PARENT COMPANY OF BRANDMASTER LTD

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Carte Blanche Group Limited

Annual Report and Financial Statements

For the period ended 30 June 2018

CARTE BLANCHE GROUP LIMITED

Annual Report and Financial Statements for the period ended 30 June 2018

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General Information for the period ended 30 June 2018

DIRECTORS:	S W Haines (Chairman) A R Marchant D Spence W D Dodd R J Poerscout-Edgerton
REGISTERED OFFICE:	Unit 3 Chichester Business Park Tangmere Chichester West Sussex PO20 2FT
INDEPENDENT AUDITORS:	BDO LLP Chartered Accountants and Statutory Auditors Arcadia House Marine Walk - Ocean Village Southampton SO14 3TL
REGISTERED NUMBER:	05296742

Strategic Report
For the period ended 30 June 2018

The directors present their strategic report for the period ended 30 June 2018.

Review of the business
The principal activity of the company continued to be that of a holding company.

The principal activity of the Group continued to be the design, sourcing and marketing of greeting cards and related giftware, stationery and soft toys.

The eighteen-month period to 30 June 2018 has continued to be challenging whilst we continue to adapt the business to the changing retail landscape amid the structural uncertainties on the UK economy being caused by the Brexit negotiations and focus on the use of plastics in the production of the products which we sell.

We have changed our year end from 31 December to 30 June because the Board believe it is a more appropriate period end to align the financial period to seasonal trends of the industry, resulting in a reduction in estimates and judgements, especially on seasonal returns and licencing income, both of which impact revenue recognition.

As a board, we continue to strive to ensure our business is as efficient as possible, to ensure that we are able to provide excellent service to our customers and that we are positioned so as to be secure in the long-term profitability and sustainability of the business for years to come.

During the period the company's share capital was restructured and a capital reduction undertaken, reducing share capital by £9,992,000 with a matching adjustment to profit and loss reserves. Further details are given in Note 20.

Product

Our core range, "Me to You", which incorporates the Tatty Teddy character, as well as its derivatives Tiny Tatty Teddy and My Dinky Bear, remains one of the most popular cute brands in the UK Greetings Cards and Licencing Market.

Through the acquisition of Is It Art Limited (see below), we are delighted to now have the exclusive UK distribution rights to the Blue Mountain Arts product range, which is considered to be one of the market leaders in sentiment based greetings cards. This is distributed in both national and independent retailers.

The acquisition of Is It Art has also led to the our Independent sales force having access to one of the most popular humour ranges in the UK, Emotional Rescue, due to an exclusive arrangement for the distribution of this brand into the independent retail space.

We also continue to collaborate with our existing partners in all of our markets to explore new channels to market as the retail environment evolves with the increasing popularity of discount stores and online retailers.

Operations

Further to the warehouse changes which were described in the previous year's financial report, we took the decision to outsource the conversion of our greetings cards, as part of entering into a long-term sole UK supplier relationship with a large UK printer. We see this as an exciting opportunity for both parties, to focus on each of our core strengths and to bring efficiencies into the supply chain for our customers as we look to innovate in the production of cards.

Due to delays outside of our control, our ability to exit an onerous lease, to which a liability of £530k was recognised in the prior years accounts, was limited until shortly after the balance sheet date in August 2018. This has led to a further exceptional charge in relation to this lease of £118k.

We continue towards the completion of the implementation of our new Enterprise Management System – Dynamics365 for Finance and Operations. We are currently in final user acceptance testing and anticipate going live on the system in the New Year. Expenditure to date is shown within intangible fixed assets.

During the financial period, we took the decision to move to a distributor model in Australia, with two partners with significant experience in the local market, which has resulted in the closure of the local office. The directors do not consider the impact of the closure on the 2018 results to be significant enough to be disclosed as a discontinued operation on the Consolidated Statement of Comprehensive Income. Operations are also being continued in the Australian market via the aforementioned distributor model. The closure is forecast to result in an improvement in profit due to the reduction in fixed overheads.

Acquisitions

We made two acquisitions during the financial period.

In June 2017, we acquired Is It Art Limited, which gave us access to the exclusive distribution rights in the UK market for Blue Mountain Arts Limited product, as well as the distribution to the independent retail market for the Emotional Rescue product. Both of these contracts have been extended since acquisition and we see them as vital cogs of the Carte Blanche offering in our core UK market. The final integration of the Is It Art sales force into Carte Blanche Greetings was completely shortly after the period end.

In December 2017, we acquired the majority stake in Zepho Enterprises Limited, which was a related party, which includes the Characterwise.co.uk website and e-commerce store. We see this as the first step in improving our online engagement with our substantial fanbase, which we will continue to invest and build on in the future.

CARTE BLANCHE GROUP LIMITED

Strategic Report (continued)
For the period ended 30 June 2018

Revenues have increased to £31.3m for the period to 30 June 2018 (Year to 31 December 2016: £25.4). Gross profit is marginally lower at 30.0% vs 33.0% in the prior period at £9.4m (Year to 31 December 2016: £8.4m) However, as noted earlier in this report, the two periods are not entirely comparable given one is 12 months and one is 18 months.

The reduction in the Gross Profit margin is largely due to the impact of foreign currency movements following the Brexit vote decision in June 2016. This will continue to have an impact in future periods given the levels of gift and plush products that are sourced in the Far East and paid for in US Dollars. Management closely review foreign exchange fluctuations and manage this via close monitoring of payments/receipts in foreign currency, to mitigate the adverse impact of foreign currency movements. Forward exchange contracts are considered but there are none in place at year end.

The key measure of the Group's performance is considered by the Board to be Earnings before Interest, Tax, Depreciation, Amortisation and Exceptional Costs (EBITDA), which is monitored on a monthly basis.

Underlying EBITDA changed from an EBITDA profit of £0.4m to an EBITDA loss of £1.0m. This is partially due to the change of period end. This is because the profitability of our business is driven by increased levels of both proprietary and licencing sales in the period from August to December, caused by the larger levels of seasonal sales. As such, these set of financial statements include a second "first half of a calendar year" which is loss making, thereby impacting the presented performance of the business.

The Group's operating loss decreased from £17m to £14.3m. This reduction was after the recognition of a lower impairment of Goodwill, following a review of the carrying value of the Group's anticipated future cash flows, resulting in an overall reduction in Goodwill of £11.4m from £14.5m to £3.1m, including amortisation for the financial period of £5.4m. The movement in Goodwill also includes the impact of the previously mentioned acquisitions.

In addition to this, exceptional costs of restructuring were incurred of £1.0m (Year to 31 December 2016: £0.8m), including £0.1m (Year to 31 December 2016: £0.5m) in relation to an onerous lease for a warehouse property which was vacated in 2016 and subsequently exited after the balance sheet date in August 2018.

A reconciliation from operating loss to underlying EBITDA is as follows:

	P/e 30 June 2018 (£k)	Y/e 31 December 2016 (£k)
Operating loss	(14,334)	(17,004)
Depreciation	719	432
Goodwill Amortisation	5,400	3,636
Exceptional Goodwill Impairment	6,171	12,600
Exceptional Costs of restructuring	929	233
Exceptional onerous lease provision	118	530
Underlying EBITDA	(997)	427

Cash flow generation remained strong, with the Group generating £1.5m from operating activities (2016: £0.5m) through the management and conversion of stock and debtors into cash receipts. This remains a core focus of the business in these times of change for the Group.

Overall group net assets reduced by £13.8m from £25.7m to £11.9m during the year, reflecting the impact of the goodwill impairment exercise performed reviewing the value of the business based upon current trading and future opportunities open to the Group. Net current assets, which reflects the underlying trading activities of the business reduced from £10.4m to £6.9m, indicating that the Group still has sufficient net working capital to meet future demand and growth opportunities. This reduction is partly the result of the investment made in new systems and infrastructure as well as the decisions made to future proof the business.

Future developments

2018 will see a continued focus on the group's key brands and key customers to ensure that customers continue to be provided with the products that the consumers will demand. We continue to monitor Brexit risks by working with our suppliers to ensure continuity of supply, without significant price/cost increases.

Principal risks and uncertainties

As with many businesses, the Group is subject to numerous risks which could impact on the Group's prospects. Many of these are general in nature and can affect all businesses. In this respect the board has established a system of internal controls and risk management to provide assurance regarding effective and efficient operations, internal control and compliance with appropriate laws and regulations.

The principal risk faced by the Group is continued economic retail uncertainty, coupled with the financial stability of our key customers and suppliers, in addition to the impact of competitor brands and products. Policies are in place to mitigate this risk and can be found under the heading 'Financial risk and management objectives and policies' below.

Not only is the price of the product the Group purchases from suppliers fundamental to our continued success but so is the quality and adherence to all appropriate quality and health and safety standards. The Group has policies in place to ensure suppliers are audited periodically to ensure they meet the increasing requirements both in the UK and overseas. In addition continuity of supply is essential and the Group has policies to ensure that wherever possible we have alternative suppliers in place for all products.

Staff are key to all successful businesses and the loss of any key staff could impact on the Group's management and operational capabilities. The Group invests resources to ensure the selection of the right staff and in their retention through the working and cultural environment as well as through appropriate incentives.

Strategic Report (continued)
For the period ended 30 June 2018

Performance monitoring
Given the straightforward nature of the business, the Group's directors are of the opinion that an analysis using key performance indicators within this report is not necessary for an understanding of the development, performance or position of the business. The key performance measure used by the Board is EBITDA which is commented on above.

Financial risk management objectives and policies
The Group's operations expose it to a variety of financial risks the principal risks being foreign currency risk, interest rate risk, credit risk and liquidity risk. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. Policies are reviewed and agreed by the board of directors for managing each area of these risks and are implemented by the Group's finance department. The policies are summarised below and have remained unchanged from previous years.

Foreign currency risk
The Group sources a significant quantity of its products from the Far East denominated in US$. The Group deals with the exposures arising out of the transactional foreign exchange risk by applying a natural hedging policy via monitoring of payments/receipts in foreign currency.

Interest rate risk
The Group finances its operations through a mixture of retained profits, bank loans and bank overdraft. The Group's overdraft borrowings are directly linked to Bank of England base rate and therefore may fluctuate. The exposure to interest rate fluctuation on the bank loan is not currently managed by the use of base rate caps and collars. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Credit risk
The Group has implemented policies that require appropriate credit checks on potential customers prior to any sales being made and the setting of credit limits (where appropriate) which are continually reassessed. Credit control procedures are in place to minimise the risk of bad and doubtful debts. Where possible the Group secures negotiated credit terms with its key suppliers.

Liquidity risk
The Group assesses liquidity through annual forecasts of cash requirements and close monthly monitoring. If appropriate forecasts will be extended and revised having regard to the credit risks described above and planned operations and expansions. Following the establishment of a new £2.5m funding facility with Bibby Financial Services after the year end, the directors are satisfied that the Group has in place adequate liquid cash resources to support the Group's strategy

Approved by the board on 1 February 2019
and signed on its behalf by:

A R Marchant, Director
Unit 3
Chichester Business Park
Tangmere
Chichester
West Sussex
PO20 2FT

CARTE BLANCHE GROUP LIMITED

Directors' Report
For the period ended 30 June 2018

The directors present their report and audited consolidated financial statements for Carte Blanche Group Limited (the "Group") for the period ended 30 June 2018.

Directors

The directors set out below held office during the year from 1 January 2017 to the date of this report except as noted. The interests of the directors holding office on 30 June 2018 in the shares of the company were as follows:

	30-Jun-18 Ordinary £1 shares	30-Jun-18 Ordinary B £1 shares	30-Jun-18 Ordinary C £1 shares	31-Dec-16 Ordinary £1 shares	31-Dec-16 A ordinary £1 shares
S W Haines	5,600	-	-	6,300,000	700,000
A R Marchant	-	800	267	-	-
D Spence (held through Matrix Property Ltd, a company registered in Guernsey)	2,400	-	-	2,700,000	250,000
W D Dodd	-	400	134	-	-
G P O'Mahony (resigned 12 January 2018)	-	-	-	-	-
R J Poerscout-Edgerton (appointed 1 June 2017)	-	400	134	-	-

Results and dividends
The Group loss for the financial period after taxation and other comprehensive income was £13,981,417 (2016: £17,103,929). The company loss for the financial period after taxation was £1,692,606 (2016: £1,241,060), which included £1,750,000 (2016: £1,241,000) of exceptional items. The company profit for the financial period after taxation but excluding exceptional items was £57,394 (2016: Loss £60).

No dividends were declared in the period.

Financial risk management objectives and policies
Information on the financial risk management of the group can be found in the strategic report on pages 3 to 5.

Future developments
Information on the future developments of the group can be found in the strategic report on pages 3 to 5.

Going concern
The Group's business activities, together with the factors likely to affect its future development, financial position, financial risk management and objectives , and its exposure to foreign currency risk, interest rate risk, credit risk and liquidity risk are described in the Strategic Report on pages 3 to 5. The directors believe that the Group is well placed to manage its business risks successfully and have a reasonable expectation that the company and its group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' liabilities
The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provisions were in force during the financial year and remain in force as at the date of approving the directors' report.

Employees
Consultation with employees has continued at all levels with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the economic performance of the Group. The Group has always recognised the importance of effective employee communications. It also believes the prime responsibility for communications lies with management. Employees are involved in briefing meetings which is considered to be effective for communication. Forward plans and regular reports on progress are a feature of internal communications. The Directors of the company advocate an open style of management with the objective of encouraging innovation and of ensuring maximum internal understanding of the Group's objectives and progress.

Employment of disabled persons
Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Directors' Report (continued)
For the period ended 30 June 2018

Statement of disclosure of information to auditors
Each of the persons who are directors at the time when the report is approved, have confirmed that:

(a) as far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) each of the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of the relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors
The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standards 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland). 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 the company and of the profit or loss of the Group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the board on 1 February 2019
and signed on its behalf by

ARMarchant

A R Marchant - Director
Unit 3
Chichester Business Park
Tangmere
Chichester
West Sussex
PO20 2FT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARTE BLANCHE GROUP LIMITED

Opinion

We have audited the financial statements of Carte Blanche Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the period ended 30 June 2018 which comprise of the consolidated Statement of Comprehensive Income, the consolidated and company Statement of Financial Position, the consolidated and company Statement of Changes in Equity, the consolidated Cash Flow Statement 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 the financial statements:

- give a true and fair view of the state of the group's and of the Parent Company's affairs as at 30 June 2018 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.

Basis for opinion

We conducted out 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 Group and the Parent 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 opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Directors Report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider where 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- 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; and
- the strategic report and directors' report has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARTE BLANCHE GROUP LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent 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.

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.

Respective responsibilities of directors

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, and for such internal control as the Directors determine is necessary to enable to preparation of the 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 the Parents 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.

A further description of our responsibilities of the audit of the *financial statements is located at the Financial Reporting Council's website at:* https://www/frc.org.uk/auditorsresponsibilites. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent company and the Parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Malcolm Thixton
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton

5/12/19

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

CARTE BLANCHE GROUP LIMITED

Consolidated Statement of Comprehensive Income
For the period ended 30 June 2018

	Notes	£	18 months to 30 June 2018 £	£	12 months to 31 December 2016 £
TURNOVER	3		31,331,129		25,385,181
Cost of sales			(21,915,184)		(16,985,883)
GROSS PROFIT			9,415,945		8,399,298
Distribution costs			(3,050,282)		(2,295,427)
Administrative expenses:					
Normal administrative expenses		(8,082,269)		(6,108,627)	
Goodwill amortisation	9	(5,399,571)		(3,636,421)	
Exceptional goodwill impairment	9	(6,171,150)		(12,600,000)	
Exceptional costs of restructuring continuing operations		(929,496)		(233,114)	
Exceptional onerous lease provision		(117,658)		(530,000)	
			(20,700,144)		(23,108,162)
OPERATING LOSS	4		(14,334,481)		(17,004,291)
Interest receivable and similar income			733		23
Interest payable and similar charges	7		(24,805)		7,621
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(14,358,553)		(16,996,647)
Tax on loss on ordinary activities	8		323,143		75,776
LOSS FOR THE FINANCIAL PERIOD	21		(14,035,410)		(16,920,871)
Other comprehensive income					
Exchange differences on retranslation of net assets of subsidiary undertakings	21		53,993		(183,058)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD			(13,981,417)		(17,103,929)

The Group's turnover and expenses all relate to continuing operations.

The notes on pages 16 to 30 form part of these financial statements.

CARTE BLANCHE GROUP LIMITED

Consolidated Statement of Financial Position at 30 June 2018

	Notes		2018		2016
		£	£	£	£
FIXED ASSETS					
Intangible assets	9		4,330,429		14,500,610
Tangible assets	10		971,915		1,347,128
			5,302,344		15,847,738
CURRENT ASSETS					
Stock	12	3,052,667		4,416,819	
Debtors	13	4,425,806		7,395,948	
Cash at bank and in hand		2,812,262		4,586,589	
		10,290,735		16,399,356	
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(3,385,335)		(5,941,313)	
NET CURRENT ASSETS			6,905,400		10,458,043
TOTAL ASSETS LESS CURRENT LIABILITIES			12,207,743		26,305,781
CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15		(805)		(67,906)
PROVISION FOR LIABILITES	19		(297,812)		(530,000)
NET ASSETS			11,909,127		25,707,875
CAPITAL AND RESERVES					
Called up share capital	20		10,669		10,000,000
Share premium	21		180,000		-
Profit and loss account	21		10,868,458		14,857,875
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY			11,059,127		24,857,875
Non-controlling interests	21		850,000		850,000
			11,909,127		25,707,875

The financial statements were approved by the board of directors on 1 February 2019 and were signed on its behalf by:

R J Poerscout-Edgerton - Director

CARTE BLANCHE GROUP LIMITED
Company Registered Number 05296742

The notes on pages 16 to 30 form part of these financial statements.

CARTE BLANCHE GROUP LIMITED

Consolidated Statement of Changes In Equity
For the period ended 30 June 2018

	Share Capital	Share Premium account	Profit and loss account	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
	£	£	£	£	£	£
As at 1 January 2017	10,000,000	-	14,857,875	24,857,875	850,000	25,707,875
Comprehensive loss for the period						
Loss for the period	-	-	(14,035,410)	(14,035,410)	-	(14,035,410)
Exchange differences on retranslation of net assets of subsidiary undertakings	-	-	53,993	53,993	-	53,993
Other comprehensive income for the period	-	-	53,993	53,993	-	53,993
Total comprehensive loss for the period	-	-	(13,981,417)	(13,981,417)	-	(13,981,417)
Contributions by and distributions to owners						
Issue of share capital	2,669	-	-	2,669	-	2,669
Capital reduction	(9,992,000)	-	9,992,000	-	-	-
Share premium account	-	180,000	-	180,000	-	180,000
Total contributions by and distributions to owners	(9,989,331)	180,000	9,992,000	182,669	-	182,669
As at 30 June 2018	10,669	180,000	10,868,458	11,059,127	850,000	11,909,127

	Share Capital	Share Premium account	Profit and loss account	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
	£	£	£	£	£	£
As at 1 January 2016	10,000,000	-	31,961,804	41,961,804	850,000	42,811,804
Comprehensive loss for the year						
Loss for the year	-	-	(16,920,871)	(16,920,871)	-	(16,920,871)
Exchange differences on retranslation of net assets of subsidiary undertakings	-	-	(183,058)	(183,058)	-	(183,058)
Other comprehensive income for the year	-	-	(183,058)	(183,058)	-	(183,058)
Total comprehensive loss for the year	-	-	(17,103,929)	(17,103,929)	-	(17,103,929)
As at 31 December 2016	10,000,000	-	14,857,875	24,857,875	850,000	25,707,875

The notes on pages 16 to 30 form part of these financial statements.

CARTE BLANCHE GROUP LIMITED

Consolidated Cash Flow Statement
For the Period Ended 30 June 2018

	2018 £	2016 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial period	(14,035,410)	(16,920,871)
Adjustments for:		
Depreciation, amortisation and impairment of fixed assets and goodwill	12,289,936	16,668,920
Profit on disposal of fixed assets	(50,267)	(40,820)
Net interest payable/(receivable)	24,072	(7,644)
Taxation credit	(323,143)	(75,776)
Taxation refunded	80,017	117,576
Decrease in stocks	1,655,007	1,727
Decrease in debtors	3,842,377	785,691
Onerous lease provision movement	(232,188)	530,000
Decrease in creditors	(1,966,329)	(558,665)
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,284,072	500,138
INVESTING ACTIVITIES		
Interest received	733	23
Payments to acquire intangible/tangible fixed assets	(1,298,446)	(190,917)
Receipts from sale of tangible fixed assets	292,398	78,748
Payments to acquire subsidiaries	(281,213)	-
Cash acquired with subsidiaries	63,134	-
Net cash outflow from investing activities	(1,223,394)	(112,146)
FINANCING ACTIVITIES		
Interest paid	(24,805)	7,621
Finance leases repaid	(311,221)	(184,504)
Net cash outflow from financing activities	(336,026)	(176,883)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(275,348)	211,109
Cash and cash equivalents at 1 January	3,033,617	3,005,567
Foreign exchange gains and losses	53,993	(183,059)
Cash and cash equivalents at 30 June and 31 December	2,812,262	3,033,617
Cash and cash equivalents comprise:		
Cash at bank and in hand	2,812,262	4,586,589
Bank overdrafts	-	(1,552,972)
	2,812,262	3,033,617

The notes on pages 16 to 30 form part of these financial statements.

CARTE BLANCHE GROUP LIMITED

Company Statement of Financial Position at 30 June 2018

	Notes		2018		2016
		£	£	£	£
FIXED ASSETS					
Investments	11		11,660,041		24,400,000
			11,660,041		24,400,000
CURRENT ASSETS					
Debtors	13	437,337		160,426	
Cash at bank and in hand		2,528		4,724	
		439,865		165,150	
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(9,578,391)		(20,533,698)	
NET CURRENT LIABILITIES			(9,138,526)		(20,368,548)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,521,515		4,031,452
CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15		-		-
NET ASSETS			2,521,515		4,031,452
CAPITAL AND RESERVES					
Called up share capital	20		10,669		10,000,000
Share premium	21		180,000		-
Profit and loss account	21		2,330,846		(5,968,548)
			2,521,515		4,031,452

As permitted by Section 408 of the Companies Act 2006 the company has not presented its own statement of comprehensive income. The loss for the financial period of Carte Blanche Group Limited is £1,692,606 (2016: Loss £1,241,060).

The financial statements were approved by the board of directors on 1 February 2019 and were signed on its behalf by:

R J Poerscout-Edgerton - Director

CARTE BLANCHE GROUP LIMITED
Company Registered Number 05296742

The notes on pages 16 to 30 form part of these financial statements.

CARTE BLANCHE GROUP LIMITED

Company Statement of Changes In Equity
For the period ended 30 June 2018

	Share Capital	Share Premium account	Profit and loss account	Total equity
	£	£	£	£
As at 1 January 2017	10,000,000	-	(5,968,548)	4,031,452
Comprehensive loss for the period				
Loss of the period	-	-	(1,692,606)	(1,692,606)
Total comprehensive loss for the period	-	-	(1,692,606)	(1,692,606)
Contributions by and distributions to owners				
Issue of share capital	2,669	-	-	2,669
Capital reduction	(9,992,000)	-	9,992,000	-
Share premium account	-	180,000	-	180,000
	(9,989,331)	180,000	9,992,000	182,669
As at 30 June 2018	10,669	180,000	2,330,846	2,521,515

For the year ended 31 December 2016

	Share Capital	Share Premium account	Profit and loss account	Total equity
	£	£	£	£
As at 1 January 2016	10,000,000	-	(4,727,488)	5,272,512
Comprehensive loss for the year				
Loss of the year	-	-	(1,241,060)	(1,241,060)
Total comprehensive loss for the year	-	-	(1,241,060)	(1,241,060)
As at 31 December 2016	10,000,000	-	(5,968,548)	4,031,452

The notes on pages 16 to 30 form part of these financial statements.

1 ACCOUNTING POLICIES

Carte Blanche Group Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

Basis of preparation
The financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The company has early adopted the December 2017 FRS 102 Amendments - Triennial Review 2017 (effective for periods beginning on or after 1 January 2019) in these financial statements for the period ended 30 June 2018. There have been no changes to accounting policies in the current or prior period, with the early adoption only impacting certain disclosures in the financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires company management to exercise judgement in applying the company's accounting policies (see Note 2).

The directors and shareholders made the decision to change the financial year end from 31 December to 30 June. This was to align the financial period to the seasonal trends of the industry, resulting in the reduction of judgement needed in relation to our returns provisions and royalty revenue. As a result of the change in year end, the comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.

The principal accounting policies, which have been applied consistently throughout the period, are set out below:

(a) Basis of consolidation
The consolidated financial statements present the results of Carte Blanche Group Limited and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In respect of Zepho Enterprises Limited, the minority interest of 10% has not been accounted for in these financial statements given the directors consider this is not material. 100% of the post-acquisition results and year end net assets of this company have therefore been included in the consolidated financial statements of the group.

(b) Parent company disclosure exemptions
The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv), reconciliation of the number of shares outstanding at the beginning and end of the period;

- the requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d), to include a cash flow statement in the financial statements;

- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A, disclosure of financial instruments; and

- the requirements of Section 33 Related Party Disclosures paragraph 33.7, the disclosure of key management personnel compensation.

(c) Turnover
Turnover represents the invoiced value of goods sold and services provided during the period stated net of discounts and value added tax. Turnover is recognised on despatch of goods or once the service has been provided. Turnover excludes the sales value of estimated returns.

Merchandise licensing advances and guarantee royalty payments are recognized based on the contractual royalty rate when the licensed product is sold by the licensee. Non-refundable advances and minimum guarantee royalty payments in excess of royalties earned are generally recognized as revenue at the end of the contract period.

1 ACCOUNTING POLICIES (continued)

(d) Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is calculated to write off the cost less estimated residual value of fixed assets on a straight line basis over their estimated useful lives as follows:

Motor vehicles	- Between 25% and 33% per annum
Plant and machinery	- Between 10% and 50% per annum
Leasehold improvements	- 10% per annum
Freehold Property	- 2% per annum

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

(e) Operating Leases

Rentals payable under operating leases are charged on a straight line basis over the term of the

(f) Stock

Stock is valued at cost using a first in first out weighted average costing system. Where necessary, provision is made for slow moving and obsolete stock such that its value is recognised at the lower of cost and net realisable value.

(g) Current and deferred taxation

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

The current income charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where, they related to timing differences in respect of interest in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

Deferred tax balances are not discounted.

(h) Foreign currencies

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate in operation on the date of transaction or at contracted forward rates of exchange. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates or, if applicable, at contracted forward rates of exchange. All revaluation differences and realised foreign exchange differences are taken to the income statement.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

(i) Pension costs

Contributions payable to the Group's defined contribution pension scheme are charged to the profit and loss account in the period to which they relate.

1 ACCOUNTING POLICIES (continued)

(j) Intangible assets
Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. If a reliable estimate cannot be made, the useful life of goodwill is presumed to be 10 years. Goodwill is being amortised over periods to 20 years.

Impairment reviews are carried out in the first full year following acquisition and when events dictate that an impairment review is necessary.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful economic lives. The estimated useful economic life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Software intangibles have not yet been brought into use and therefore no amortisation has been charged in the current period.

(k) Investments
Investments held as fixed assets are stated at cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Recoverable amount is the higher of its net realisable value and its value in use.

(l) Finance Leases
Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. The interest element is charged against profits so as to produce a constant periodic charge over the term of the finance lease. Depreciation is calculated to write the assets off over their expected useful lives.

(m) Financial liabilities and equity
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 JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- Determine whether leases entered into by the group either as a lessor or a lessee are operating lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessees on a lease by lease basis.

-Determine whether there are indicators of impairment of the group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

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

Provisions
The company has recognised provisions in relation to slow moving stock, trade receivables (doubtful debtors and credit notes) and sale or return obligations under contracts with certain customers. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and post balance sheet activity up to the date of signing.

The group have also made a provision in respect of an onerous lease as referred to in the strategic report. The provision is based on the exit costs agreed in August 2018, so there is no judgement involved.

2 JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of goodwill and investments

An impairment review was undertaken during the period in relation to the Group goodwill and Company investments using a discounted cashflow model to generate a figure for value in use, which was then compared against the net assets of the underlying business. The key assumptions included in this review were the discount rate and growth rates. The discount rate is a pre-tax adjusted discount rate and reflects management's estimate of the Group's weighted average cost of capital. The management forecasts are extrapolated using a growth rate of 2.5%, with assumptions relevant for the business sector and are based on industry research.

The impairment review included the consideration of a number of scenarios, some of which included potential changes to the Group to reflect changes in the retail environment which the Group operates, that are currently being considered by the board. These different scenarios were each used to calculate a discounted cashflow model, given a probability factor and used to calculate a weighted average expected value in use for the impairment review.

3 TURNOVER

The turnover is attributable to the principal activity of the design and marketing of greeting cards and related giftware, stationery and soft toys, and associated royalty income. Analysis of turnover by segment has not been given as it considered this would be seriously prejudicial to the group.

The analysis of turnover by geographical market is as follows:	18 months to 30 June 2018	12 months to 31 December 2016
	£	£
United Kingdom	25,864,408	21,048,251
Rest of EU	2,066,982	1,402,423
Rest of world	3,399,739	2,934,507
	31,331,129	25,385,181

4 OPERATING LOSS

	18 months to 30 June 2018	12 months to 31 December 2016
Operating loss is stated after charging/(crediting) :	£	£
Hire of equipment	1,759	1,142
Operating lease rentals - land and buildings	681,372	662,116
Amortisation/Impairment of intangible assets	11,570,721	16,236,421
Depreciation of owned tangible fixed assets	645,662	363,061
Depreciation of tangible fixed assets held under finance leases	73,553	69,438
Profit on disposal of tangible fixed assets	(50,267)	(40,820)
Foreign exchange differences	*1,668,583*	*379,338*
Defined contribution pension cost	506,586	327,576

During the period the Group obtained the following services from the Group's auditors and it's associates:

	18 months to 30 June 2018	12 months to 31 December 2016
	£	£
Fees payable to the company auditors for the audit of the parent company and consolidated *financial statements*	3,000	3,000
Fees payable to the company's auditors and it's associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	34,250	28,800
Tax services	18,200	12,050
Other services	2,500	-
	57,950	43,850

5 STAFF COSTS

The average monthly number of persons (including directors) employed by the Group during the period were:

	2018	2016
	Number	Number
Selling	47	51
Production and warehousing	79	85
Office and management	45	43
	171	179

Their aggregate remuneration:	18 months to 30 June 2018	12 months to 31 December 2016
	£	£
Wages and salaries	8,188,480	5,902,380
Social security costs	681,555	446,616
Other pension costs	506,586	380,284
	9,376,621	6,729,280

The company has no employees and therefore no staff costs.

6 DIRECTORS

	18 months to 30 June 2018	12 months to 31 December 2016
	£	£
Aggregate emoluments		
Emoluments	1,191,020	936,995
Contributions to defined contribution pension schemes	72,159	50,123
Compensation for loss of office	-	43,286
	1,263,179	1,030,404
Fees paid to directors' service companies	87,525	48,625

The emoluments of the directors disclosed above include the following amount paid to the highest paid director:

Emoluments	406,496	271,668
Contributions to defined contribution pension schemes	970	520

During the period 3 directors (2016: 5 directors) accrued benefits under the company's defined contribution pension scheme. The highest paid director received £970 (2016: £520) accrued benefits under a defined contribution pension scheme.

7 INTEREST PAYABLE AND SIMILAR CHARGES

	18 months to 30 June 2018	12 months to 31 December 2016
	£	£
Finance lease interest	11,822	7,985
Bank loans and overdraft	12,983	(15,606)
	24,805	(7,621)

8 TAX ON LOSS ON ORDINARY ACTIVITIES

	18 months to 30 June 2018 £	12 months to 31 December 2016 £
Analysis of tax charge/(credit) for the period:		
Current tax:		
UK corporation tax on loss for the year	-	-
Foreign taxation	5,344	-
Total current tax	5,344	-
Deferred tax (note 18):		
Origination and reversal of timing differences	(403,976)	(83,634)
Adjustments in respect of prior periods	75,489	7,858
Total deferred tax credit	(328,487)	(75,776)
Tax credit on loss on ordinary activities	(323,143)	(75,776)

	18 months to 30 June 2018 £	12 months to 31 December 2016 £
Loss on ordinary activities before tax	(14,358,553)	(16,996,647)
Loss on ordinary activities multiplied by rate of corporation tax in the UK applicable to the Group of 19.16% (2016: 20%)	(2,751,099)	(3,399,329)
Effects of:		
Expenses not deductible for tax purposes (including goodwill amortisation and impairment)	2,234,591	3,256,579
Fixed assets differences	18,271	-
Foreign tax credits	4,320	-
Losses carried back	-	13,924
Adjustment in respect of previous periods (deferred tax)	75,489	7,858
Adjust closing deferred tax to average rate of 19.16%	37,665	-
Deferred tax not recognised	57,620	43,229
Other movements	-	1,963
Tax credit for the period	(323,143)	(75,776)

9 INTANGIBLE FIXED ASSETS

	Software	Goodwill	Total
COST	**£**	**£**	**£**
At 1 January 2017	-	72,873,497	72,873,497
Additions	1,152,564	247,976	1,400,540
At 30 June 2018	1,152,564	73,121,473	74,274,037
ACCUMULATED AMORTISATION			
At 1 January 2017	-	58,372,887	58,372,887
Charge for the period	-	5,399,571	5,399,571
Goodwill impairment	-	6,171,150	6,171,150
At 30 June 2018	-	69,943,608	69,943,608
NET BOOK VALUE			
At 30 June 2018	1,152,564	3,177,865	4,330,429
At 31 December 2016	-	14,500,610	14,500,610

During the period the group acquired four companies being Hob Holdings Limited, Is It Art Limited, Blue Mountain Arts Limited and Zepho Enterprises Limited. The goodwill arising on the acquisitions of these businesses is being amortised over 20 years, in line with the groups policy. Please see note 22 for further information

The goodwill impairment follows an impairment review undertaken by the directors during the year. Further details are given in note 2.

Software costs relate to a new Enterprise Management System which has not yet been brought into use and therefore no amortisation has been charged.

10 TANGIBLE FIXED ASSETS

	Leasehold Improvements	Motor Vehicles	Plant and Machinery	Total
	£	**£**	**£**	**£**
COST				
At 1 January 2017	1,710,407	920,113	3,478,672	6,109,192
Additions	68,077	273,585	244,471	586,133
Disposals	-	(423,175)	(525,886)	(949,061)
At 30 June 2018	1,778,484	770,523	3,197,257	5,746,264
ACCUMULATED DEPRECIATION				
At 1 January 2017	1,368,242	417,865	2,975,957	4,762,064
Charge for the period	54,684	299,649	364,882	719,215
Disposals	-	(336,942)	(369,988)	(706,930)
At 30 June 2018	1,422,926	380,572	2,970,851	4,774,349
NET BOOK VALUE				
At 30 June 2018	355,558	389,951	226,406	971,915
At 31 December 2016	342,165	502,248	502,715	1,347,128

Assets held under finance leases and capitalised in motor vehicles had a cost of £420,589 (2016: £392,447) and accumulated depreciation of £234,921 (2016: £69,438).

11 FIXED ASSET - INVESTMENTS

COMPANY	18 months to 30 June 2018	12 months to 31 December 2016
COST	**£**	**£**
At 1 January	83,410,831	83,410,831
Additions	370,041	-
At 30 June and 31 December	83,780,872	83,410,831
PROVISION FOR IMPAIRMENT		
At 1 January	59,010,831	53,410,831
Charge for the period	13,110,000	5,600,000
At 30 June and 31 December	72,120,831	59,010,831
NET BOOK VALUE		
At 30 June and 31 December	11,660,041	24,400,000
At 1 January	24,400,000	30,000,000

The Company is the ultimate holding company for the following subsidiaries:

Name	Percentage of shares held by Company	Percentage of shares held by Subsidiary	Nature of business
Carte Blanche Greetings Limited	100%	-	Greetings cards and gifts publisher
Carte Blanche Limited	-	100%	Non-trading
Gemini Toys Limited	-	100%	Dormant
Carte Blanche Greetings (Hong Kong) Limited	-	100%	Far East administration
Brandmaster Limited	100%	-	Intellectual Property
Wishing Well Studios (Holdings) Ltd	100%	-	Dormant
Wishing Well Studios Limited	-	100%	Non-trading
Hotchpotch Publishing Limited	100%	-	Greetings cards manufacturer
Lello Design Limited	100%	-	Non-trading
Carte Blanche Australia Pty Ltd	100%	-	Greetings cards and gifts publisher
Carte Blanche Retail Limited	100%	-	Greetings cards and gifts retailer
CBG Retail Limited	100%	-	Dormant
Hob Holdings Limited	100%	-	Dormant
Is It Art Limited	100%	-	Greetings cards and gifts publisher
Suppliers Web Shop Limited	100%	-	Non-trading
Blue Mountain Arts Limited	100%	-	Dormant
Zepho Enterprises Limited	90%	-	Greetings cards and gifts retailer

The above non-dormant companies with the exception of Carte Blanche Greetings Limited, are all exempt from the requirments of the Companies Act relating to the audit of the accounts under section 479A of the Companies Act 2006.

The directors believe that the carrying value of the investments is supported by their underlying net assets or value in use.

All subsidiary undertakings (see also note 1a) have been included in the consolidation. All have co-terminus year ends. All subsidiary undertakings are incorporated in the United Kingdom except Carte Blanche Greetings (Hong Kong) Limited, which is incorporated in Hong Kong, and Carte Blanche Australia Pty Ltd which is incorporated in Australia.

In respect of Zepho Enterprises Limited, the minority interest of 10% has not been accounted for in these financial statements given the directors consider this is not material. 100% of the post-acquisition results and year end net assets of this company have therefore been included in the consolidated financial statements of the group.

The registered office for all of the above companies is Unit 3, Chichester Business Park, Tangmere, Chichester, PO20 2FT.

12 STOCK

	Group 18 months to 30 June 2018	Group 12 months to 31 December 2016	Company 18 months to 30 June 2018	Company 12 months to 31 December 2016
	£	£	£	£
Finished goods and goods for resale	3,052,667	4,416,819	-	-

13 DEBTORS

	Group 18 months to 30 June 2018	Group 12 months to 31 December 2016	Company 18 months to 30 June 2018	Company 12 months to 31 December 2016
	£	£	£	£
Trade debtors	2,462,481	5,507,314	-	-
Amounts owed by group undertakings	-	-	160,426	160,426
Other debtors	310,752	185,345	182,669	-
Corporation tax	42,750	128,110	-	-
Deferred tax (note 18)	470,518	142,032	94,242	-
Prepayments and accrued income	1,139,305	1,433,147	-	-
	4,425,806	7,395,948	437,337	160,426

Amounts above falling due after more than one year:

	Group 18 months to 30 June 2018	Group 12 months to 31 December 2016	Company 18 months to 30 June 2018	Company 12 months to 31 December 2016
	£	£	£	£
Deferred tax (note 18)	470,518	142,032	-	-
	470,518	142,032	-	-

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 18 months to 30 June 2018	Group 12 months to 31 December 2016	Company 18 months to 30 June 2018	Company 12 months to 31 December 2016
	£	£	£	£
Bank overdraft	-	1,552,972	-	-
Trade creditors	1,469,491	1,969,062	-	-
Amounts owed to group undertakings	-	-	9,550,523	20,533,630
Other taxation and social security costs	225,696	596,679	-	-
Obligations under finance leases (note 17)	64,579	175,880	-	-
Other creditors	818,460	277,224	68	68
Accruals and deferred income	807,109	1,369,496	27,800	-
	3,385,335	5,941,313	9,578,391	20,533,698

The bank loans and overdraft facilities are secured by a mortgage debenture incorporating a fixed and floating charge over all of the assets of the company.

Amounts owed to group undertakings are unsecured, interest free, have no fixed repayment date and are repayable on demand.

Obligations under finance leases are secured over the assets concerned.

15 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	18 months to 30 June 2018	12 months to 31 December 2016	18 months to 30 June 2018	12 months to 31 December 2016
	£	£	£	£
Obligations under finance leases (note 17)	805	67,906	-	-
	805	67,906	-	-

16 FINANCIAL INSTRUMENTS

	Group 18 months to 30 June 2018	Group 12 months to 31 December 2016	Company 18 months to 30 June 2018	Company 12 months to 31 December 2016
The group and company's financial instruments may be analysed as follows:	£	£	£	£
Financial assets				
Financial assets measured at amortised cost	5,663,980	11,037,913	162,954	165,150
Financial liabilities				
Financial liabilities measured at amortised cost	3,057,117	5,288,870	9,578,391	20,533,698

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors, accrued income and amounts owed by other group undertakings.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, finance lease creditors, other creditors, accruals and amounts owed to group undertakings.

17 OBLIGATIONS UNDER FINANCE LEASES

The future minimum lease payments under finance leases fall due as follows:

	Group 18 months to 30 June 2018	Group 12 months to 31 December 2016	Company 18 months to 30 June 2018	Company 12 months to 31 December 2016
	£	£	£	£
Within one year	64,579	175,880	-	-
In more than one year but not more than five years	805	67,906	-	-
	65,384	243,786	-	-

18 DEFERRED TAX

	18 months to 30 June 2018	12 months to 31 December 2016
	£	£
At 1 January	(142,032)	(66,256)
Deferred tax credit in profit and loss account for the period	(328,486)	(75,776)
At 31 December	(470,518)	(142,032)

The deferred tax asset arises due to the following differences:	18 months to 30 June 2018	12 months to 31 December 2016
	£	£
Short term timing differences	(24,686)	(23,297)
Losses and other deductions	(410,549)	(107,397)
Accelerated capital allowances	(35,283)	(11,338)
	(470,518)	(142,032)

19 PROVISION FOR LIABILITES

	Onerous lease £
At 1 January 2017	(530,000)
Utilised in the period	349,846
Charged to profit and loss	(117,658)
At 30 June 2018	(297,812)

20 CALLED UP SHARE CAPITAL

	Group 2018 £	Group 2016 £	Company 2018 £	Company 2016 £
Allotted, issued and fully paid				
8,000 (2016: 9,000,000) ordinary shares of £1 each	8,000	9,000,000	8,000	9,000,000
Nil (2016: 1,000,000) A ordinary shares of £1 each	-	1,000,000	-	1,000,000
2,000 (2016: nil) B ordinary shares of £1 each	2,000	-	2,000	-
669 (2016: nil) C ordinary shares of £1 each	669	-	669	-
	10,669	10,000,000	10,669	10,000,000

The movement in the both the Ordinary and Ordinary A shares is due to the capital reduction process carried out in the period, as part of a wider share capital restructure.

During the period the company issued 2,000 £1 Ordinary B shares for £91 per share and 669 £1 Ordinary C shares for £1 per share. The share classes rank pari passu.

During 2008 1,000,000 ordinary shares of £1 each were reclassified as A ordinary shares of £1 each of which 50,000 were transferred to Ogier Employee Benefit Trust Limited who are the independent trustee of the group employee benefit trust. The A ordinary shares did not have any dividend or voting rights. In the event of the sale of the company or on the winding up of the company the A ordinary shares would be entitled on a pro rata basis with the ordinary shares any surplus of proceeds over £60,000,000.

Called up share capital represents the nominal value of shares issued.

21 RESERVES

GROUP

	Profit and Loss Account	Total
	£	£
At 1 January 2017	14,857,875	14,857,875
Loss for the financial period	(14,035,410)	(14,035,410)
Exchange differences on retranslation of net assets of subsidiary undertakings	53,993	53,993
Capital reduction	9,992,000	9,992,000
At 30 June 2018	10,868,458	10,868,458

COMPANY

	Profit and Loss Account	Total
	£	£
At 1 January 2017	(5,968,548)	(5,968,548)
Loss for the financial period	(1,692,606)	(1,692,606)
Capital reduction	9,992,000	9,992,000
At 30 June 2018	2,330,846	2,330,846

Minority interest is represented by a holding of £850,000 (2016: £850,000) preference shares issued by Carte Blanche Greetings Limited to a director of Carte Blanche Group Limited. There are no rights to receive dividends nor voting rights with the preference shares. The holder of the preference shares has no redemption rights.

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

22 BUSINESS COMBINATIONS

Hob Holdings Limited

The group purchased 100% of Hob Holdings Limited group on 6 June 2017, consisting of four companies for a total consideration of £268,262. The provisional total adjustments required to book values of assets and liabilities in order to present the net assets at fair value in accordance with group accounting policies were £nil in all four cases - details of which are set our below, together with the resultant amount of goodwill arising. These purchases have been accounted for as acquisitions during the period.

	Book Value						
	Hob Holdings Limited	Is It Art Limited	Suppliers Web Shop Limited	Blue Mountain Arts Limited	Total	Adjustments to book value	Fair Value
	£	£	£	£	£	£	£
Fixed Assets	300,001	1,277	1,989	-	303,267	-	303,267
Stock	-	166,315	-	-	166,315	-	166,315
Debtors	100	410,284	1	1	410,386	-	410,386
Cash	-	8,459	-	-	8,459	-	8,459
Creditors	(200,001)	(587,996)	(2,179)	-	(790,176)	-	(790,176)
Net Assets acquired	100,100	(1,661)	(189)	1	98,251	-	98,251
Goodwill							170,011
Total purchase consideration							**268,262**

The consideration was settled by way of cash with the goodwill being amortised over 20 years in accordance with group policy. No adjustment for the 10% minority interest has been made in the above calculations as the directors consider this is not material.

Since acquisition, the above four companies contributed a total of £1,959,551 to the groups turnover and a total of £488,906 to the groups operating loss.

Following the balance sheet date, the trade and assets of Is It Art Limited were hived up to Carte Blanche Greetings Limited.

22 BUSINESS COMBINATIONS (Continued)

Zepho Enterprises Limited

On 21 December 2017, the group also acquired 90% of Zepho Enterprises Limited for a total consideration of £101,779. The provisional total adjustments required to book values of assets and liabilities in order to present the net assets at fair value in accordance with group accounting policies were £nil - details of which are set our below, together with the resultant amount of goodwill arising. This purchase has been accounted for as an acquisition during the period.

	Book Value £	Adjustments to book value £	Fair Value £
Fixed Assets	4,166	-	4,166
Stock	124,540	-	124,540
Debtors	36,053	-	36,053
Cash	54,675	-	54,675
Creditors	(195,620)	-	(195,620)
Net Assets acquired	23,814	-	23,814
Goodwill			77,965
Total purchase consideration			**101,779**

The consideration was settled in the following way:

- Cash	12,951
- Waiver of director's loan account	67,049
- Deferred consideration	20,000
- Payment of legal fees on acquisition	1,779
	101,779

The deferred consideration was settled in full on 3 July 2018. The goodwill on this acquisition is also being amortised over 20 years, in accordance with group policy. No adjustment for the 10% minority interest has been made in the above calculations as the directors consider this is not material.

Since acquisition, Zepho Enterprises Limited contributed £575,893 to the groups turnover and £42,237 to the groups operating loss.

23 PENSION COMMITMENTS

The Group operates a defined contribution money purchase scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group and amounted to £506,587 (2016: £380,284).

At 30 June 2018 contributions of £26,156 (2016: £34,121) due in respect of the current reporting period had not been paid over to the scheme.

24 OTHER FINANCIAL COMMITMENTS

The group had minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings 2018	**Land and buildings 2016**
	£	**£**
Operating leases which expire:		
Within one year	405,803	534,970
Between two and five years	1,338,957	2,132,147
After five years	-	551,450
	1,744,760	3,218,567

25 CONTINGENT LIABILITIES

The company has entered into a cross guarantee with its bankers in respect of the facilities made available to Carte Blanche Group Limited. The indebtedness to the bank of Carte Blanche Group Limited at 30 June 2018 was £Nil (2016: £1,545,444).

26 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by FRS102 not to disclose transactions with members of the group headed by Carte Blanche Group Limited on the grounds that 100% of the voting rights are controlled within that group and the company is included in consolidated financial statements.

Key management personnel include all directors and any senior managers who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £1,516,148 (2016: £1,119,111).

During the period the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 30 June, are as follows:

	Sales to related party	Purchases / services received from related party	Amounts owed from related party	Amounts owed to related party
	£	£	£	£
Entities in which a director has a controlling interest				
2018	-	154,125	-	10,755
2016	-	88,708	-	11,565
Entities controlled by a close family member				
2018	212,029	178,591	-	15,643
2016	239,724	143,921	75,887	11,867
Entities over which the group has significance influence				
2018	97,925	-	-	132,131
2016	-	-	-	-

Sales, purchases and services between related parties are made at both normal market prices in addition to discounted goods being supplied at discounted rates. Outstanding balances with entities are unsecured and interest free.

27 ULTIMATE PARENT UNDERTAKING

Carte Blanche Group Limited is the ultimate parent undertaking of the Group, the controlling interest in which is held by S W Haines.

28 POST BALANCE SHEET EVENTS

The trade and assets of Is It Art Limited, a subsidiary of the Group, were hived up into Carte Blanche Greetings Limited after the balance sheet date on 17 July 2018.