Operating lease commitments

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

	2022 £	2021 £
Within one year	289,141	283,055
Between two and five years	1,037,708	1,106,623
In over five years	485,889	695,425
	<u>1,812,738</u>	<u>2,085,103</u>

21 Directors' transactions

Dividends totalling £41,080 (2021: £39,580) were paid in the year in respect of shares held by the company's directors.

As at the year end, the company owed the director £66,119 (2021: £85,688).

22 Cash (absorbed by)/generated from operations

	2022 £	2021 £
Profit for the year after tax	1,163,009	992,685
Adjustments for:		
Taxation charged	283,746	233,806
Finance costs	11,665	14,295
Investment income	(49)	(242)
Depreciation and impairment of tangible fixed assets	65,224	49,000
Movements in working capital:		
Increase in stocks	(2,016,378)	(121,881)
Increase in debtors	(40,254)	(59,009)
Increase/(decrease) in creditors	475,656	(288,233)
Cash (absorbed by)/generated from operations	<u>(57,381)</u>	<u>820,421</u>

23 Analysis of changes in net funds

	1 April 2021 £	Cash flows £	31 March 2022 £
Cash at bank and in hand	1,084,702	(357,356)	727,346
Borrowings excluding overdrafts	(150,000)	115,000	(35,000)
	<u>934,702</u>	<u>(242,356)</u>	<u>692,346</u>

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