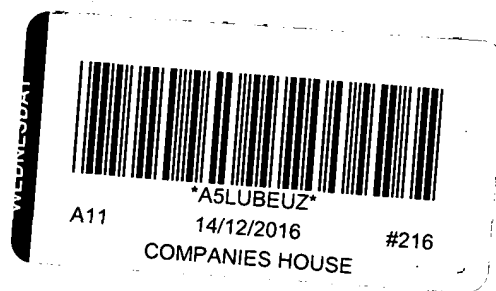


COMPANY REGISTRATION NUMBER: 3357718

UP Global Sourcing UK Limited

Financial Statements

31 July 2016



UP Global Sourcing UK Limited

Financial Statements

Year ended 31 July 2016

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UP Global Sourcing UK Limited

Officers and Professional Advisers

The board of directors

S Showman
A Gossage
B Franks
D Bloomfield
G Screawn

Company secretary

G Screawn

Registered office

Manor Mill
Victoria Street
Chadderton
Oldham
OL9 0DD

Independent Auditor

BDO LLP
Chartered Accountants & Statutory Auditor
3 Hardman Street
Manchester
M3 3AT

Bankers

HSBC
1st Floor
4 Hardman Square
Spinningfields
Manchester
M3 3EB

UP Global Sourcing UK Limited

Strategic Report

Year ended 31 July 2016

The directors present their Strategic Report for the company for the year from 1 August 2015 to 31 July 2016.

Overview

The company is one of the world's leading suppliers of branded household products, with an excellent reputation for bringing high quality and value for money products to global markets since its formation in 1997. The company has developed a sound supply partner base across 12 different consumer product categories, to bring exclusive products to market.

Review of the business

The company has continued along the path of its branded strategy, concentrating on offering a branded range of products to its customers. Focusing on its key brands which include Beldray, Intempo, Salter and Constellation, the company has continued to deliver an increase in sales and profitability and at the Exclusively Housewares show in June 2016, it launched the cookshop range, for the most recent addition to its brands, Progress.

The results for the year ended 31 July 2016 show that turnover was £73,194,000, an increase of £12,489,000 compared to the 15 months ended 31 July 2015. Furthermore, the company has continued to improve its profitability, with EBITDA increasing from £4,342,000 for the 15 months ended 31 July 2015 to £6,571,000 for the 12 months ended 31 July 2016 which represents a 25.5% increase in EBITDA as a percentage of sales to 9% for the year ended 31 July 2016 (7.2% for the 15 months to 31 July 2015). This improvement arose as a result of a continued strong focus on generating productivity and process improvements, along with delivering sales growth with substantially less than proportionate increase in headcount and overheads.

On 14 April 2016, the company entered into a lease for a 240,000 square foot warehouse facility and commenced a refurbishment project which will start to introduce increased warehousing capacity from August 2016 and is expected to be completed early in 2017. The directors believe this will support the group's growth plans as well as delivering increased efficiency in the warehousing function.

The directors are pleased with the progress and impact of the branded strategy on the results and will continue to pursue the strategy of focusing on its key brands and introducing new, innovative products to its customers, whilst maintaining a high focus on assessing the risk versus reward for product development and driving productivity improvements.

Principal risks and uncertainties

Competitive pressures remain a principal risk for the company. The risk is managed through focus on quality of product and service levels, coupled with continuous development of new products to offer uniqueness to the customer. Furthermore, the company's focus on offering its customers a branded product range provides some protection to its competitive position in the market. Stock obsolescence risk is managed through closely monitoring slow moving lines and prompt action to manage such lines through the various distribution channels available to the company.

In addition, the company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, foreign currency risk and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by regularly monitoring the financial risks referred to above.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

UP Global Sourcing UK Limited

Strategic Report *(continued)*

Year ended 31 July 2016

Price risk

The company's profitability is affected by price fluctuations in raw materials and labour used in the manufacture of its products. The company continually monitors the price and availability of materials and labour but the costs of managing the exposure to price risk exceed any potential benefits given the extensive range of products and suppliers. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Credit risk

The company's sales are primarily made with credit terms, exposing the company to the risk of non-payment by customers. The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed regularly by the board. In addition, the company maintains a suitable level of credit insurance against its debtor book.

Foreign currency risk

The company's activities expose it to the financial risks of changes in foreign currency exchange rates. The company's exposure to foreign currency risk is partially hedged by invoicing a proportion of its turnover in US Dollars. In addition, the company operates a hedging policy uses foreign exchange forward contracts to further mitigate this exposure.

Interest rate cash flow risk

The company's interest bearing liabilities relate to variable rate banking facilities. These are described further in note 18 to the financial statements. The company has a policy of maintaining a portion of its banking facilities under the protection of interest rate swaps and caps to ensure the certainty of future interest cash flows.

Liquidity risk

The company is part of the UP Global Sourcing Holdings Limited group which is funded by external banking facilities provided by HSBC, which, as described within the Directors' Report, were renewed in July 2016 for a period of 4 years. The facilities comprise a combination of a revolving credit facility along with trade based facilities which are designed to ensure the company has sufficient available funds for operations and planned expansions.

Key performance indicators ("KPIs")

The company uses a range of financial and non-financial key performance indicators in order for the directors to monitor and measure the current and forecast performance of the business with respect to the budget and prior year. With regard to financial KPIs, amongst others, the directors measure the profitability of the business, the development of the order book and gross margin and key working capital components along with the level of bank debt. Profitability measures include monitoring the EBITDA and turnover as referred to in the review of the business above. Non-financial KPIs include monitoring service levels and product quality within the supply chain and the overall headcount of the business.

Future prospects

The directors remain conscious of the competitive trading environment combined with highly price conscious consumers. However, the directors believe the company remains well placed in the market and, through continued focus on new product innovation and brand development, will be well positioned to take opportunities in the market and continue to offer a strong value proposition to its customers.

UP Global Sourcing UK Limited

Strategic Report *(continued)*

Year ended 31 July 2016

This report was approved by the board of directors on 31 October 2016 and signed on behalf of the board by:

A handwritten signature in black ink, appearing to be 'G Screawn', written in a cursive style.

G Screawn
Director

UP Global Sourcing UK Limited

Directors' Report

Year ended 31 July 2016

The directors present their report and the financial statements of the company for the year ended 31 July 2016.

Principal activities

The principal activity of the company during the year was the supplying of branded household products.

Directors

The directors who served the company during the year and up to the date of signing the financial statements were as follows:

S Showman
A Gossage
B Franks
D Bloomfield
G Screawn

Dividends

On 30 March 2016, the company paid a dividend of £14,000,000 (2015 - £Nil).

Going concern

UP Global Sourcing UK Limited is part of the UP Global Sourcing Holdings Limited group which is funded by external banking facilities provided by HSBC. On 22 July 2016, the group renewed its banking facilities with HSBC for a period of four years. The new facilities include a £6.2m revolving credit facility along with a £15m invoice discounting facility and a £4.75m import loan facility. Taking account of these facilities and having considered future trading and cash flow forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Branches

The company maintains a presence in China with a registered Representative Office. Through its presence in China, the office strengthens the company's sourcing processes providing a number of functions including operating as a Far East sourcing hub, merchandising to manage orders with suppliers on a day to day basis and managing the quality control processes across China.

Policy on the payment of creditors

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

Donations

During the year, the company made charitable donations of £40,465 (2015 - £17,850) principally to local charities serving the communities in which the company operates. During the year, the company made no political donations (2015 - £Nil).

UP Global Sourcing UK Limited

Directors' Report *(continued)*

Year ended 31 July 2016

Employment of disabled persons

Suitable procedures are in operation to support the company's policy that disabled persons, whether registered or not, shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. Where members of staff become disabled every effort is made to ensure they are retrained according to their abilities.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

Financial instruments

The company's activities expose it to the financial risks of changes in foreign currency exchange rates. The company's exposure to foreign currency risk is partially hedged by invoicing a proportion of its turnover in US Dollars. The company mitigates exchange rate risk for certain foreign currency trade payables and receivables by entering into forward currency contracts.

The company applies hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies and are designated as cash flow hedges for variations in exchange rates.

The company's interest bearing liabilities expose it the financial risks of changes in variable rate banking facilities. The company has a policy of maintaining a portion of its banking facilities under the protection of interest rate swaps and caps to ensure the certainty of future interest cash flows.

Interest rate swaps are held to manage interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Disclosure of information in the strategic report

Required disclosures in relation to the company's key performance indicators, business review, future prospects, financial risk management and principal risks and uncertainties have been included within the company's Strategic Report in accordance with s414C of the Companies Act 2006.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 company and the profit or loss of the company for that period.

UP Global Sourcing UK Limited

Directors' Report *(continued)*

Year ended 31 July 2016

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

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

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Independent auditors

During the year, BDO LLP were appointed as statutory auditors. BDO LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

This report was approved by the board of directors on 31 October 2016 and signed on behalf of the board by:



G Screawn
Director

UP Global Sourcing UK Limited

Independent Auditor's Report to the Members of UP Global Sourcing UK Limited

Year ended 31 July 2016

We have audited the financial statements of UP Global Sourcing UK Limited for the year ended 31 July 2016 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

UP Global Sourcing UK Limited

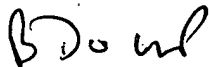
Independent Auditor's Report to the Members of UP Global Sourcing UK Limited *(continued)*

Year ended 31 July 2016

Matters on which we are required to report by exception

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

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



Donald Bancroft (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Manchester

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

31 October 2016

UP Global Sourcing UK Limited

Statement of Comprehensive Income

Year ended 31 July 2016

	Note	Year ended 31 July 2016 £000	15 months ended 31 July 2015 £000
Turnover	4	73,194	60,705
Cost of sales		<u>(53,893)</u>	<u>(44,145)</u>
Gross profit		19,301	16,560
Distribution costs		(1,105)	(1,230)
Administrative expenses		(11,919)	(12,098)
Other operating income	5	<u>14</u>	<u>18</u>
Operating profit	6	6,291	3,250
Interest payable	10	<u>(481)</u>	<u>(318)</u>
Profit on ordinary activities before taxation		5,810	2,932
Taxation on ordinary activities	11	<u>(1,289)</u>	<u>(765)</u>
Profit for the financial year		4,521	2,167
Fair value movements on cash flow hedging instruments		<u>448</u>	<u>-</u>
Total comprehensive income for the year		4,969	2,167

All the activities of the company are from continuing operations.

The notes on pages 13 to 28 form part of these financial statements.

UP Global Sourcing UK Limited

Statement of Financial Position

31 July 2016

	Note	2016 £000	2015 £000	2015 £000
Fixed assets				
Tangible assets	14		970	598
Current assets				
Inventories	15	10,545		7,730
Debtors	16	16,434		15,043
Cash at bank and in hand	17	4,341		5,084
		<u>31,320</u>		<u>27,857</u>
Creditors: amounts falling due within one year	18	<u>(27,275)</u>		<u>(14,409)</u>
Net current assets			<u>4,045</u>	<u>13,448</u>
Total assets less current liabilities			<u>5,015</u>	<u>14,046</u>
Net assets			<u>5,015</u>	<u>14,046</u>
Share capital and reserves				
Called up share capital	21		–	–
Hedging reserve	22		448	–
Retained earnings	22		4,567	14,046
Shareholders' funds			<u>5,015</u>	<u>14,046</u>

These financial statements were approved by the board of directors and authorised for issue on 31 October 2016, and are signed on behalf of the board by:



G Screawn
Director
UP Global Sourcing UK Limited

Company registration number: 3357718

The notes on pages 13 to 28 form part of these financial statements.

UP Global Sourcing UK Limited

Statement of Changes in Equity

Year ended 31 July 2016

	Hedging reserve £000	Retained earnings £000	Total £000
At 1 May 2014 (as previously reported)	–	11,935	11,935
Prior period adjustments	–	(56)	(56)
At 1 May 2014 (restated)	–	11,879	11,879
Profit for the year	–	2,167	2,167
Total comprehensive income for the year	–	2,167	2,167
At 31 July 2015	–	14,046	14,046
Profit for the year	–	4,521	4,521
Other comprehensive income for the year:			
Fair value movements on cash flow hedging instruments	448	–	448
Total comprehensive income for the year	448	4,521	4,969
Dividends paid and payable	12	(14,000)	(14,000)
Total investments by and distributions to owners	–	(14,000)	(14,000)
At 31 July 2016	448	4,567	5,015

The notes on pages 13 to 28 form part of these financial statements.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Year ended 31 July 2016

1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006.

2. General information

UP Global Sourcing UK Limited's principal activity is set out in the Directors' Report on page 5.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is shown on page 1.

3. Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below. These policies have been applied on a consistent basis with the prior year.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described below.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of UP Global Sourcing Holdings Limited which can be obtained from the Company Secretary, Manor Mill, Victoria Street, Chadderton, Oldham, OL9 0DD. As such, advantage has been taken of the exemption available under paragraph 1.12 of FRS 102 and no cash flow statement has been presented for the company. The company has also taken the exemptions available with regards to the disclosure of financial instruments in section 11, paragraph 11.39 to 11.48A and other financial instruments in section 12 12.26 to 12.29. The shareholders have been notified and have not objected to the use of these exemptions.

Going concern

The company is part of the UP Global Sourcing Holdings Limited group which is funded by external banking facilities provided by HSBC. In advance of the expiry of its current facility, the group refinanced on 22 July 2016, securing new facilities with HSBC for a period of four years. Taking account of these facilities and having considered future trading and cash flow forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2016

3. Accounting policies *(continued)*

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

(i) Inventory provisioning

The company sources, imports and sells housewares, electrical products, luggage, memory foam and control wear and is subject to changing consumer demands and trends. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods. See note 15 for the net carrying amount of the inventory and associated provision.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the level of credit insurance, current credit worthiness of the debtor, the ageing profile of debtors and historical experience. See note 16 for the net carrying amount of the debtors and associated impairment provision.

(iii) Customer rebates

The company makes estimates as the amounts likely to be paid to customers in respect of rebate arrangements. When making these estimates management take account of contractual customer terms as well as estimates of likely sales volumes to determine the rates at which rebates should be accrued in the financial statements.

(iv) Customer returns and credit notes

The company makes provisions for potential returns and credit notes to be issued to customers. In making such estimates management takes account of known customer claims as well as potential claims based on historical trends and experience within the business.

Revenue recognition

Revenue is recognised at the point of despatch of goods. Revenue is measured as the fair value of the consideration received or receivable and represents the amount receivable for goods supplied and services rendered, net of returns, discounts and rebates given by the company to customers.

Rebates

Rebates payable to customers are recognised in line with relevant contractual terms. Rebates payable to customers are charged directly to the income statement over the period to which they relate and are recognised as a deduction from revenue.

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2016

3. Accounting policies *(continued)*

Taxation

Corporation tax is provided on taxable profits at the current rate of 20% (2015 - 20.8%).

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation to pay more tax at the reporting date, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on an undiscounted basis.

Foreign currencies

The company's functional and presentation currency is the pound sterling. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the reporting date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill - Straight line over up to 10 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2016

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Fixtures, fittings and equipment	-	20% - 50% straight line
Motor vehicles	-	25% straight line

Impairment of non financial assets

At the end of each reporting period non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the income statement.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the income statement.

Inventories

Inventories are valued using a first in, first out method and are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in the normal course of business in bringing the products to their present location and condition.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution plans

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the statement of income and retained earnings.

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2016

3. Accounting policies *(continued)*

Cash and cash equivalents

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2016

3. Accounting policies *(continued)*

Financial instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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 the statement of comprehensive income.

If there is 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 the income statement.

ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at the fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the income statement within finance costs or income as appropriate, unless they are included in a hedging arrangement. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

UP Global Sourcing UK Limited

Notes to the Financial Statements (continued)

Year ended 31 July 2016

3. Accounting policies (continued)

iii) Hedging arrangements

The company applies hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. Forward foreign exchange contracts are held to manage exchange rate exposures and are designated as cash flow hedges of foreign currency exchange rates.

The company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage interest rate exposures and are designated as cash flow hedges of floating rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, which are deemed to be effective, are recognised directly in equity within a cash flow hedging reserve. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change of the fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the statement of comprehensive income.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the forecast debt instrument is derecognised or the hedging instrument is terminated.

4. Turnover

Turnover arises from:

	Year ended 31 July 2016	15 months ended 31 July 2015
	£000	£000
Sale of goods	<u>73,194</u>	<u>60,705</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	Year ended 31 July 2016	15 months ended 31 July 2015
	£000	£000
United Kingdom	53,702	47,732
Europe	16,513	8,479
USA	585	559
Rest of world	<u>2,394</u>	<u>3,935</u>
	<u>73,194</u>	<u>60,705</u>

UP Global Sourcing UK Limited

Notes to the Financial Statements (continued)

Year ended 31 July 2016

5. Other operating income

	Year ended 31 July 2016	15 months ended 31 July 2015
	£000	£000
Rental income	<u>14</u>	<u>18</u>

6. Operating profit

Operating profit or loss is stated after charging/ (crediting):

	Year ended 31 July 2016	15 months ended 31 July 2015
	£000	£000
Amortisation of intangible assets	–	801
Depreciation of tangible assets	280	292
Gains on disposal of tangible assets	–	(1)
Operating lease rentals	459	428
Foreign exchange differences	(379)	(165)
Defined contribution plans expense	271	99
Inventory recognised as an expense	51,210	41,170
Impairment of trade debtors	(1)	6
Impairment of inventory (included in 'cost of sales')	<u>(41)</u>	<u>87</u>

7. Auditor's remuneration

	Year ended 31 July 2016	15 months ended 31 July 2015
	£000	£000
Fees payable to the company's auditor and its associates for other services:		
Audit services	<u>20</u>	<u>19</u>

8. Particulars of employees

The average number of persons employed by the company during the year, including the directors, amounted to:

	2016	2015
	No	No
Production staff	39	34
Distribution staff	22	25
Administrative staff	115	99
	<u>176</u>	<u>158</u>

UP Global Sourcing UK Limited

Notes to the Financial Statements (continued)

Year ended 31 July 2016

8. Particulars of employees (continued)

The aggregate payroll costs incurred during the year, relating to the above, were:

	Year ended 31 July 2016	15 months ended 31 July 2015
	£000	£000
Wages and salaries	7,530	7,715
Social security costs	741	757
Other pension costs	271	99
	<u>8,542</u>	<u>8,571</u>

9. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	Year ended 31 July 2016	15 months ended 31 July 2015
	£000	£000
Emoluments	1,341	1,115
Company contributions to defined contribution pension plans	213	50
	<u>1,554</u>	<u>1,165</u>

Emoluments of the highest paid director in respect of qualifying services:

	Year ended 31 July 2016	15 months ended 31 July 2015
	£000	£000
Aggregate emoluments	<u>741</u>	<u>477</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	Year ended 31 July 2016	15 months ended 31 July 2015
Money purchase schemes	<u>2</u>	<u>1</u>

10. Interest payable

	Year ended 31 July 2016	15 months ended 31 July 2015
	£000	£000
Interest on bank loans and overdrafts	210	253
Interest due to group undertakings	189	–
Amortisation of debt issue costs	61	52
Other interest payable and similar charges	21	13
	<u>481</u>	<u>318</u>

UP Global Sourcing UK Limited

Notes to the Financial Statements (continued)

Year ended 31 July 2016

11. Taxation on ordinary activities

Major components of tax expense

	Year ended 31 July 2016	15 months ended 31 July 2015
	£000	£000
Current tax:		
UK current tax expense	1,087	382
Adjustments in respect of prior periods	48	3
Total UK current tax	1,135	385
Foreign current tax expense	111	130
Total current tax	1,246	515
Deferred tax:		
Origination and reversal of timing differences	77	254
Impact of change in tax rate	15	–
Adjustments in respect of prior period	(49)	(4)
Total deferred tax	43	250
Taxation on ordinary activities	1,289	765

The company has received group relief during the period from other group undertakings. All group relief received is paid for in full and therefore has no net impact on the company's tax charge for the period.

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.80%). The differences are explained below:

	Year ended 31 July 2016	15 months ended 31 July 2015
	£000	£000
Profit on ordinary activities before taxation	5,810	2,932
Profit on ordinary activities by rate of tax	1,162	610
Adjustment to tax charge in respect of prior periods	(1)	(1)
Effect of expenses not deductible for tax purposes	57	105
Impact of overseas tax rates	60	61
Effect of difference in corporation tax and deferred tax rates	11	(10)
Tax on profit on ordinary activities	1,289	765

UP Global Sourcing UK Limited

Notes to the Financial Statements (continued)

Year ended 31 July 2016

11. Taxation on ordinary activities (continued)

Factors that may affect future tax expense

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 16 March 2016. These include reductions to the main rate to reduce the rate of corporation tax to 17% from 1 April 2020.

As the changes had not been substantively enacted at the reporting date their effects are not included in these financial statements. The overall effect of these changes, if they had applied to the deferred tax balance at the end of the reporting period, would have been to increase the charge to the income statement and reduce the carrying value of the deferred tax asset by £22,000.

12. Dividends

On 30 March 2016, the company paid a dividend of £14,000,000 (2015 - Nil).

13. Intangible assets

	Goodwill £000
Cost	
At 1 August 2015 and 31 July 2016	1,478
Amortisation	
At 1 August 2015 and 31 July 2016	1,478
Carrying amount	
At 31 July 2016	-

14. Tangible assets

	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost			
At 1 August 2015	2,379	60	2,439
Additions	635	17	652
At 31 July 2016	3,014	77	3,091
Depreciation			
At 1 August 2015	1,830	11	1,841
Charge for the year	263	17	280
At 31 July 2016	2,093	28	2,121
Carrying amount			
At 31 July 2016	921	49	970
At 31 July 2015	549	49	598

UP Global Sourcing UK Limited

Notes to the Financial Statements (continued)

Year ended 31 July 2016

15. Inventories

	2016 £000	2015 £000
Goods for resale	<u>10,545</u>	<u>7,730</u>

The directors believe that the replacement value of inventories would be £464,000 higher than the book value (2015 - £Nil).

Inventories are stated after provisions for impairment of £368,000 (2015 - £409,000).

16. Debtors

	2016 £000	2015 £000
Trade debtors	14,686	10,060
Amounts owed by group undertakings	—	3,760
Deferred tax asset (note 19)	209	252
Other debtors and prepayments	<u>1,539</u>	<u>971</u>
	<u>16,434</u>	<u>15,043</u>

All debtors fall due within one year of the reporting date.

All amounts owed by group undertakings are unsecured, repayable on demand and interest free.

Trade debtors are stated after provisions for impairment of £70,000 (2015 - £71,000).

17. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2016 £000	2015 £000
Cash at bank and in hand	4,341	5,084
Bank overdrafts	<u>(3,156)</u>	<u>(283)</u>
	<u>1,185</u>	<u>4,801</u>

18. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Bank loans and overdrafts	7,132	1,203
Trade creditors	7,414	3,167
Amounts owed to group undertakings	6,022	4,566
Accruals and deferred income	5,480	4,557
Corporation tax	501	250
Social security and other taxes	<u>726</u>	<u>666</u>
	<u>27,275</u>	<u>14,409</u>

UP Global Sourcing UK Limited

Notes to the Financial Statements (continued)

Year ended 31 July 2016

18. Creditors: amounts falling due within one year (continued)

Included within current bank loans and overdrafts is a gross amount of £3,198,000 (2015 - £313,000) due under invoice discounting facilities, secured by an assignment of, and fixed charge over, the company's trade debtors.

Current bank borrowings also include a gross amount of £3,976,000 (2015 - £929,000) drawn by the company under its clean import loan facility provided by HSBC. This facility is secured by a general letter of pledge providing security over the stock purchases financed under that facility.

Other obligations are secured by fixed and floating charge over the assets of the company and of the UP Global Sourcing Holdings Limited group in favour of HSBC, with HSBC having the benefit of cross-guarantees from the company and UP Global Sourcing Holdings Limited.

Total bank borrowings above are stated net of £42,000 (2015 - £39,000) of fees which are being amortised over the length of the relevant facility.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

19. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2016 £000	2015 £000
Included in debtors (note 16)	209	252

The deferred tax account consists of the tax effect of timing differences in respect of:

	2016 £000	2015 £000
Excess of depreciation over taxation allowances	166	207
Other timing differences	43	45
	209	252

The movement in the deferred taxation account during the period was:

	2016 £000	2015 £000
Balance brought forward	252	502
Movement arising during the year	(43)	(250)
Balance carried forward	209	252

Deferred tax assets in respect of the excess of depreciation over taxation allowances and other timing differences are expected to reverse in future periods.

UP Global Sourcing UK Limited

Notes to the Financial Statements (continued)

Year ended 31 July 2016

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £271,000 (2015: £99,000).

21. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No	£000	No	£000
Ordinary shares of £1 each	100	—	100	—

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

22. Reserves

Retained earnings records retained earnings and accumulated losses.

The company has identified a number of its forward exchange contracts and interest rate swaps as hedging instruments. To the extent that the hedges are considered effective, any movements in the fair value of these instruments are included in the cash flow hedging reserve in reserves.

23. Commitments under operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016 £000	2015 £000
Not later than 1 year	199	141
Later than 1 year and not later than 5 years	518	928
Later than 5 years	1,817	—
	<u>2,534</u>	<u>1,069</u>

24. Contingencies

The company is jointly and severally liable for all amounts owed in respect of bank loans by its parent undertaking, UP Global Sourcing Holdings Limited, under a cross-guarantee, which at 31 July 2016 amounted to £7,273,000 (2015 - £8,293,000).

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2016

25. Financial instruments

Derivative financial instruments - Forward contracts

The company mitigates the exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. At 31 July 2016, the outstanding contracts all mature within 10 months (2015 - 11 months) of the period end. The company was committed to buy \$10,000,000, to sell €850,000 and to sell CA\$85,000, paying and receiving respectively a fixed sterling amount (2015 - buy \$4,650,000, to sell €2,950,000 and to sell CA\$Nil). The forward currency contracts are measured at fair value using the relevant exchange rates for GBP:USD, GBP:EUR and GBP:CA\$. The fair value of the contracts at 31 July 2016 is an asset of £454,000 (2015 - £1,000 asset).

During the year ended 31 July 2016, a hedging gain of £454,000 (2015 - £Nil) was recognised in other comprehensive income for changes in the fair value of the forward foreign currency contracts.

Derivative financial instruments - Interest rate swaps

The company has entered into an interest rate swap to hedge the exposure to interest rate movements on its invoice discounting facility. The swap is based on a principal amount of £1,000,000 until 31 December 2019 and exchanges the exposure to Base Rate interest charges to a fixed rate of 0.31%. The fair value of the swap at 31 July 2016 is a liability of £6,000 (2015 - £Nil).

Derivative financial instruments - Interest rate caps

Along with the interest rate swaps referred to above, the company have entered into interest rate cap agreements to protect the exposure to interest rate movements on the company's banking facilities. The interest rate caps are measured at fair value, being the market value of the cap at the balance sheet date.

At 31 July 2016, the company has entered into agreements to cap LIBOR interest rates at 1% until 31 December 2019 on a principal amount of £2,000,000 and to cap LIBOR interest rates at 2% on a principal amount of £5,065,000, reducing to £4,045,000 by 31 December 2019. The fair value of the interest rate caps at 31 July 2016 was £13,000 (2015 - £Nil).

26. Ultimate parent company

The immediate and ultimate parent undertaking is UP Global Sourcing Holdings Limited, a company incorporated in the United Kingdom, which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Copies of UP Global Sourcing Holdings Limited consolidated financial statements can be obtained from the Company Secretary at Manor Mill, Victoria Street, Chadderton, Oldham, OL9 0DD.

27. Ultimate controlling party

The company is controlled collectively by the holders of the A ordinary shares of the parent company, and accordingly there is no ultimate controlling party.

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Year ended 31 July 2016

28. Related party transactions

The company occupies premises owned by the Ultimate Products Pension Scheme, of which B Franks is a trustee. During the year the company paid rent of £160,000 (2015 - £175,000) to the Scheme.

The company also occupies premises owned by Ultimate Apartments Limited, of which B Franks is a director. During the year the company paid rent of £3,300 (2015 - £Nil).

At 31 July 2016, the company was owed an amount of £1,000 (2015 - £Nil) by Simbar Properties Limited, of which S Showman and B Franks are directors.

The company has taken advantage of the exemption available under FRS102 in order not to disclose intra-group transactions.

During the year, certain directors were indebted to the company in respect of credit transactions. Interest was charged on these transactions at HM Revenue & Customs' official rate of interest. There were no balances outstanding at 31 July 2016 and the maximum balances outstanding during the period were as follows:

	2016	2015
	£000	£000
S Showman	35	19
B Franks	4	3
	<u>39</u>	<u>22</u>

Additionally, directors purchased goods from the company during the year and the total for all directors amounted to £836 (2015 - £348).