

**REGISTRARS COPY**

**ABS Wholesale Limited**

**Annual Report and Consolidated Financial Statements  
Year Ended 31 January 2017**

Registration number: 03043104

**PKF FRANCISCLARK**

Chartered accountants & business advisers

TUESDAY



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31/10/2017

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# **ABS Wholesale Limited**

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# ABS Wholesale Limited

## Strategic Report

Year Ended 31 January 2017

The director presents his strategic report for the year ended 31 January 2017.

### Principal activity

The principal activity of the company is that of a holding company. The principal activity of the group is the wholesale and retail of adult products.

### Fair review of the business

We have continued to see significant growth in turnover year on year. This comes from a mixture of both domestic sales and export. The domestic growth continues to largely be credited to the upward trend in mainstream awareness and acceptance of our industry as a whole. Sales on online platforms, such as Amazon and Ebay continue to offer significant opportunities for increasing our turnover, albeit it at a lower margin. Through these platforms, we are able to sell to customers across a wide geographical reach who would not choose otherwise to buy from us directly. We have maintained our level of turnover in the United States and also managed to continue our growth in Europe.

Overall, the gross profit margin has continued to decline company wide. This is a result of a strategy to grow sales to larger customers who demand more competitive pricing. An opportunity from this is our renewed ability to pressure our own suppliers for better pricing achieved by increased buying power.

During the previous financial year we completed a full scale upgrade to our internal systems, which now allow the capture and process the majority of our orders automatically. We are now starting to see significant costs savings through efficiencies as a result of this investment.

The company's key financial and other performance indicators during the year were as follows:

|                     | Unit | 2017 | 2016 |
|---------------------|------|------|------|
| Turnover movement   | %    | 18   | 8    |
| Gross profit margin | %    | 35   | 43   |

### Future developments

On 16 October 2017, the group moved head offices to a larger site in Ringwood. This increased space will not only reduce our overheads by being in a more efficient building, but also create further savings via improved systems throughout both the warehouse and office admin functions by operating from a bespoke building designed for our requirements. The freehold building is owned by One on One Adult Centre Limited, a related entity under common control.

# ABS Wholesale Limited

## Strategic Report

Year Ended 31 January 2017

### Principal risks and uncertainties

In terms of liquidity, the company is in a very strong position and has been able to reduce the bank debt at an aggressive rate and we are fortunate to continue to enjoy a strong relationship with the bank.

We set new budgets each year and based on our experiences over time, we consider our budgets and forecasts to largely be accurate and are based on our specialist industry knowledge. Any variances are always investigated fully by the management team.

Much of our supply is from the Far East and as such we are exposed to changes in movements within foreign currency. To minimise this risk we enter into forward exchange contracts quarterly with the bank where we agree to purchase US Dollars at an agreed rate. To be prudent we always include a foreign exchange loss within all budgets. In addition we pass on any losses of margin to customers.

We operate in a product driven market and as such we are acutely aware of the need to supply the latest products based on changes in fashion, tastes and technology. We are regularly attending global shows in order to ensure that we have an up to date product range at all times, while also extending our European sales.

Approved by the Board on 30/10/17 and signed on its behalf by:

Mr T T Branston  
Director



# **ABS Wholesale Limited**

## **Directors' Report**

**Year Ended 31 January 2017**

The directors present their report and the consolidated financial statements for the year ended 31 January 2017.

### **Directors of the group**

The directors who held office during the year were as follows:

Mr T M Hemming

Mr T T Branston

Mr S J Reeves

### **Disclosure of information to the auditor**

The directors have taken steps that they ought to have taken as directors in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 30/10/17 and signed on its behalf by:

Mr T T Branston  
Director



## **ABS Wholesale Limited**

### **Statement of Director's Responsibilities**

#### **Directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 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 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **ABS Wholesale Limited**

### **Independent Auditor's Report to the Members of ABS Wholesale Limited**

We have audited the financial statements of ABS Wholesale Limited for the year ended 31 January 2017, set out on pages 7 to 32. 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 FRS 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 auditor**

As explained more fully in the Statement of Director's Responsibilities (set out on page 4), 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 Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

#### **Scope of the audit of the financial statements**

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 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 the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 31 January 2017 and of the group's 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.

## ABS Wholesale Limited

### Independent Auditor's Report to the Members of ABS Wholesale Limited

#### Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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



William Law BSc FCA (Senior Statutory Auditor)  
For and on behalf of PKF Francis Clark, Statutory Auditor

Towngate House  
2-8 Parkstone Road  
Poole  
Dorset  
BH15 2PW

Date: 30/10/17



# ABS Wholesale Limited

## Consolidated Statement of Income and Retained Earnings

Year Ended 31 January 2017

|                                       | Note | 2017<br>£          | 2016<br>£          |
|---------------------------------------|------|--------------------|--------------------|
| Turnover                              | 3    | 14,872,976         | 12,607,960         |
| Cost of sales                         |      | <u>(9,716,132)</u> | <u>(7,206,990)</u> |
| Gross profit                          |      | 5,156,844          | 5,400,970          |
| Administrative expenses               |      | (4,651,811)        | (4,812,237)        |
| Other operating income                |      | <u>46,760</u>      | <u>107,531</u>     |
| Operating profit                      | 4    | 551,793            | 696,264            |
| Interest payable and similar charges  | 8    | <u>(51,953)</u>    | <u>(11,751)</u>    |
| Profit before tax                     |      | 499,840            | 684,513            |
| Taxation                              | 9    | <u>(134,300)</u>   | <u>(104,350)</u>   |
| Profit for the financial year         |      | <u>365,540</u>     | <u>580,163</u>     |
| <b>Profit/(loss) attributable to:</b> |      |                    |                    |
| Owners of the company                 |      | <u>365,540</u>     | <u>580,163</u>     |
| Retained earnings brought forward     |      | 1,585,704          | 1,005,541          |
| Dividends paid                        |      | <u>(70,394)</u>    | <u>-</u>           |
| Retained earnings carried forward     |      | <u>1,880,850</u>   | <u>1,585,704</u>   |

The notes on pages 11 to 32 form an integral part of these financial statements.

# ABS Wholesale Limited

## Consolidated Balance Sheet

31 January 2017

|  | Note | 2017<br>£          | 2016<br>£          |
|--|------|--------------------|--------------------|
| <b>Fixed assets</b>  |      |                    |                    |
| Intangible assets  | 10   | 1,101,830          | 496,987            |
| Tangible assets  | 11   | <u>250,386</u>     | <u>273,813</u>     |
|  |      | <u>1,352,216</u>   | <u>770,800</u>     |
| <b>Current assets</b>  |      |                    |                    |
| Stocks   | 13   | 3,525,036          | 3,115,438          |
| Debtors  | 14   | 2,189,718          | 2,536,451          |
| Cash at bank and in hand                                       |      | <u>89,341</u>      | <u>86,536</u>      |
|  |      | 5,804,095          | 5,738,425          |
| <b>Creditors: Amounts falling due within one year</b>          | 16   | <u>(3,911,884)</u> | <u>(4,004,703)</u> |
| <b>Net current assets</b>                                      |      | <u>1,892,211</u>   | <u>1,733,722</u>   |
| <b>Total assets less current liabilities</b>                   |      | 3,244,427          | 2,504,522          |
| <b>Creditors: Amounts falling due after more than one year</b> | 16   | (1,335,648)        | (858,608)          |
| <b>Provisions for liabilities</b>                              | 19   | <u>(27,919)</u>    | <u>(60,200)</u>    |
| <b>Net assets</b>  |      | <u>1,880,860</u>   | <u>1,585,714</u>   |
| <b>Capital and reserves</b>                                    |      |                    |                    |
| Called up share capital  | 21   | 10                 | 10                 |
| Profit and loss account  |      | <u>1,880,850</u>   | <u>1,585,704</u>   |
| Equity attributable to owners of the company                   |      | <u>1,880,860</u>   | <u>1,585,714</u>   |
| Total equity   |      | <u>1,880,860</u>   | <u>1,585,714</u>   |

Approved and authorised by the director on

30/10/17

Mr T T Branston

Director



# ABS Wholesale Limited

## Balance Sheet

31 January 2017

|   | Note | 2017<br>£        | 2016<br>£        |
|---|------|------------------|------------------|
| <b>Fixed assets</b>                                   |      |                  |                  |
| Investments   | 12   | 293,345          | 293,345          |
| <b>Current assets</b>                                 |      |                  |                  |
| Debtors   | 14   | 877              | 877              |
| <b>Creditors: Amounts falling due within one year</b> | 16   | <u>(294,670)</u> | <u>(294,670)</u> |
| <b>Net current liabilities</b>                        |      | <u>(293,793)</u> | <u>(293,793)</u> |
| <b>Net liabilities</b>                                |      | <u>(448)</u>     | <u>(448)</u>     |
| <b>Capital and reserves</b>                           |      |                  |                  |
| Called up share capital                               |      | 10               | 10               |
| Profit and loss account                               |      | <u>(458)</u>     | <u>(458)</u>     |
| <b>Total equity</b>                                   |      | <u>(448)</u>     | <u>(448)</u>     |

The company made a profit after tax for the financial year of £70,394 (2016 - loss of £-).

Approved and authorised by the director on ..... 30/10/17

Mr T T Branston

Director



The notes on pages 11 to 32 form an integral part of these financial statements.

# ABS Wholesale Limited

## Consolidated Statement of Cash Flows

Year Ended 31 January 2017

|  | Note | 2017<br>£            | 2016<br>£              |
|--|------|----------------------|------------------------|
| <b>Cash flows from operating activities</b>          |      |                      |                        |
| Profit for the year                                  |      | 365,540              | 580,163                |
| Adjustments to cash flows from non-cash items        |      |                      |                        |
| Depreciation and amortisation                        | 4    | 354,794              | 305,367                |
| Profit on disposal of tangible assets                |      | -                    | (1,000)                |
| Interest expense                                     | 8    | 51,953               | 11,751                 |
| Corporation tax expense                              |      | 134,300              | 104,350                |
|  |      | <u>906,587</u>       | <u>1,000,631</u>       |
| Working capital adjustments                          |      |                      |                        |
| Increase in stocks                                   |      | (245,786)            | (304,907)              |
| Decrease/(increase) in debtors                       |      | 618,261              | (1,030,094)            |
| (Decrease)/increase in creditors                     |      | (300,484)            | 116,084                |
| Decrease in provisions                               | 19   | <u>(47,250)</u>      | <u>(52,750)</u>        |
| Cash generated from operations                       |      | 931,328              | (271,036)              |
| Corporation tax paid                                 |      | <u>(145,271)</u>     | <u>(48,432)</u>        |
| Net cash flow from operating activities              |      | <u>786,057</u>       | <u>(319,468)</u>       |
| <b>Cash flows from investing activities</b>          |      |                      |                        |
| Acquisitions of tangible assets                      |      | (38,896)             | (47,625)               |
| Proceeds from sale of tangible assets                |      | -                    | 1,000                  |
| Acquisition of intangible assets                     | 10   | (111,270)            | (16,344)               |
| Acquisition of investments in subsidiaries           |      | (804,910)            | -                      |
| Cash on acquisition                                  |      | <u>24,764</u>        | <u>-</u>               |
| Net cash flows from investing activities             |      | <u>(930,312)</u>     | <u>(62,969)</u>        |
| <b>Cash flows from financing activities</b>          |      |                      |                        |
| Interest paid  | 8    | (51,953)             | (11,751)               |
| Proceeds from bank borrowing draw downs              |      | 1,141,741            | 1,000,000              |
| Repayment of bank borrowing                          |      | (185,741)            | (208,302)              |
| Proceeds from other borrowing draw downs             |      | 800,000              | -                      |
| Repayment of other borrowing                         |      | (1,337,094)          | (570,766)              |
| Dividends paid                                       |      | <u>(70,394)</u>      | <u>-</u>               |
| Net cash flows from financing activities             |      | <u>296,559</u>       | <u>209,181</u>         |
| Net increase/(decrease) in cash and cash equivalents |      | 152,304              | (173,256)              |
| Cash and cash equivalents at 1 February              |      | <u>(62,963)</u>      | <u>110,293</u>         |
| Cash and cash equivalents at 31 January              |      | <u><u>89,341</u></u> | <u><u>(62,963)</u></u> |

The notes on pages 11 to 32 form an integral part of these financial statements.

# **ABS Wholesale Limited**

## **Notes to the Financial Statements**

**Year Ended 31 January 2017**

### **1 General information**

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is:

Towngate House  
2-8 Parkstone Road  
Poole  
Dorset  
BH15 2PW

The principal place of business is:

Forest Gate  
Spring Lane  
Ringwood  
Hampshire  
Bh24 3FH

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Statement of compliance**

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

#### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

#### **Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 January 2017.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

# **ABS Wholesale Limited**

## **Notes to the Financial Statements**

### **Year Ended 31 January 2017**

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

#### **Summary of disclosure exemptions**

No profit and loss account is presented for the company as permitted by section 408 of the companies Act 2006.

The company made a profit after tax for the financial year of £70,394 (2016 - loss of £-).

#### **Key sources of estimation uncertainty**

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made are noted below:

Depreciation and amortisation – The company establishes a reliable estimate of the useful lives of tangible and intangible fixed assets. The carrying amount is £1,352,216 (2016 -£770,800).

Stock provision – The company establishes a reliable estimate of obsolete stock. The carrying amount is £3,525,036 (2016 -£3,115,438).

Other provision – The company establishes a reliable estimate for legal costs relating to an ongoing litigation case. The carrying amount is £Nil (2016 -£47,250).

#### **Revenue recognition**

Turnover comprises the fair value of the consideration received or receivable for the wholesale and retail of adult products in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when:  
The amount of revenue can be reliably measured;  
it is probable that future economic benefits will flow to the entity;  
and specific criteria have been met for each of the company's activities.

# ABS Wholesale Limited

## Notes to the Financial Statements

Year Ended 31 January 2017

### Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

### Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is recognised on all timing differences at the balance sheet date unless indicated below. Timing differences are differences between taxable profits and the results as stated in the consolidated profit and loss account and other comprehensive income. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

### Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

| Asset class                        | Depreciation method and rate |
|------------------------------------|------------------------------|
| Short leasehold land and buildings | over the length of the lease |
| Plant and machinery                | 4 years straight line basis  |
| Fixtures and fittings              | 4 years straight line basis  |
| Motor vehicles                     | 4 years straight line basis  |
| Office equipment                   | 4 years straight line basis  |

# ABS Wholesale Limited

## Notes to the Financial Statements

Year Ended 31 January 2017

### Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

### Goodwill

Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

| Asset class   | Amortisation method and rate |
|---------------|------------------------------|
| Goodwill      | over 10 years                |
| Website costs | over 4 years                 |

### Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

### Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

### Inventories

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the average (AVCO) method.

### Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.



# **ABS Wholesale Limited**

## **Notes to the Financial Statements**

**Year Ended 31 January 2017**

### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

### **Provisions**

Provisions are recognised when the group has an obligation at the reporting date as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

# **ABS Wholesale Limited**

## **Notes to the Financial Statements**

**Year Ended 31 January 2017**

### **Financial instruments**

#### ***Classification***

The company holds the following financial instruments:

- Short term trade and other debtors and creditors;
- Bank loans; and
- Cash and bank balances.

All financial instruments are classified as basic.

#### ***Recognition and measurement***

The company has chosen to apply the recognition and measurement principles in FRS102.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Except for bank loans, such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

Bank loans are initially measured at transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method.

# ABS Wholesale Limited

## Notes to the Financial Statements

Year Ended 31 January 2017

### 3 Revenue

The analysis of the group's revenue for the year from continuing operations is as follows:

|                 | 2017              | 2016              |
|-----------------|-------------------|-------------------|
|                 | £                 | £                 |
| Sale of goods   | 14,872,976        | 12,607,960        |
| Rent receivable | 41,994            | 93,972            |
| Other income    | 4,766             | 13,559            |
|                 | <u>14,919,736</u> | <u>12,715,491</u> |

The analysis of the group's turnover for the year by class of business is as follows:

|                | 2017              | 2016              |
|----------------|-------------------|-------------------|
|                | £                 | £                 |
| Sales of goods | <u>14,872,976</u> | <u>12,607,960</u> |

All turnover arises from the group's principal activity, being the wholesale and retail of adult products. The analysis of turnover by geographical market has not been disclosed as the directors believe that these disclosures would be seriously prejudicial to the group's interests.

### 4 Operating profit

Arrived at after charging/(crediting)

|   | 2017     | 2016           |
|---|----------|----------------|
|   | £        | £              |
| Depreciation expense                                | 62,675   | 65,697         |
| Amortisation expense                                | 292,119  | 239,670        |
| Foreign exchange gains/(losses)                     | 60,097   | (34,363)       |
| Operating lease expense - property                  | 727,877  | 727,318        |
| Operating lease expense - plant and machinery       | 68,889   | 57,916         |
| Profit on disposal of property, plant and equipment | <u>-</u> | <u>(1,000)</u> |

# **ABS Wholesale Limited**

## **Notes to the Financial Statements**

**Year Ended 31 January 2017**

### **5 Staff costs**

The aggregate payroll costs (including directors' remuneration) were as follows:

|  | <b>2017</b>      | <b>2016</b>      |
|--|------------------|------------------|
|  | <b>£</b>         | <b>£</b>         |
| Wages and salaries                         | 2,000,847        | 2,079,542        |
| Social security costs                      | 167,734          | 145,053          |
| Pension costs, defined contribution scheme | 10,520           | 11,229           |
|  | <u>2,179,101</u> | <u>2,235,824</u> |

The average number of persons employed by the group (including the director) during the year, analysed by category was as follows:

|                            | <b>2017</b> | <b>2016</b> |
|----------------------------|-------------|-------------|
|                            | <b>No.</b>  | <b>No.</b>  |
| Administration and support | <u>116</u>  | <u>122</u>  |

### **6 Directors' remuneration**

The directors' remuneration for the year was as follows:

|              | <b>2017</b>   | <b>2016</b>   |
|--------------|---------------|---------------|
|              | <b>£</b>      | <b>£</b>      |
| Remuneration | <u>95,260</u> | <u>85,099</u> |

### **7 Auditor's remuneration**

|                                     | <b>2017</b>   | <b>2016</b>   |
|-------------------------------------|---------------|---------------|
|                                     | <b>£</b>      | <b>£</b>      |
| Audit of these financial statements | <u>13,500</u> | <u>13,000</u> |

### **8 Interest payable and similar expenses**

|  | <b>2017</b>   | <b>2016</b>   |
|--|---------------|---------------|
|  | <b>£</b>      | <b>£</b>      |
| Interest on bank overdrafts and borrowings | <u>51,953</u> | <u>11,751</u> |

# ABS Wholesale Limited

## Notes to the Financial Statements

Year Ended 31 January 2017

### 9 Taxation

Tax charged/(credited) in the profit and loss account

|   | 2017<br>£ | 2016<br>£ |
|---|-----------|-----------|
| <b>Current taxation</b>                                     |           |           |
| UK corporation tax  | 139,226   | 153,903   |
| UK corporation tax adjustment to prior periods              | (19,895)  | (51,638)  |
|   | 119,331   | 102,265   |
| <b>Deferred taxation</b>                                    |           |           |
| Arising from origination and reversal of timing differences | 14,969    | 2,085     |
| Tax expense in the income statement                         | 134,300   | 104,350   |

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2016 - the same as the standard rate of corporation tax in the UK) of 20% (2016 - 20.12%).

The differences are reconciled below:

|   | 2017<br>£ | 2016<br>£ |
|---|-----------|-----------|
| Profit before tax   | 499,840   | 684,513   |
| Corporation tax at standard rate  | 99,968    | 137,724   |
| Effect of expense not deductible in determining taxable profit (tax loss)   | 4,622     | 2,642     |
| Increase (decrease) in UK and foreign current tax from adjustment for prior periods   | (19,895)  | (51,638)  |
| Tax increase (decrease) from non deductible depreciation and amortisation   | 45,645    | 37,608    |
| Tax increase (decrease) from other short-term timing differences  | (1,385)   | (6,984)   |
| Other tax effects for reconciliation between accounting profit and tax expense (income) as a result of FRS102 and consolidation adjustments | 5,345     | (15,002)  |
| Total tax charge  | 134,300   | 104,350   |

# ABS Wholesale Limited

## Notes to the Financial Statements

Year Ended 31 January 2017

### Deferred tax

#### Group

Deferred tax assets and liabilities

|                                | Liability<br>£ |
|--------------------------------|----------------|
| <b>2017</b>                    |                |
| Accelerated capital allowances | <u>27,919</u>  |
| <b>2016</b>                    |                |
| Accelerated capital allowances | <u>12,950</u>  |

### 10 Intangible assets

#### Group

|                               | Goodwill<br>£    | Website<br>costs<br>£ | Total<br>£       |
|-------------------------------|------------------|-----------------------|------------------|
| <b>Cost or valuation</b>      |                  |                       |                  |
| At 1 February 2016            | 2,893,720        | 41,156                | 2,934,876        |
| Additions acquired separately | <u>785,692</u>   | <u>111,270</u>        | <u>896,962</u>   |
| At 31 January 2017            | <u>3,679,412</u> | <u>152,426</u>        | <u>3,831,838</u> |
| <b>Amortisation</b>           |                  |                       |                  |
| At 1 February 2016            | 2,408,584        | 29,305                | 2,437,889        |
| Amortisation charge           | <u>281,046</u>   | <u>11,073</u>         | <u>292,119</u>   |
| At 31 January 2017            | <u>2,689,630</u> | <u>40,378</u>         | <u>2,730,008</u> |
| <b>Carrying amount</b>        |                  |                       |                  |
| At 31 January 2017            | <u>989,782</u>   | <u>112,048</u>        | <u>1,101,830</u> |
| At 31 January 2016            | <u>485,136</u>   | <u>11,851</u>         | <u>496,987</u>   |

## ABS Wholesale Limited

### Notes to the Financial Statements Year Ended 31 January 2017

#### 11 Tangible assets

##### Group

|  | Land and<br>buildings<br>£ | Furniture, fittings<br>and equipment<br>£ | Motor<br>vehicles<br>£ | Other property, plant<br>and equipment<br>£ | Total<br>£ |
|--|----------------------------|---|------------------------|---|------------|
| <b>Cost or valuation</b>               |                            |   |                        |   |            |
| At 1 February 2016                     | 196,991                    | 520,366                                   | 8,300                  | 24,263                                      | 749,920    |
| Additions                              | -                          | 13,896                                    | -                      | 25,000                                      | 38,896     |
| Acquired through business combinations | -                          | 352                                       | -                      | -   | 352        |
| At 31 January 2017                     | 196,991                    | 534,614                                   | 8,300                  | 49,263                                      | 789,168    |
| <b>Depreciation</b>                    |                            |   |                        |   |            |
| At 1 February 2016                     | 36,762                     | 426,317                                   | 2,421                  | 10,607                                      | 476,107    |
| Charge for the year                    | 4,164                      | 48,710                                    | 2,075                  | 7,726                                       | 62,675     |
| At 31 January 2017                     | 40,926                     | 475,027                                   | 4,496                  | 18,333                                      | 538,782    |
| <b>Carrying amount</b>                 |                            |   |                        |   |            |
| At 31 January 2017                     | 156,065                    | 59,587                                    | 3,804                  | 30,930                                      | 250,386    |
| At 31 January 2016                     | 160,229                    | 94,049                                    | 5,879                  | 13,656                                      | 273,813    |

Included within the net book value of land and buildings above is £Nil (2016 - £Nil) in respect of freehold land and buildings, £Nil (2016 - £Nil) in respect of long leasehold land and buildings and £156,065 (2016 - £160,229) in respect of short leasehold land and buildings.

# ABS Wholesale Limited

## Notes to the Financial Statements

Year Ended 31 January 2017

### 12 Investments

#### Group

#### Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the group holds 20% or more of the nominal value of any class of share capital are as follows:

| Undertaking                    | Registered office   | Holding  | Proportion of voting rights and shares held |      |
|--------------------------------|---|----------|---|------|
|                                |   |          | 2017  | 2016 |
| Subsidiary undertakings        |   |          |   |      |
| Simply Pleasure Limited*       | Towngate House, 2-8 Parkstone Road, Poole, Dorset. BH15 2PW England and Wales | ordinary | 100%  | 100% |
| Pleasure Me Publishing Limited | Towngate House, 2-8 Parkstone Road, Poole, Dorset. BH15 2PW England and Wales | ordinary | 100%  | 100% |

\* indicates direct investment of the company

#### Subsidiary undertakings

The principal activity of Simply Pleasure Limited is wholesale and retail of adult products

The principal activity of Pleasure Me Publishing Limited is online retail of adult products



## ABS Wholesale Limited

### Notes to the Financial Statements

Year Ended 31 January 2017

#### Company

|                             | 2017           | 2016           |
|-----------------------------|----------------|----------------|
|                             | £              | £              |
| Investments in subsidiaries | <u>293,345</u> | <u>293,345</u> |

#### Subsidiaries

£

#### Cost or valuation

|                    |                |
|--------------------|----------------|
| At 1 February 2016 | <u>293,345</u> |
|--------------------|----------------|

#### Provision

#### Carrying amount

|                    |                |
|--------------------|----------------|
| At 31 January 2017 | <u>293,345</u> |
| At 31 January 2016 | <u>293,345</u> |

#### Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

| Undertaking                    | Registered office  | Holding  | Proportion of voting rights and shares held |      |
|--------------------------------|--|----------|---|------|
|                                |  |          | 2017  | 2016 |
| <b>Subsidiary undertakings</b> |  |          |   |      |
| Simply Pleasure Limited        | Towngate House, 2-8<br>Parkstone Road, Poole, Dorset.<br>BH15 2PW<br>England and Wales | ordinary | 100%  | 100% |

The principal activity of Simply Pleasure Limited is wholesale and retail of adult products

For the year ending 31 January 2017 the subsidiary Pleasure Me Publishing Limited was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

# ABS Wholesale Limited

## Notes to the Financial Statements

Year Ended 31 January 2017

### 13 Stocks

|                                     | 2017<br>£        | Group<br>2016<br>£ | 2017<br>£ | Company<br>2016<br>£ |
|-------------------------------------|------------------|--------------------|-----------|----------------------|
| Finished goods and goods for resale | <u>3,525,036</u> | <u>3,115,438</u>   | <u>-</u>  | <u>-</u>             |

#### Group

The cost of stocks recognised as an expense in the year amounted to £8,419,581 (2016 - £6,331,195).

#### Impairment of inventories

The amount of reversal of impairment recognised in profit or loss is £55,764 (2016 - £82,303).

### 14 Debtors

|               | 2017<br>£        | Group<br>2016<br>£ | 2017<br>£  | Company<br>2016<br>£ |
|---------------|------------------|--------------------|------------|----------------------|
| Trade debtors | 1,619,541        | 1,905,554          | -          | -                    |
| Other debtors | 24,177           | 18,386             | 877        | 877                  |
| Prepayments   | <u>546,000</u>   | <u>612,511</u>     | <u>-</u>   | <u>-</u>             |
|               | <u>2,189,718</u> | <u>2,536,451</u>   | <u>877</u> | <u>877</u>           |

### 15 Cash and cash equivalents

|  | 2017<br>£     | Group<br>2016<br>£ | 2017<br>£ | Company<br>2016<br>£ |
|--|---------------|--------------------|-----------|----------------------|
| Cash on hand   | 4,293         | 5,364              | -         | -                    |
| Cash at bank   | 84,824        | 81,172             | -         | -                    |
| Short-term deposits                                  | <u>224</u>    | <u>-</u>           | <u>-</u>  | <u>-</u>             |
|  | 89,341        | 86,536             | -         | -                    |
| Bank overdrafts                                      | <u>-</u>      | <u>(149,499)</u>   | <u>-</u>  | <u>-</u>             |
| Cash and cash equivalents in statement of cash flows | <u>89,341</u> | <u>(62,963)</u>    | <u>-</u>  | <u>-</u>             |

# ABS Wholesale Limited

## Notes to the Financial Statements

Year Ended 31 January 2017

### 16 Creditors

|                                   | Note | 2017<br>£        | Group<br>2016<br>£ | 2017<br>£      | Company<br>2016<br>£ |
|-----------------------------------|------|------------------|--------------------|----------------|----------------------|
| <b>Due within one year</b>        |      |                  |                    |                |                      |
| Loans and borrowings              | 17   | 620,352          | 290,891            | -              | -                    |
| Trade creditors                   |      | 1,762,485        | 1,947,870          | -              | -                    |
| Amounts due to group undertakings | 25   | -                | -                  | 294,670        | 294,670              |
| Social security and other taxes   |      | 112,030          | 121,965            | -              | -                    |
| Other creditors                   |      | 736,319          | 1,272,939          | -              | -                    |
| Accrued expenses                  |      | 542,019          | 258,016            | -              | -                    |
| Corporation tax                   |      | 138,679          | 113,022            | -              | -                    |
|                                   |      | <u>3,911,884</u> | <u>4,004,703</u>   | <u>294,670</u> | <u>294,670</u>       |
| <b>Due after one year</b>         |      |                  |                    |                |                      |
| Loans and borrowings              | 17   | <u>1,335,648</u> | <u>858,608</u>     | <u>-</u>       | <u>-</u>             |

# ABS Wholesale Limited

## Notes to the Financial Statements

Year Ended 31 January 2017

### 17 Loans and borrowings

|   | 2017<br>£        | Group<br>2016<br>£ | 2017<br>£ | Company<br>2016<br>£ |
|---|------------------|--------------------|-----------|----------------------|
| <b>Non-current loans and borrowings</b> |                  |                    |           |                      |
| Bank borrowings                         | <u>1,335,648</u> | <u>858,608</u>     | <u>-</u>  | <u>-</u>             |
| <b>Current loans and borrowings</b>     |                  |                    |           |                      |
| Bank borrowings                         | 620,352          | 141,392            | -         | -                    |
| Bank overdrafts                         | <u>-</u>         | <u>149,499</u>     | <u>-</u>  | <u>-</u>             |
|   | <u>620,352</u>   | <u>290,891</u>     | <u>-</u>  | <u>-</u>             |

#### Group

#### Bank borrowings

Bank loan is denominated in pounds with a nominal interest rate of 1.8% over base rate, and the final instalment is due on 22 May 2023. The carrying amount at year end is £1,614,259 (2016 - £1,000,000).

The bank loan is secured by a debenture and a guarantee for £1,930,000 from Simply Pleasure Limited and the parent company ABS Wholesale Limited as well as a first legal charge over properties held by the director T Hemming.

#### Bank borrowings 2

Invoice discounting loan with a carrying amount of £341,741 (2016 - £Nil) is denominated in pounds with a nominal interest rate of 2.25%.

The invoice discounting loan is secured against the outstanding notified debts as well as a limited personal guarantee by the director T Hemming for £100,000.

# ABS Wholesale Limited

## Notes to the Financial Statements

Year Ended 31 January 2017

### 18 Obligations under leases and hire purchase contracts

#### Group

#### Operating leases

The total of future minimum lease payments is as follows:

|   | 2017<br>£      | 2016<br>£        |
|---|----------------|------------------|
| Not later than one year                           | 403,853        | 462,500          |
| Later than one year and not later than five years | 352,472        | 659,825          |
| Later than five years                             | 24,250         | 120,750          |
|   | <u>780,575</u> | <u>1,243,075</u> |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £796,766 (2016 - £774,680).

### 19 Deferred tax and other provisions

#### Group

|  | Deferred tax<br>£ | Other<br>provisions<br>£ | Total<br>£      |
|--|-------------------|--------------------------|-----------------|
| At 1 February 2016                         | 12,950            | 47,250                   | 47,250          |
| Increase (decrease) in existing provisions | <u>14,969</u>     | <u>(47,250)</u>          | <u>(47,250)</u> |
| At 31 January 2017                         | <u>27,919</u>     | <u>-</u>                 | <u>-</u>        |

The balance in other provisions relates to an estimate of costs in relation to an ongoing dispute regarding licence fees.

### 20 Pension and other schemes

#### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £10,520 (2016 - £11,229).

## ABS Wholesale Limited

### Notes to the Financial Statements

Year Ended 31 January 2017

#### 21 Share capital

##### Allotted, called up and fully paid shares

|                                  | No.          | 2017<br>£ | No.          | 2016<br>£ |
|----------------------------------|--------------|-----------|--------------|-----------|
| Ordinary 'A' share of £0.01 each | 810          | 8.10      | 810          | 8.10      |
| Ordinary 'B' share of £0.01 each | 90           | 0.90      | 90           | 0.90      |
| Ordinary 'C' share of £0.01 each | 100          | 1.00      | 100          | 1.00      |
|                                  | <u>1,000</u> | <u>10</u> | <u>1,000</u> | <u>10</u> |

#### 22 Dividends

|  | 2017<br>£     | 2016<br>£ |
|--|---------------|-----------|
| Final dividend of £1.4079 (2016 - £Nil) per ordinary share | <u>70,394</u> | <u>-</u>  |

The directors are proposing a final dividend of £Nil (2016 - £1.4079) per share totalling £Nil (2016 - £70,394.00). This dividend has not been accrued in the Balance Sheet.

## ABS Wholesale Limited

### Notes to the Financial Statements

Year Ended 31 January 2017

#### 23 Business combinations

On 9 June 2016, Simply Pleasure Limited (subsidiary) acquired 100% of the issued share capital of Pleasure Me Publishing Limited (subsidiary), obtaining control.

Pleasure Me Publishing Limited contributed £994,755 revenue and £(49,845) to the group's profit for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

|  | Book value<br>2017<br>£ | Fair value<br>2017<br>£ |
|--|-------------------------|-------------------------|
| <b>Assets and liabilities acquired</b>           |                         |                         |
| Financial assets                                 | 296,294                 | 296,294                 |
| Stocks   | 163,812                 | 163,812                 |
| Tangible assets                                  | 352                     | 352                     |
| Financial liabilities                            | <u>(441,240)</u>        | <u>(441,240)</u>        |
| Total identifiable assets                        | <u>19,218</u>           | <u>19,218</u>           |
| Goodwill   | <u>785,692</u>          | <u>785,692</u>          |
| Total consideration                              | <u>804,910</u>          | <u>804,910</u>          |
| <b>Satisfied by:</b>                             |                         |                         |
| Cash   | <u>804,910</u>          | <u>804,910</u>          |
| <b>Cash flow analysis:</b>                       |                         |                         |
| Cash consideration                               | 804,910                 | 804,910                 |
| Less: cash and cash equivalent balances acquired | <u>(24,764)</u>         | <u>(24,764)</u>         |
| Net cash outflow arising on acquisition          | <u>780,146</u>          | <u>780,146</u>          |

# ABS Wholesale Limited

## Notes to the Financial Statements

Year Ended 31 January 2017

### 24 Financial instruments

#### Group

##### Categorisation of financial instruments

|   | 2017<br>£        | 2016<br>£        |
|---|------------------|------------------|
| Financial assets that are debt instruments measured at amortised cost | 1,643,718        | 1,923,940        |
|   | <u>1,643,718</u> | <u>1,923,940</u> |
| Financial liabilities measured at amortised cost                      | 4,454,804        | 4,370,308        |
|   | <u>4,454,804</u> | <u>4,370,308</u> |

#### Company

##### Categorisation of financial instruments

|   | 2017<br>£      | 2016<br>£      |
|---|----------------|----------------|
| Financial assets that are debt instruments measured at amortised cost | 877            | 877            |
|   | <u>877</u>     | <u>877</u>     |
| Financial liabilities measured at amortised cost                      | 294,670        | 294,670        |
|   | <u>294,670</u> | <u>294,670</u> |



# ABS Wholesale Limited

## Notes to the Financial Statements

Year Ended 31 January 2017

### 25 Related party transactions

#### Group

#### Key management compensation

|   | 2017<br>£ | 2016<br>£ |
|---|-----------|-----------|
| Salaries and other short term employee benefits | 95,260    | 85,099    |
| <b>Transactions with directors</b>              |           |           |

#### Other transactions with directors

During the year Simply Pleasure Limited acquired Pleasure Me Publishing Limited, at market rate, from Mr T T Branston and Mr S J Reeves for £800,000.

#### Income and receivables from related parties

|                                       | Entities<br>with joint<br>control or<br>significant<br>influence<br>£ | Other<br>related<br>parties<br>£ |
|---------------------------------------|---|----------------------------------|
| <b>2017</b>                           |   |                                  |
| Sale of goods                         | -   | 210,341                          |
| Amounts receivable from related party | 21,900  | -                                |
| <b>2016</b>                           |   |                                  |
| Sale of goods                         |   | 876,011                          |
| Amounts receivable from related party |   | 379,758                          |

#### Expenditure with and payables to related parties

|                                  | Entities<br>with joint<br>control or<br>significant<br>influence<br>£ | Other<br>related<br>parties<br>£ |
|----------------------------------|---|----------------------------------|
| <b>2017</b>                      |   |                                  |
| Purchase of goods                |   | 32,500                           |
| <b>2016</b>                      |   |                                  |
| Purchase of goods                | -   | 280,001                          |
| Amounts payable to related party | 2,356   | -                                |

# **ABS Wholesale Limited**

## **Notes to the Financial Statements**

**Year Ended 31 January 2017**

### **26 Parent and ultimate parent undertaking**

The most senior parent entity producing publicly available financial statements is ABS Wholesale Limited. These financial statements are available upon request from Towngate House, 2-8 Parkstone Road, Poole, Dorset. BH15 2PW

The ultimate controlling party is Mr T Hemming.