

Financial Statements
for the Year Ended 31 December 2019
for
Skyrocket U.K. Limited

Contents of the Financial Statements
for the Year Ended 31 December 2019

	Page
Company Information	1
Balance Sheet	2
Notes to the Financial Statements	3

Skyrocket U.K. Limited
Company Information
for the Year Ended 31 December 2019

DIRECTORS:

J Ardell
N Lucich

REGISTERED OFFICE:

Office BG11
Lancaster Court
8 Barnes Wallis Road
Fareham
PO15 5TU

REGISTERED NUMBER:

04840993 (England and Wales)

AUDITORS:

Ledger Sparks Audit LLP
Airport House
Suite 43-45
Purley Way
Croydon
CR0 0XZ

Balance Sheet
31 December 2019

	Notes	2019 £	2018 £
FIXED ASSETS			
Tangible assets	4	3,980	994
CURRENT ASSETS			
Stocks	5	286,137	-
Debtors	6	1,906,854	107,756
Cash at bank		<u>210,803</u>	<u>4,399</u>
		2,403,794	112,155
CREDITORS			
Amounts falling due within one year	7	<u>(1,307,389)</u>	<u>(19,330)</u>
NET CURRENT ASSETS		<u>1,096,405</u>	<u>92,825</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,100,385	93,819
PROVISIONS FOR LIABILITIES	8	<u>(111,740)</u>	<u>-</u>
NET ASSETS		<u>988,645</u>	<u>93,819</u>
CAPITAL AND RESERVES			
Called up share capital	9	1,058	1,058
Retained earnings	10	<u>987,587</u>	<u>92,761</u>
SHAREHOLDERS' FUNDS		<u>988,645</u>	<u>93,819</u>

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Statement of Income and Retained Earnings has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 22 December 2020 and were signed on its behalf by:

J Ardell - Director

Notes to the Financial Statements
for the Year Ended 31 December 2019

1. **STATUTORY INFORMATION**

Skyrocket U.K. Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

The principal activity of the company was that of wholesaler and distributor of children's toys.

2. **ACCOUNTING POLICIES**

BASIS OF PREPARING THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The critical judgments made by management that have a significant effect on the amounts recognised in the financial statements are described below.

Critical judgment

Decision to recognise a provision for faulty toys

As described in note 9 to the financial statements, the directors have decided to recognise a provision amounting to £111,740 (2018: £0) in the financial statements in relation to faulty toys. The decision to provide was taken on the basis that it is more likely than not that the company will be required to compensate customers for these products.

TURNOVER

Revenue is the amount derived from ordinary activities and is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances, and is stated net of VAT.

Revenue from the sale of toys as specified in the is recognised when all the following conditions are satisfied:

- The company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of toys is recognised when the goods are delivered, and legal title has passed.

2. **ACCOUNTING POLICIES - continued**

TANGIBLE FIXED ASSETS

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as follows:

Plant and machinery - 25% on cost

Fixtures and fittings - 25% on cost

Computer equipment - 25% on cost

STOCKS

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Costs, which comprise direct production costs and an appropriate allocation of production overheads, are based on the method most appropriate to the type of inventory class, but usually on a first-in-first-out basis. Net realisable value is based on the estimated selling price less any estimated completion or selling costs.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of stocks to net realisable value and all losses of stocks are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of stocks is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. **ACCOUNTING POLICIES - continued**

FINANCIAL INSTRUMENTS

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

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

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

Basic financial assets

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

Other financial assets

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

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Derecognition of financial assets

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

Other financial liabilities

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

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

2. **ACCOUNTING POLICIES - continued**

Derecognition of financial liabilities

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

TAXATION

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

CURRENT TAX

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

DEFERRED TAX

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date.

FOREIGN EXCHANGE

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

RETIREMENT BENEFITS

The company operates a defined contribution pension scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

EMPLOYEE BENEFITS

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

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

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

GOING CONCERN

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

The World Health Organisation declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak in the United Kingdom has resulted in the temporary lockdown and reduction of operations which have been government mandated. At the current time, the directors are unable to quantify the potential effects of this pandemic on future reporting periods. The company's review and factor potential delays and reassess cash flow forecasts and budgets, which show that the company would have sufficient working capital for at least a year from the date these Financial Statements are approved. This is based on the assumptions that the budgeted forecasts are achievable, and demand continues for its toys and governments continue to support toys industry. Given the above, the directors consider it appropriate to adopt a going concern basis in preparing the financial statements.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

2. ACCOUNTING POLICIES - continued

PROVISION FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimates at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

CASH AND CASH EQUIVALENTS

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

TRADE RECEIVABLES

Trade and other receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost less a provision for expected credit losses.

TRADE PAYABLES

On initial recognition, trade payables and other payable items are measured at fair value. After initial recognition, trade payables and other payable items are carried at amortised cost. The difference between the carrying amount of a financial liability (or part thereof) that is redeemed or is transferred to a third party and the amount paid, including any transfer of assets other than cash and cash equivalents or assumed liabilities, is recognised in profit or loss.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 2 (2018 - 5) .

4. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2019	1,668	62,146	138,363	202,177
Additions	-	2,693	2,381	5,074
At 31 December 2019	<u>1,668</u>	<u>64,839</u>	<u>140,744</u>	<u>207,251</u>
DEPRECIATION				
At 1 January 2019	1,462	61,823	137,898	201,183
Charge for year	205	877	1,006	2,088
At 31 December 2019	<u>1,667</u>	<u>62,700</u>	<u>138,904</u>	<u>203,271</u>
NET BOOK VALUE				
At 31 December 2019	<u>1</u>	<u>2,139</u>	<u>1,840</u>	<u>3,980</u>
At 31 December 2018	<u>206</u>	<u>323</u>	<u>465</u>	<u>994</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

5. **STOCKS**

	2019	2018
	£	£
Finished goods	<u>286,137</u>	<u>-</u>

6. **DEBTORS**

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	987,848	24,479
Amounts owed by participating interests	-	75,886
Other debtors	<u>899,006</u>	<u>7,391</u>
	<u>1,886,854</u>	<u>107,756</u>
Amounts falling due after more than one year:		
Other debtors	<u>20,000</u>	<u>-</u>
Aggregate amounts	<u>1,906,854</u>	<u>107,756</u>

The directors consider the carrying value of trade and other receivables approximate to their fair values.

7. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019	2018
	£	£
Trade creditors	142,624	-
Amounts owed to participating interests	1,081,080	-
Taxation and social security	67,215	2,006
Other creditors	<u>16,470</u>	<u>17,324</u>
	<u>1,307,389</u>	<u>19,330</u>

The directors consider the carrying amounts of current liabilities approximate to their fair values.

8. **PROVISIONS FOR LIABILITIES**

	2019	2018
	£	£
Other provisions		
Provisions	<u>111,740</u>	<u>-</u>
	Deferred tax	Other provisions
	£	£
Balance at 1 January 2019	(3,481)	-
Provided during year	-	111,740
Charge to Statement of Income and Retained Earnings during year	<u>1,229</u>	<u>-</u>
Balance at 31 December 2019	<u>(2,252)</u>	<u>111,740</u>

The directors have decided to recognised a provision for defective and markdown allowance amounting to £111,740 (2018: £0) in the financial statements in relation to faulty toys.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

9. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2019	2018
Number:	Class:		£	£
1,058	Ordinary	£1	<u>1,058</u>	<u>1,058</u>

10. RESERVES

	Retained earnings £
At 1 January 2019	92,761
Profit for the year	<u>894,826</u>
At 31 December 2019	<u>987,587</u>

11. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006

The Report of the Auditors was qualified on the following basis:

Basis for qualified opinion

We were not appointed as auditor of the company until after 31 December 2019 and thus did not observe the counting of the physical inventories at the year end of the year. We unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 December 2019, which are included in the balance sheet at £286,137, by using other audit procedures. Consequently we were unable to determine whether any adjustment to this amount was necessary.

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

Bobby Gurdep Bhogal FCCA (Senior Statutory Auditor)
for and on behalf of Ledger Sparks Audit LLP

12. RELATED PARTY DISCLOSURES

At the balance sheet date, other debtors includes amount of £853,269 (2018 - Nil) due from associate company, a company under common control.

At the balance sheet date, other creditors includes amount of £1,081,080 (2018 - £75,886 in other debtors) due to parent undertaking.

13. POST BALANCE SHEET EVENTS

Since the year end, the COVID-19 has had a significant impact on businesses worldwide. As a result business operation have been restricted although operations are continuing to be performed remotely. The financial impact on the current business at present is difficult to evaluate. The directors are continuing to monitoring, assess and act to the current changing environment in order to position the company to ensure its future success.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2019

14. ULTIMATE CONTROLLING PARTY

Throughout the period, the company was controlled by its ultimate parent company Skyrocket Toys LLC (31.12.2018: ultimate parent company Skyrocket Toys LLC) a company incorporated in United States.

15. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charge represents contributions payable by the company to the fund and amounted to £4,952 (2018 - £2,259).

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.