

COMPANY REGISTRATION NUMBER: 3357718

UP Global Sourcing UK Limited

Financial Statements

31 July 2015

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UP Global Sourcing UK Limited

Financial Statements

Period from 1 May 2014 to 31 July 2015

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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

PricewaterhouseCoopers LLP
Chartered Accountants & statutory auditor
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Bankers

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

UP Global Sourcing UK Limited

Strategic Report

Period from 1 May 2014 to 31 July 2015

The directors present their Strategic Report for the company for the period from 1 May 2014 to 31 July 2015.

During the period, the company changed its accounting reference date from 30 April to 31 July.

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 results for the 15 months ended 31 July 2015 show that turnover was £60,705,000 an increase of £28,588,000 compared to the 9 months ended 30 April 2014. Furthermore, the company has continued to improve its profitability, with EBITDA increasing from £1,164,000 for the 9 months ended 30 April 2014 to £4,343,000 for the 15 months ended 31 July 2015 and this represents a doubling of EBITDA as a percentage of sales to 7.2% for the 15 months period to 31 July 15 (3.6% for the 9 months to 30 April 2014). This improvement arose as a result of a continued strong focus on generating productivity and process improvements, along with absorbing growth without increasing headcount.

During the challenging economic climate of recent years the directors reacted by significantly reducing costs and giving a high focus on assessing the risk versus reward for product development as well driving productivity improvements. A substantial contributor to this was implementing the company's focus on its branded strategy, concentrating on offering a branded range of products to its customers. This strategy has continued and the directors are pleased with the strong improvement in results and continuously strive for further efficiencies in business operations.

Transition to FRS102

The company transitioned to FRS 102 during the period and the financial statements for the period ended 31 July 2015 are the first financial statements that comply with the requirements of FRS 102. The effects of transition on previously reported financial statements are set out within the notes to the financial statements.

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)*

Period from 1 May 2014 to 31 July 2015

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. When necessary, the company 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 at a capped interest rate to ensure the certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Liquidity risk

The company is part of the UP Global Sourcing Holdings Limited group which is funded by external banking facilities provided by HSBC. Within the group facilities, a mixture of long-term and short-term debt finance is maintained 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, the company will be well positioned to take opportunities in the market as the economic climate continues to improve.

This report was approved by the board of directors on 8 December 2015 and signed on behalf of the board by:

Graham Screawn
Director



UP Global Sourcing UK Limited

Directors' Report

Period from 1 May 2014 to 31 July 2015

The directors present their report and the audited financial statements of the company for the period ended 31 July 2015.

Principal activities

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

Directors

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

S Showman
A Gossage
B Franks
D Bloomfield
G Screawn

Dividends

The directors have not recommended a dividend (2014 - £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 which run until March 2017. 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 period, the company made charitable donations of £17,850 (2014 - £4,654) principally to local charities serving the communities in which the company operates. During the period, the company made no political donations (2014 - £Nil).

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.

UP Global Sourcing UK Limited

Directors' Report *(continued)*

Period from 1 May 2014 to 31 July 2015

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.

Disclosure of information in the strategic report

Required disclosures in relation to the company's financial risk management and principal risks and uncertainties, key performance indicators, results and business review and future prospects have been included within the company's Strategic Report on pages 2 and 3 of the financial statements.

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

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

- select suitable accounting policies and then apply them consistently;
- make 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;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- 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.

UP Global Sourcing UK Limited

Directors' Report *(continued)*

Period from 1 May 2014 to 31 July 2015

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

PricewaterhouseCoopers 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 8 December 2015 and signed on behalf of the board by:



Graham Screawn
Director

UP Global Sourcing UK Limited

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

Period from 1 May 2014 to 31 July 2015

Our opinion

In our opinion, UP Global Sourcing UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 July 2015 and of its profit for the period (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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Statement of Financial Position as at 31 July 2015;
- the Statement of Income and Retained Earnings for the period then ended;
- the Statement of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period 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)*

Period from 1 May 2014 to 31 July 2015

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

UP Global Sourcing UK Limited

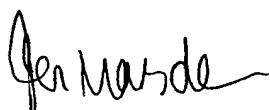
Independent Auditor's Report to the Members of UP Global Sourcing UK Limited *(continued)*

Period from 1 May 2014 to 31 July 2015

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Ian Marsden (Senior Statutory Auditor)

For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants & statutory auditor
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

8 December 2015

UP Global Sourcing UK Limited

Statement of Income and Retained Earnings

Period from 1 May 2014 to 31 July 2015

	Note	15 months ended 31 July 2015 £000	9 months ended 30 April 2014 £000
Turnover	4	60,705	32,117
Cost of sales		(44,145)	(24,206)
Gross profit		16,560	7,911
Distribution costs		(1,230)	(682)
Administrative expenses		(12,098)	(6,357)
Other operating income	5	18	11
Operating profit	6	3,250	883
Interest receivable	10	–	33
Interest payable	11	(318)	(170)
Profit on ordinary activities before taxation		2,932	746
Taxation on ordinary activities	12	(765)	(238)
Profit for the financial period and total comprehensive income		2,167	508
Retained earnings at the start of the period		11,879	11,371
Retained earnings at the end of the period		14,046	11,879

All the activities of the company are from continuing operations.

The notes on pages 12 to 29 form part of these financial statements.

UP Global Sourcing UK Limited

Statement of Financial Position

31 July 2015

	Note	31 Jul 15 £000	30 Apr 14 £000
Fixed assets			
Intangible assets	13	–	781
Tangible assets	14	598	456
		<u>598</u>	<u>1,237</u>
Current assets			
Inventories	15	7,730	5,733
Debtors	16	15,043	12,938
Cash at bank and in hand	17	5,084	2,932
		<u>27,857</u>	<u>21,603</u>
Creditors: amounts falling due within one year	18	<u>(14,409)</u>	<u>(10,961)</u>
Net current assets		<u>13,448</u>	<u>10,642</u>
Total assets less current liabilities		<u>14,046</u>	<u>11,879</u>
Net assets		<u>14,046</u>	<u>11,879</u>
Share capital and reserves			
Called up share capital	21	–	–
Retained earnings	22	14,046	11,879
Shareholders' funds		<u>14,046</u>	<u>11,879</u>

These financial statements were approved by the board of directors and authorised for issue on 8 December 2015, 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 12 to 29 form part of these financial statements.

UP Global Sourcing UK Limited

Notes to the Financial Statements

Period from 1 May 2014 to 31 July 2015

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 4.

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 period except for the changes resulting from the transition from UK GAAP to FRS 102 as described below.

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.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 August 2013. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 29.

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 shareholders have been notified and have not objected to the use of this exemption.

Going concern

The company is part of the UP Global Sourcing Holdings Limited group which is funded by external banking facilities provided by HSBC which run until March 2017. 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)*

Period from 1 May 2014 to 31 July 2015

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)*

Period from 1 May 2014 to 31 July 2015

3. Accounting policies *(continued)*

Taxation

Corporation tax is provided on taxable profits at the current rate of 20.8% (2014 - 22.78%).

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.

Goodwill

Goodwill represents the excess of the fair value of the consideration attributed to an acquisition in excess of the fair value of the net assets acquired at the date of acquisition.

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
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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)*

Period from 1 May 2014 to 31 July 2015

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)*

Period from 1 May 2014 to 31 July 2015

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)*

Period from 1 May 2014 to 31 July 2015

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 income statement.

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 the income statement.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies are classified as debt, and 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 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 the income statement under finance costs or income as appropriate.

The company does not currently apply hedge accounting for foreign exchange derivatives.

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)

Period from 1 May 2014 to 31 July 2015

4. Turnover

Turnover arises from:

	15 months ended 31 July 2015 £000	9 months ended 30 April 2014 £000
Sale of goods	<u>60,705</u>	<u>32,117</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:

	15 months ended 31 July 2015 £000	9 months ended 30 April 2014 £000
United Kingdom	47,732	28,627
Europe	8,479	1,272
USA	559	1,562
Rest of world	3,935	656
	<u>60,705</u>	<u>32,117</u>

5. Other operating income

	15 months ended 31 July 2015 £000	9 months ended 30 April 2014 £000
Rental income	<u>18</u>	<u>11</u>

6. Operating profit

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

	15 months ended 31 July 2015 £000	9 months ended 30 April 2014 £000
Amortisation of intangible assets	801	109
Depreciation of tangible assets	292	182
Gains on disposal of tangible assets	(1)	(10)
Operating lease rentals	428	188
Foreign exchange differences	(165)	417
Defined contribution plans expense	99	30
Inventory recognised as an expense	44,170	22,092
Impairment of trade debtors	6	19
Impairment of inventory (included in 'cost of sales')	87	(66)
	<u>87</u>	<u>(66)</u>

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Period from 1 May 2014 to 31 July 2015

7. Auditor's remuneration

	15 months ended 31 July 2015 £000	9 months ended 30 April 2014 £000
Fees payable to the company's auditor and its associates for other services:		
Audit related services	19	21
tax services	–	10
	<u>19</u>	<u>31</u>

8. Particulars of employees

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

	31 Jul 15 No	30 Apr 14 No
Sales staff	34	39
Distribution staff	25	22
Administrative staff	99	104
	<u>158</u>	<u>165</u>

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

	15 months ended 31 July 2015 £000	9 months ended 30 April 2014 £000
Wages and salaries	7,715	4,296
Social security costs	757	408
Other pension costs	99	30
	<u>8,571</u>	<u>4,734</u>

Share options

On 12 June 2014, the company's parent company established an enterprise management incentive scheme, the UP Global Sourcing Holdings Limited EMI Share Option Plan ("Plan"), to grant certain employees options to acquire B ordinary shares of £1 each in the parent company.

On and around 12 June 2014, the company granted 21,157 options to certain senior managers within the business. The options have an exercise price of £1 each and can only be exercised in the event of a share sale or listing of the parent company. Vesting of the options is subject to continued employment within the UP Global Sourcing Holdings Limited group. At the grant date, the fair value of the options granted was deemed to be £Nil and as such no charge has been, or will be in future years, recognised in the income statement.

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Period from 1 May 2014 to 31 July 2015

9. Directors' emoluments

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

	15 months ended 31 July 2015 £000	9 months ended 30 April 2014 £000
Emoluments	1,115	498
Company contributions to defined contribution pension plans	50	21
	<u>1,165</u>	<u>519</u>

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

	15 months ended 31 July 2015 £000	9 months ended 30 April 2014 £000
Aggregate emoluments	<u>477</u>	<u>201</u>

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

	31/07/2015	30/04/2014
Money purchase schemes	<u>1</u>	<u>1</u>

10. Interest receivable

	15 months ended 31 July 2015 £000	9 months ended 30 April 2014 £000
Interest from group undertakings	<u>–</u>	<u>33</u>

11. Interest payable

	15 months ended 31 July 2015 £000	9 months ended 30 April 2014 £000
Interest on banks loans and overdrafts	253	121
Amortisation of debt issue costs	52	27
Other interest payable and similar charges	13	22
	<u>318</u>	<u>170</u>

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Period from 1 May 2014 to 31 July 2015

12. Taxation on ordinary activities

Major components of tax expense

	15 months ended 31 July 2015 £000	9 months ended 30 April 2014 £000
Current tax:		
UK current tax expense	382	248
Adjustments in respect of prior periods	3	(17)
Total UK current tax	385	231
Foreign current tax expense	130	51
Total current tax	515	282
Deferred tax:		
Origination and reversal of timing differences	254	(28)
Impact of change in tax rate	–	24
Adjustments in respect of prior period	(4)	(40)
Total deferred tax	250	(44)
Taxation on ordinary activities	765	238

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 period is higher than (2014: higher than) the standard rate of corporation tax in the UK of 20.80% (2014: 22.78%). The differences are explained below:

	15 months ended 31 July 2015 £000	9 months ended 30 April 2014 £000
Profit on ordinary activities before taxation	2,932	746
Profit on ordinary activities multiplied by the rate of tax	610	171
Adjustment to tax charge in respect of prior periods	(1)	(57)
Effect of expenses not deductible for tax purposes	105	46
Impact of overseas tax rates	61	51
Effect of change in deferred tax rate	–	24
Effect of difference in corporation tax and deferred tax rates	(10)	3
Tax on profit on ordinary activities	765	238

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Period from 1 May 2014 to 31 July 2015

12. 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 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% 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 £25,000.

13. Intangible assets

	Goodwill £000
Cost	
At 1 May 2014	1,458
Additions	20
At 31 July 2015	1,478
Amortisation	
At 1 May 2014	677
Charge for the period	801
At 31 July 2015	1,478
Carrying amount	
At 31 July 2015	–
At 30 April 2014	781

Additions during the period comprise the purchase of Progress and George Wilkinson brands. This goodwill has been fully written off during the period.

During the period, the company carried out a review of the various elements of goodwill recognised within its financial statements. As part of the review, the useful economic lives of goodwill were considered and reassessed in light of the company's transition to FRS 102. In some instances, the useful economic lives were reduced with the amortisation charge in the period increased to reflect the revised useful economic life. The impact of the revisions to the useful economic lives has been to increase the amount charged to the income statement of the company by £599,000.

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Period from 1 May 2014 to 31 July 2015

14. Tangible assets

	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost			
At 1 May 2014	1,981	53	2,034
Additions	415	38	453
Disposals	(17)	(31)	(48)
At 31 July 2015	2,379	60	2,439
Depreciation			
At 1 May 2014	1,562	16	1,578
Charge for the period	275	17	292
Disposals	(7)	(22)	(29)
At 31 July 2015	1,830	11	1,841
Carrying amount			
At 31 July 2015	549	49	598
At 30 April 2014	419	37	456

15. Inventories

	31 Jul 15 £000	30 Apr 14 £000
Goods for resale	7,730	5,733

The directors do not believe there is a material difference between the book value and the replacement value of stocks.

Inventories are stated after provisions for impairment of £409,000 (2014 - £322,000).

16. Debtors

	31 Jul 15 £000	30 Apr 14 £000
Trade debtors	10,060	5,645
Amounts owed by group undertakings	3,760	5,600
Deferred tax asset (note 19)	252	502
Corporation tax repayable	—	63
Other debtors and prepayments	971	1,128
	15,043	12,938

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 £71,000 (2014 - £65,000).

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Period from 1 May 2014 to 31 July 2015

17. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	31 Jul 15 £000	30 Apr 14 £000
Cash at bank and in hand	5,084	2,932
Bank overdrafts	(283)	–
	<u>4,801</u>	<u>2,932</u>

18. Creditors: amounts falling due within one year

	31 Jul 15 £000	30 Apr 14 £000
Bank loans and overdrafts	1,203	1,361
Trade creditors	3,167	1,909
Amounts owed to group undertakings	4,566	4,360
Accruals and deferred income	4,557	3,003
Corporation tax	250	–
Social security and other taxes	666	328
	<u>14,409</u>	<u>10,961</u>

Included within current bank loans and overdrafts is a gross amount of £313,000 (2014 - £1,412,000) due under invoice discounting facilities, secured by an assignment of, and fixed charge over, the company's trade debtors.

Current bank loans and overdrafts also include £Nil (2014 - £Nil) drawn by the company under its revolving credit facility provided by HSBC and a gross amount of £929,000 (2014 - £Nil) drawn by the company under its clean import loan facility provided by HSBC. Borrowings under both facilities are secured by fixed and floating charges granted 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 each other member of the group.

These bank loans and overdrafts, as stated above, are net of £39,000 (2014 - £51,000) 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.

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Period from 1 May 2014 to 31 July 2015

19. Deferred tax

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

	31 Jul 15 £000	30 Apr 14 £000
Included in debtors (note 16)	<u>252</u>	<u>502</u>

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

	31 Jul 15 £000	30 Apr 14 £000
Excess of depreciation over taxation allowances	207	374
Other timing differences	45	128
	<u>252</u>	<u>502</u>

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

	31 Jul 15 £000	30 Apr 14 £000
Balance brought forward	502	458
Movement arising during the period	(250)	44
	<u>252</u>	<u>502</u>

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

20. Employee benefits

Defined contribution plans

The amount recognised in the income statement as an expense in relation to defined contribution plans was £99,000 (2014: £30,000).

21. Called up share capital

Issued, called up and fully paid

	31 Jul 15 No	£000	30 Apr 14 No	£000
Ordinary shares of £1 each	<u>100</u>	<u>—</u>	<u>100</u>	<u>—</u>

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.

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Period from 1 May 2014 to 31 July 2015

23. Commitments under operating leases

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

	31 Jul 15 £000	30 Apr 14 £000
Not later than 1 year	141	173
Later than 1 year and not later than 5 years	928	1,293
	<u>1,069</u>	<u>1,466</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 30 April 2015 amounted to £8,293,000 (2014 - £6,302,000).

25. Financial instruments

The company mitigates the exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. At 31 July 2015, the outstanding contracts all mature within 11 months (2014 - 3 months) of the period end. The company was committed to buy \$4,650,000 and to sell €2,950,000, paying and receiving respectively a fixed sterling amount (2014 - sell \$5,050,000 and buy €Nil). The forward currency contracts are measured at fair value using the relevant exchange rates for GBP:USD and GBP:EUR. The fair value of the contracts at 31 July 2015 is an asset of £1,000 (2014 - a liability of £34,000). All other financial assets and liabilities are recognised at amortised cost.

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)

Period from 1 May 2014 to 31 July 2015

28. Related party transactions

The company occupies premises owned by the Ultimate Products Pension Scheme, of which B Franks is a trustee. During the period the company paid rent of £175,000 (2014 - £140,000) to the Scheme.

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

During the period, certain directors were indebted to the company in respect of credit transactions. No interest was charged on these transactions. There were no balances outstanding at 31 July 2015 and the maximum balances outstanding during the period were as follows:

	2015 £000
S Showman	19
B Franks	3
	<u>22</u>

Additionally, directors purchased goods from the company during the period and the total for all directors amounted to £348.

29. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1 August 2013.

Reconciliation of equity

	1 August 2013			30 April 2014		
	As previously stated £000	Effect of transition £000	FRS 102 (as restated) £000	As previously stated £000	Effect of transition £000	FRS 102 (as restated) £000
Fixed assets	1,271	–	1,271	1,237	–	1,237
Current assets	24,043	45	24,088	21,588	15	21,603
Creditors: amounts falling due within one year	(13,943)	(45)	(13,988)	(10,890)	(71)	(10,961)
Net current assets	<u>10,100</u>	<u>–</u>	<u>10,100</u>	<u>10,698</u>	<u>(56)</u>	<u>10,642</u>
Total assets less current liabilities	11,371	–	11,371	11,935	(56)	11,879
Net assets	<u>11,371</u>	<u>–</u>	<u>11,371</u>	<u>11,935</u>	<u>(56)</u>	<u>11,879</u>
Share capital and reserves	<u>11,371</u>	<u>–</u>	<u>11,371</u>	<u>11,935</u>	<u>(56)</u>	<u>11,879</u>

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Period from 1 May 2014 to 31 July 2015

29. Transition to FRS 102 *(continued)*

Reconciliation of profit or loss for the period

	Period ended 30 April 2014		
	As previously stated £000	Effect of transition £000	FRS 102 (as restated) £000
Turnover	33,145	(1,028)	32,117
Cost of sales	(25,155)	949	(24,206)
Gross profit	7,990	(79)	7,911
Distribution costs	(682)	–	(682)
Administrative expenses	(6,365)	8	(6,357)
Other operating income	11	–	11
Operating profit	954	(71)	883
Interest receivable	33	–	33
Interest payable	(170)	–	(170)
Taxation on ordinary activities	(253)	15	(238)
Profit for the financial period	564	(56)	508

UP Global Sourcing UK Limited

Notes to the Financial Statements *(continued)*

Period from 1 May 2014 to 31 July 2015

29. Transition to FRS 102 *(continued)*

Set out below are the changes in the accounting policies which reconcile profit for the financial period ended 30 April 2014 and the total equity as at 1 August 2013 and 30 April 2014 between UK GAAP as previously reported and FRS 102.

Revenue recognition

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. Previously, discounts and rebates given by the company to customers were presented as a component of cost of sales. As part of the transition process the presentation of discounts and rebates given by the company has been reassessed and these are now included within turnover which management believe is the most appropriate treatment and in line with current market practices. The impact was to reduce turnover in the period to 30 April 2014 by £1,028,000 with a corresponding reduction in cost of sales but with no overall impact upon the profit for the period.

Financial instruments

The company mitigates exchange rate risk for certain foreign currency trade debtors and creditors by entering into forward currency contracts. FRS 102 requires such financial instruments to be valued at fair value. Previously under UK GAAP the company did not recognise these instruments in the financial statements. At 30 April 2014, the company was committed to buy \$5,050,000 and a pre-tax fair value measurement loss of £79,000 was recognised in the income statement for the period ended 30 April 2014. This loss includes the reversal of a fair value measurement gain of £45,000 arising on contracts to buy \$3,550,000 and to sell €300,000 which existed at 1 August 2013 with a fair value liability of £34,000 included within current liabilities at 30 April 2014.

Holiday pay accrual

FRS 102 requires short term employee benefits to be provided for and charged to the income statement as the employee service is received. Previously, holiday pay accruals were not recognised and were charged to the income statement as they were paid. This has resulted in the company recognising an additional liability for accrued holiday pay of £45,000 as at 1 August 2013. In the period to 30 April 2014, a credit of £8,000 was recognised in the income statement and the accrued holiday pay at 30 April 2014 totalling £37,000 was recognised in current liabilities.

Taxation

The taxation impact of the above adjustments reduces the corporation tax charge in the income statement in the period to 30 April 2014 and increases the corporation tax recoverable by £15,000.