

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
FOR
IMAGINE POS UK LIMITED (FORMERLY INPLACE COSMETICS LIMITED)

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IMAGINE POS UK LIMITED (FORMERLY INPLACE COSMETICS LIMITED)

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FOR THE YEAR ENDED 31 DECEMBER 2013**

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IMAGINE POS UK LIMITED (FORMERLY INPLACE COSMETICS LIMITED)

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2013**

DIRECTORS:

G H Pullen
N A Cottrell
G J Raymond

REGISTERED OFFICE:

Centenary House
Centenary Way
Salford
Manchester
M50 1RF

REGISTERED NUMBER:

06869084 (England and Wales)

AUDITORS:

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors present their strategic report for the year ended 31 December 2013.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The principal activity of the company is that of a point of sale business, operating primarily in the beauty market.

The company continues to explore potential growth in existing categories as well as emerging markets. It will continue to invest in new product development wherever appropriate.

REVIEW OF BUSINESS

The results for the year and the financial position of the company are shown in the annexed financial statements for the year ended 31 December 2013.

On 28 March 2013 the company's immediate parent undertaking was acquired by LF Europe Limited, a company incorporated in Great Britain and registered in England & Wales.

On 1 July 2013 the company acquired the trade and certain assets and liabilities of its immediate parent undertaking and its two fellow subsidiary undertakings at book value.

- Sales for the year totalled £5,569,000 (period ended 31 December 2012: £949,000)
- The company's profit for the financial year is £412,000 (period ended 31 December 2012: £63,000)
- The reserves of the company at the end of the year were £714,000 (as at 31 December 2012)
- Cash balances increased from £116,000 to £1,594,000

PRINCIPAL RISKS AND UNCERTAINTIES

The company's operations are exposed to a variety of financial risks that include credit risk, foreign currency risk and interest rate risk. The company has in place a risk management programme that seeks to limit any adverse effects of the risks on the financial performance of the company. The directors have delegated the responsibility for implementation of the policies they set, and for monitoring financial risk management, to the company's finance department.

Credit risk

The company has 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 annually by the company's finance department.

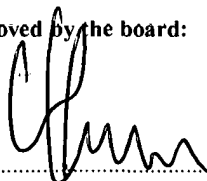
Interest rate risk

The company's interest bearing assets include only cash balances, all of which earn interest at a fixed rate.

KEY PERFORMANCE INDICATORS

Given the straight forward nature of the business, the company's directors are of the opinion that analysis using a large number of key performance indicators is not necessary for an understanding of the development, performance or position of the business. Instead, the directors' focus is on straightforward business measures such as turnover, gross profit margin and overall profitability.

Approved by the board:



G H Pullen - Director

Date: 23 / 09 / 14

IMAGINE POS UK LIMITED (FORMERLY INPLACE COSMETICS LIMITED)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2013**

The directors present their report with the audited financial statements of the company for the year ended 31 December 2013.

CHANGE OF NAME

The company passed a special resolution on 25 June 2013 changing its name from Inplace Cosmetics Limited to Imagine POS UK Limited.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 December 2013 (2012: £nil).

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing of this report of the financial statements were as follows:

G H Pullen

Ms P A Williams - resigned 28 March 2013

N A Cottrell - appointed 28 March 2013

G J Raymond - appointed 17 May 2013

G R Fries - appointed 28 March 2013 - resigned 17 May 2013

POLITICAL DONATIONS AND EXPENDITURE

The company made no political or charitable donations during the year.

POLICY ON PAYMENT OF CREDITORS

The company seeks the best possible terms from both UK and overseas suppliers appropriate to its business and gives consideration to quality, delivery and price. Terms are agreed with each supplier when the company enters into binding purchase contracts for the supply of goods. The purchase order sent to the supplier clearly states the payment terms agreed. The group will continue to honour its contractual and legal obligations and to make payment on the agreed dates.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

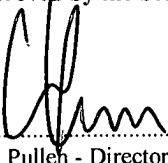
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the board:


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G H Pullen - Director

Date: 23/09/14

Independent auditors' report to the members of Imagine POS UK Limited (formerly Inplace Cosmetics Limited)

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Imagine POS UK Limited (formerly Inplace Cosmetics Limited), comprise:

- the Balance sheet as at 31 December 2013;
- the Profit and loss account for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

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).

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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

In addition, we read all the financial and non-financial information in the Annual report and financial statements 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.

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 year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Imagine POS UK Limited (formerly Inplace Cosmetics Limited)

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.

Responsibilities for the financial statements and the audit

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 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 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.



Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

24 September 2014

IMAGINE POS UK LIMITED (FORMERLY INPLACE COSMETICS LIMITED)

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	Year Ended 31/12/13 £'000	Period 1/4/12 to 31/12/12 £'000
TURNOVER	2	5,569	949
Cost of sales		<u>(3,420)</u>	<u>(656)</u>
GROSS PROFIT		2,149	293
Administrative expenses		<u>(1,566)</u>	<u>(213)</u>
OPERATING PROFIT and PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	583	80
Tax on profit on ordinary activities	5	<u>(171)</u>	<u>(17)</u>
PROFIT FOR THE FINANCIAL YEAR/PERIOD		<u><u>412</u></u>	<u><u>63</u></u>

All items dealt with in arriving at operating profit above relate to continuing operations.

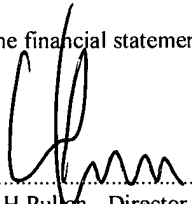
The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the period/year stated above and their historical cost equivalents.

BALANCE SHEET

	Notes	31/12/13 £'000	31/12/12 £'000
FIXED ASSETS			
Tangible assets	6	119	9
CURRENT ASSETS			
Stocks	7	63	33
Debtors	8	2,049	281
Cash at bank and in hand		<u>1,594</u>	<u>116</u>
		3,706	430
CREDITORS			
Amounts falling due within one year	9	<u>(3,102)</u>	<u>(135)</u>
NET CURRENT ASSETS		<u>604</u>	<u>295</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>723</u>	<u>304</u>
PROVISIONS FOR LIABILITIES	11	<u>(9)</u>	<u>(2)</u>
NET ASSETS		<u><u>714</u></u>	<u><u>302</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account	13	<u>714</u>	<u>302</u>
TOTAL SHAREHOLDERS' FUNDS	15	<u><u>714</u></u>	<u><u>302</u></u>

The financial statements were approved by the Board of Directors on 23/09/14 and were signed on its behalf by:


G H Pullen - Director

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The directors have taken advantage of the exemption in FRS 1 (revised 1996) 'cash flow statements' from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent publishes a consolidated cash flow statement.

As the company is a wholly owned subsidiary and is included in the consolidated financial statements of Li & Fung Limited which are publicly available, the company has taken advantage of exemption, under the terms of Financial Reporting Standard 8 Related Party Disclosures, not to disclose related party transactions with entities which form part of the group.

Turnover

Turnover represents net invoiced sales of goods and services, excluding value added tax, except in respect of service contracts where turnover is recognised when the company obtains the right to consideration.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- 10% on cost
Fixtures and fittings	- 25% on cost
Motor vehicles	- 20% on cost
Computer and office equipment	- 33.3% on cost

Stocks

Work in progress is valued at the lower of cost and net realisable value.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Deferred tax

Deferred tax is recognised in respect of significant all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are only recognised where they are considered to be recoverable in the future.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

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

IMAGINE POS UK LIMITED (FORMERLY INPLACE COSMETICS LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. TURNOVER

The turnover and profit on ordinary activities before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	Year Ended 31/12/13	Period 1/4/12 to 31/12/12
	£'000	£'000
United Kingdom	5,505	949
Europe	24	-
United States of America	40	-
	<u>5,569</u>	<u>949</u>

3. STAFF COSTS

	Year Ended 31/12/13	Period 1/4/12 to 31/12/12
	£'000	£'000
Wages and salaries	911	254
Social security costs	85	23
Other pension costs	2	-
	<u>998</u>	<u>277</u>

The average monthly number of employees during the year/period was as follows:

	Year Ended 31/12/13	Period 1/4/12 to 31/12/12
Directors	3	2
Sales	4	-
Administration	24	18
	<u>31</u>	<u>20</u>

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	Year Ended 31/12/13	Period 1/4/12 to 31/12/12
	£'000	£'000
Other operating leases	69	20
Depreciation - owned assets	31	6
Services provided by the company's auditor:		
Fees payable for the audit	10	4
Foreign exchange differences	(1)	-
	<u>109</u>	<u>30</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013

4. OPERATING PROFIT - continued

	Year Ended 31/12/13 £	Period 1/4/12 to 31/12/12 £
Directors' remuneration	<u>73,200</u>	<u>23,800</u>

The company paid no pension contributions in respect of the directors (period ended 31 December 2012: none).

5. TAX

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	Year Ended 31/12/13 £'000	Period 1/4/12 to 31/12/12 £'000
Current tax:		
UK corporation tax	176	16
Deferred tax	<u>(5)</u>	<u>1</u>
Tax on profit on ordinary activities	<u>171</u>	<u>17</u>

Factors affecting the tax charge

The tax assessed for the year is higher (period ended 31 December 2012: lower) than the standard rate of corporation tax in the UK, 23.25%. The difference is explained below:

	Year Ended 31/12/13 £'000	Period 1/4/12 to 31/12/12 £'000
Profit on ordinary activities before tax	<u>583</u>	<u>80</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24%)	136	19
Effects of:		
Expenses not deductible for tax purposes	37	-
Movement in short term timing differences	<u>3</u>	<u>(3)</u>
Current tax charge	<u>176</u>	<u>16</u>

Factors that may affect future tax charges

In addition to the changes in rates of Corporation tax disclosed, further changes to the UK Corporation tax rates were announced in the 2012 Autumn statement and the March 2013 Budget. These include further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The reductions to the main rate of corporation tax were enacted as part of Finance Act 2013. The overall effect of these further changes, if applied to the deferred tax balance at the balance sheet date, would be minimal.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013

6. TANGIBLE FIXED ASSETS

	Short leasehold £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer and office equipment £'000	Totals £'000
COST					
At 1 January 2013	-	1	5	22	28
Additions	67	8	-	14	89
Transfers in	-	10	14	34	58
Disposals	-	(8)	-	(1)	(9)
At 31 December 2013	67	11	19	69	166
DEPRECIATION					
At 1 January 2013	-	1	1	17	19
Charge for year	1	5	4	21	31
On disposals	-	(3)	-	-	(3)
At 31 December 2013	1	3	5	38	47
NET BOOK VALUE					
At 31 December 2013	66	8	14	31	119
At 31 December 2012	-	-	4	5	9

7. STOCKS

	31/12/13 £'000	31/12/12 £'000
Stocks	-	23
Work-in-progress	63	10
	63	33

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31/12/13 £'000	31/12/12 £'000
Trade debtors	1,723	235
Amounts owed by group undertakings	143	23
Other debtors	179	1
Prepayments	4	22
	2,049	281

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

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31/12/13 £'000	31/12/12 £'000
Hire purchase contracts (note 10)	3	-
Trade creditors	731	85
Amounts owed to group undertakings	1,559	-
Corporation tax	176	16
Other taxation and social security	44	8
Other creditors	205	18
Accruals and deferred income	384	8
	3,102	135

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013

10. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	31/12/13 £'000	31/12/12 £'000
Net obligations repayable:		
Within one year	<u>3</u>	<u>-</u>

11. PROVISIONS FOR LIABILITIES

	31/12/13 £'000	31/12/12 £'000
Deferred tax	<u>9</u>	<u>2</u>
		Deferred tax (asset) /liability £'000
Balance at 1 January 2013		2
Credit to the profit and loss account (note 5)		(5)
Transferred in on hive across (note 15)		<u>10</u>
Balance at 31 December 2013		<u>9</u>

The deferred tax liability calculated at 21% (year ended 31 March 2013: 23%) is set out below:

	Recognised		Full potential liability/(asset)	
	Period ended 31 December 2013	Year ended 31 March 2013	Period ended 31 December 2013	Year ended 31 March 2013
	£'000	£'000	£'000	£'000
Accelerated capital allowances	12	2	12	2
Other short term timing differences	(3)	-	(3)	-
	<u>9</u>	<u>2</u>	<u>9</u>	<u>2</u>

12. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31/12/13 £	31/12/12 £
100	Ordinary	£1	<u>100</u>	<u>100</u>

13. PROFIT AND LOSS ACCOUNT

	Profit and loss account £'000
At 1 January 2013	302
Profit for the financial year	<u>412</u>
At 31 December 2013	<u>714</u>

IMAGINE POS UK LIMITED (FORMERLY INPLACE COSMETICS LIMITED)

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2013**

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31/12/13 £'000	31/12/12 £'000
Profit for the financial year/period	<u>412</u>	<u>63</u>
Net addition to shareholders' funds	412	63
Opening shareholders' funds	<u>302</u>	<u>239</u>
Closing shareholders' funds	<u>714</u>	<u>302</u>

15. HIVE DOWN AND ACROSS OF TRADE, ASSETS AND LIABILITIES

On 1 July 2013 the trade and certain assets and liabilities of its fellow subsidiary undertakings, Nexpart Limited and The Vault Project Limited and of its parent undertaking, Group A Limited were hived across to the company at book value and are summarised below:

Assets and (liabilities) acquired	Nexpart Limited £'000	The Vault Projects Limited £'000	Group A Limited £'000	Total £'000
Fixed assets	2	56	-	58
Stock	66	-	-	66
Trade debtors	493	1,064	17	1,574
Other debtors and prepayments	60	76	7	143
Cash	289	497	1	787
Trade creditors	(420)	(626)	-	(1,046)
Other creditors and accruals	(69)	(201)	(56)	(326)
Deferred tax	-	-	(10)	(10)
Total net assets acquired	421	866	(41)	1,246
Satisfied by:				
Intercompany loans	421	866	(41)	1,246

16. ULTIMATE CONTROLLING PARTY

The company's immediate parent undertaking is Group A Limited, a company incorporated in Great Britain and registered in England and Wales. Until 28 March 2013 Group A Limited was also the ultimate parent and controlling party. On 28 March 2013 Group A Limited (and its subsidiaries) was acquired by LF Europe Limited, a company incorporated in Great Britain and registered in England & Wales. From that date the company's ultimate parent undertaking and controlling party became Li & Fung Limited, a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange. The largest and smallest group in which the results of the company are consolidated is that headed by Li & Fung Limited, the ultimate controlling party. The consolidated financial statements of this company are available to the public from Investor Relations, Li & Fung Limited, 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.