

Cath Kidston PFSCo Limited

Report and Financial Statements

Period Ended

30 March 2014

Company Number 7180374



Cath Kidston PFSCo Limited
Report and financial statements
for the period ended 30 March 2014

Contents

Page:

1	Strategic report
2	Report of the directors
3	Independent auditor's report
5	Profit and loss account
6	Balance sheet
7	Notes forming part of the financial statements

Directors

J Barber
C Parkin
N Harrington

Registered office

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

Company number

7180374

Auditors

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

Cath Kidston PFSCo 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 and dividends

The profit and loss account is set out on page 5 and shows the loss for the period.

The directors do not recommend the payment of a dividend.

Principal activities and trading review

Cath Kidston PFSCo Limited is an intermediate holding company and will continue to be so for the foreseeable future. On the 31 March 2010 the company 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 and interest accrues at 12.5% per annum during the year. The principal element of the shareholder loan 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 there was an early repayment of £35,121,000 of the principal element of the shareholder loan notes as well as £7,858,000 of the interest on the loan notes. This has been facilitated by a loan from Cath Kidston Mezzco Limited and has increased intercompany debt (as a result of group debt). After 31 March 2018, interest payable on the outstanding loan notes is payable in cash on an annual basis. Interest of £9,215,000 (2013 - £10,644,000) was accrued and rolled up on the shareholder loan notes during the year.

A trading review can be found in the financial statements of the parent company: Cath Kidston Group Limited.

Future developments

The company will continue to accrue interest on the PIK notes and as and when this needs to be paid, this will be met by the subsidiary companies.

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

The financial risk of the Company relates to the existence of shareholder loan notes. The risks associated with financial instruments are discussed in note 7.

Approval

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



C Parkin

Director

Cath Kidston PFSCo 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:

J Barber
C Parkin
G Peeters (resigned 13.12.2013)
N Harrington

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

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

- select suitable accounting policies and 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 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.

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



C Parkin

Director

Date 22/03/2014

Cath Kidston PFSCo Limited

Independent auditor's report

TO THE MEMBERS OF CATH KIDSTON PFSCo LIMITED

We have audited the financial statements of Cath Kidston PFSCo Limited for the 52 week period ended 30 March 2014 which comprise the profit and loss account, the balance sheet 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 company's affairs as at 30 March 2014 and of its 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 PFSCo 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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 PFSCo Limited

Profit and loss account for the period ended 30 March 2014

	Note	2014 £'000	2013 £'000
Administrative expenses		(3)	(1)
Operating loss	2	(3)	(1)
Interest payable and similar charges	3	(9,215)	(10,644)
Loss on ordinary activities before taxation		(9,218)	(10,645)
Taxation on loss from ordinary activities	4	-	-
Loss on ordinary activities after taxation	9,10	(9,218)	(10,645)

All amounts relate to continuing activities.

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

The notes on pages 7 to 12 form part of these financial statements.

Cath Kidston PFSCo Limited

Balance sheet at 30 March 2014

<i>Company number 7180374</i>	Note	2014 £'000	2013 £'000
Fixed assets			
Fixed asset investments	5	76,511	76,511
Total assets less current liabilities		76,511	76,511
Creditors: amounts falling due after more than one year	6	(111,028)	(101,810)
		(34,517)	(25,299)
Capital and reserves			
Called up share capital	8	5,011	5,011
Profit and loss account	9	(39,528)	(30,310)
Shareholders' deficit	10	(34,517)	(25,299)

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



C Parkin
Director

The notes on pages 7 to 12 form part of these financial statements.

Cath Kidston PFSCo 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:

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.

Going concern

During the period, the company made a loss of £9,218,000 (2013 - £10,645,000) and the balance sheet shows net liabilities of £34,517,000 (2013 - £25,299,000). The directors have considered the basis of preparation of the financial statements and have concluded that it is appropriate to prepare the financial statements on a going concern basis. This assessment is due to the company having no liabilities which fall due within twelve months of the approval of the financial statements. The company is funded by shareholder loan notes which do not fall due for repayment until March 2109. Interest accruing on the shareholder loan notes is added to the principal loan balance and also does not fall due for repayment until March 2109. Only interest accruing after March 2018 is payable in cash on an annual basis.

In addition, the directors of the ultimate parent company, Cath Kidston Group Limited, have considered the group's cash flow forecasts and have concluded that there will be sufficient resources available to meet the group's liabilities as they fall due.

Consolidation

The company has taken advantage of the exemption under Section 400 of the Companies Act 2006 in not preparing consolidated financial statements for its group as the results of its group are included in the consolidated financial statements of the ultimate parent company, Cath Kidston Group Limited, incorporated in Great Britain. Accordingly these financial statements present the results of the company itself and not its group.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard 1 "Cash Flow Statements" not to prepare a cash flow statement on the grounds that the company is included in the consolidated financial statements of the ultimate parent company.

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.

Impairment of fixed asset investments

The need for any fixed asset investment 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 if events or changes in circumstances indicate that the carrying value may not be recoverable.

Cath Kidston PFSCo Limited

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

1 Accounting policies (*continued*)

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Financial liabilities and equity

Financial liabilities are measured initially at the amount of the net proceeds, being the fair value of proceeds received on issue after deduction of issue costs.

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.

2 Operating loss

The company's audit fee is borne by Cath Kidston Group Limited, the ultimate parent. There are no employees in this company other than executive directors. Directors' remuneration is borne by another group company.

3 Interest payable and similar charges

	2014 £'000	2013 £'000
Accrued interest on shareholder loan notes	9,215	10,644

Cath Kidston PFSCo Limited

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

4 Taxation on loss from ordinary activities

	2014 £'000	2013 £'000
<i>Current tax</i>		
UK corporation tax on losses of the period	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
Taxation on loss on ordinary activities	-	-
The tax assessed for the period differs from the standard rate of corporation tax in the UK.		
	2014 £'000	2013 £'000
Loss on ordinary activities before tax	(9,218)	(10,645)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 23% (2013 - 24%)	(2,120)	(2,555)
Effects of:		
Expenses not deductible for tax purposes	615	1,514
Short term timing differences	(226)	278
Group relief surrendered	1,731	763
Current tax charge for period	-	-

Factors that may affect future tax charges: The short term timing differences relate to interest expenses which will be available for group relief surrender to Cath Kidston Limited when the interest is paid. At the period end, the asset available for surrender is £679,000 (2013 - £686,000).

Cath Kidston PFSCo Limited

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

5 Fixed asset investments

Investment in group
Undertakings
£'000

At 31 March 2013 and at 30 March 2014

76,511

Subsidiary undertakings

The principal undertakings in which the company's interest, at the period end, is 20% or more are as follows:

Name	Country of registration or incorporation	Proportion held	Nature of business
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 Asia Pacific Ltd*	Hong Kong	100%	Wholesaler
Cath Kidston Shanghai Limited*	China	100%	Retailer
Cath Kidston Spain S.L.*	Spain	100%	Retailer

*Companies not directly held by Cath Kidston PFSCo Limited.

6 Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Shareholder loan notes and accrued interest thereon	68,040	101,804
Amount owed to subsidiary undertakings	42,988	6
	<u>111,028</u>	<u>101,810</u>

Maturity of debt:

	2014 Amount owed to subsidiary £'000	2013 Amounts owed to subsidiary £'000	2014 Shareholder loan notes £'000	2013 Shareholder loan notes £'000
In more than 5 years	<u>42,988</u>	<u>6</u>	<u>68,040</u>	<u>101,804</u>

On the 31 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 31 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 has been facilitated by a loan from Cath Kidston Mezzco Limited and has increased intercompany debt (as a result of group debt). After 31 March 2018, interest payable on the outstanding loan notes is payable in cash on an annual basis.

Cath Kidston PFSCo Limited

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

7 Financial instruments

The company holds or issues financial instruments to finance its operations.

The company does not trade. Long term loans are at fixed rates and are used in order to secure funding for the future developments of the group as a whole. The company manages its liquidity risk by having the option to roll up interest on the loans it holds. The group is not exposed to currency risk in respect of its loans as all borrowings are denominated in sterling.

Short term debtors and creditors have been excluded from financial instrument disclosures, as allowed by FRS 13.

Financial liabilities

The company is funded by shareholder loans and intercompany debt.

On 31 March 2010 the group issued unsecured loan notes to the value of £71,500,000. These loan notes were listed on the Channel Islands Securities Exchange Authority Limited on 16 June 2010. Interest on the loan notes accrues at 12.5% per annum. The accrued interest at the period end is £31,661,000 (2013 - £30,304,000).

In the opinion of the directors, the value of all loans and accrued interest in the accounts is not materially different to the fair value of the debt.

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).

8 Share capital

	Allotted, called up and fully paid			
	2014 Number	2013 Number	2014 £'000	2013 £'000
Ordinary shares of £1 each	5,011,470	5,011,470	5,011	5,011

9 Reserves

	Profit and loss account £'000
At 31 March 2013	(30,310)
Loss for period	(9,218)
At 30 March 2014	(39,528)

Cath Kidston PFSCo Limited

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

10 Reconciliation of movements in shareholders' deficit

	2014 £'000	2013 £'000
Loss for the period	(9,218)	(10,645)
Net increase in shareholders' deficit	(9,218)	(10,645)
Opening shareholders' deficit	(25,299)	(14,654)
Closing shareholders' deficit	(34,517)	(25,299)

11 Related party transactions

The directors have accrued, in aggregate, cumulative interest on loan notes of £2,106,000 during the year (2013 - £2,585,000). During the year there was early repayment of the principal loan as well as accrued interest on the loan notes totalling £9,825,000. At the period end cumulative accrued interest on loan was £1,174,250 (2013 - £6,925,000).

The company 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 because the company is a wholly owned subsidiary.

12 Ultimate parent company

At 30 March 2014 the company's ultimate parent company was Cath Kidston Group Limited which is the parent of both the smallest and largest groups of which the company is a member.

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).

Copies of the consolidated financial statements of Cath Kidston Group Limited are available from Companies House.