

Company Registration Number: 07458137

LED Hut Fulfilment Services Ltd

**Financial statements for the 7 month period ended
31 December 2015**



Company information

LED Hut Fulfilment Services Ltd

Directors

C Brown
S Boyle

Registered office

Units 24-28
Stakehill Industrial Estate
Middleton
Manchester
M24 2RW

Auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Company registration number

07458137

LED Hut Fulfilment Services Ltd

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LED Hut Fulfilment Services Ltd

Strategic report

Financial statements

The directors present herewith the strategic report of LED Hut Fulfilment Services Limited. The year end was changed during the period to 31 December 2015.

Business Review

The results of the company for the financial year, as set out in the financial statements, show a loss before tax of £1,089,216 (this included one off re-organisation costs of £540,026) for a 7 month period to December 31st 2015 (profit before tax of £348,336 for the 12 month period to May 31st 2015). The net liabilities of the company total £171,848 (net assets of £717,978 as at 31 May 2015).

The parent company LED Hut Ltd which owns 100% of LED Fulfilment Services Ltd, has been sold by Square Brands LLC to Lumi Ventures Ltd, on the 7th October 2016. It has also restructured the trading company to reflect the change of control moving from Jersey to the UK. The company has carried out extensive re-organisation throughout the year costing £540,026.

The company specializes in the on-line sales of LED lighting both direct to the consumer and to trade. Management are focused on the growth and development of LUMiLife, the product brand, and the e-commerce website ledhut.co.uk. The group operate an extensive distribution activity from its logistics center located in North West England and carries an extensive range of commercial and domestic LED lights which are dispatched for next day deliveries to both domestic and international customers.

The products are supplied from China and the Directors are closely involved with factories on the specifications of the components and the manufacturing process to ensure delivery of a high-quality brand supported by an industry-leading warranty.

The global market for LED lighting is developing with turnover predominantly derived from the UK market. However, as the consumer becomes more informed of the benefits of using LED bulbs and lamps, the company is well positioned to benefit from the potential growth in sales in the UK and beyond.

Principal risk and uncertainties

The management of the business and the execution of the company's strategy are subject to a range of risks.

The key risks to the business are considered to relate to

- Volatility in the currency markets.
- Speed of change in product development
- Increased competition within the LED Light market.

Product reliability is extremely important to the market and the company. Guarantees and warranties require confidence in the product supplied from China, the company continues to invest in testing equipment to ensure quality levels are maintained.

LED Hut Fulfilment Services Ltd
Strategic report

Key Performance Indicators (KPIs)

Management monitor the performance of the Company by reference to KPIs measured against both previous periods and management forecasts, which include, Revenue, Gross Profit and Operating Profits. The principal results for the period to 31 December 2015 are shown in the table below: -

	December 2015 (7 Months)	May 2015	Percentage change
Revenue	£9,699,138	£17,941,426	-45.9%
Gross Margin	17.43%	12.40%	40.6%
(Loss)/Profit before tax ⁽¹⁾	£(1,089,216)	£348,336	-412.7%
Net (liabilities)/assets⁽¹⁾	£(171,848)	£717,978	

(1) As stated in the financial statements including £540,026 re-organisation cost

This report was approved by the board on 21 December 2016 and signed by it order



C Brown
Director

LED Hut Fulfilment Services Ltd

Directors' report

Financial statements

The directors present herewith the directors' report and financial statements of LED Hut Fulfilment Services Limited (the "Company") for the seven month period ended 31st December 2015. The year end was changed during the period to 31 December 2015.

Principal activities

The principal activity of the company during the year was the sale of LED lighting and fixtures.

Results and Dividends

The company made a loss for the seven month period to 31st December 2015 of £889,826 (profit year ended 31st May 2015 £263,188).

The directors have not recommended a dividend (31st May 2015: £Nil)

Future Development

The management are planning to continually expand the LumiLife and ledhut.co.uk brands and grow turnover from both Trade and Retail customers in the UK and internationally as the market progressively embraces the environmental and financial advantages of switching to LED products. As part of this strategy, the overall LED Hut Group's domicile will be relocated from Jersey to the United Kingdom.

Financial risk and management

The company is exposed to financial risk through its operations. The most important components of financial risk relate to currency, credit, cash flow and pricing risk. Due to the nature of the company's business and the assets and liabilities contained in the statement of financial position, the main financial risk the directors consider relevant are credit, liquidity and currency risks.

Credit risk is mitigated through the rigorous application of a credit policy and monitoring of the performance of the customers. The company also carries credit insurance to cover the debts.

Liquidity risk is mitigated by ensuring there is always appropriate funds available to cover any outstanding liabilities as they fall due.

Currency risk is due to the exposure arising from purchasing overseas products. The whole market is subject to same currency pressures; these fluctuations are monitored for the any selling price impacts that are required to maintain margins on products.

Directors

The directors who served during the entire period and up to the date of signing the financial statements, unless otherwise stated, were as follows

R Chambers, resigned 7th October 2016

L Reynolds, resigned 7th October 2016

T O'Hare, resigned 7th October 2016

C Brown, appointed 7th October 2016

S Boyle, appointed 7th October 2016

Directors' responsibilities for the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and

LED Hut Fulfilment Services Ltd
Directors' report

fair view of the state of affairs and 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 IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that:

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

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

Disclosure of information to auditors


Each of the persons who are directors at the time when the Directors report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all steps that ought to have been taken as a director; in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The Auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2016.

This report was approved by the board on 17 December 2016 and signed by its order


C Brown
Director

LED Hut Fulfilment Services Ltd

Independent auditor's report to the members of LED Hut Fulfilment Services Ltd

We have audited the financial statements of LED Hut Fulfilment Services Ltd for the period ended 31 December 2015 which comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Directors' Responsibilities Statement set out on pages 3 and 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

LED Hut Fulfilment Services Ltd

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Christopher Martin

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Manchester

Date: *21 December 2016*

LED Hut Fulfilment Services Ltd


**Statement of Financial Position
At 31 December 2015**

	Note	31 December 2015 GBP	31 May 2015 GBP
ASSETS			
Non-current assets			
Property and equipment	3	<u>282,808</u>	<u>192,711</u>
Current assets			
Inventories	4	3,583,787	-
Trade and other receivables	5	1,282,381	1,395,199
Cash and bank balances	6	<u>11,152</u>	<u>56,205</u>
Total current assets		<u>4,877,320</u>	<u>1,451,404</u>
Total assets		<u>5,160,128</u>	<u>1,644,115</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the company			
Share capital	7	1	1
Retained earnings		<u>(171,849)</u>	<u>717,977</u>
Total equity		<u>(171,848)</u>	<u>717,978</u>
Non-current liabilities			
Deferred tax	9	-	33,310
Total non-current liabilities		-	33,310
Current liabilities			
Trade and other payables		351,871	248,135
Accruals and other liabilities	8	4,790,314	578,744
Current tax liabilities	9	65,446	65,948
Warranty provision	10	<u>124,345</u>	-
Total current liabilities		<u>5,331,976</u>	<u>892,827</u>
Total liabilities		<u>5,331,976</u>	<u>926,137</u>
Total equity and liabilities		<u>5,160,128</u>	<u>1,644,115</u>

The financial statements were approved by the board of directors and authorised for issue on

21 december
2016

They were signed on its behalf by:


C Brown
Director

LED Hut Fulfilment Services Ltd

Statement of Comprehensive Income for the period ended 31 December 2015

	Note	7 month period ended 31 December 2015 GBP	Year ended 31 May 2015 GBP
Revenue		9,699,138	17,941,426
Cost of sales		<u>(8,008,407)</u>	<u>(15,716,141)</u>
Gross profit		1,690,731	2,225,285
Sales and marketing costs		(1,272,210)	(3,580)
Administrative expenses	11	<u>(1,502,731)</u>	<u>(1,873,369)</u>
Operating loss		<u>(1,084,210)</u>	348,336
Finance costs		<u>(5,007)</u>	-
Loss before taxation		(1,089,217)	348,336
Taxation	9	199,390	(85,148)
Total comprehensive income for the period / year attributable to equity holders of the company		<u>(889,826)</u>	<u>263,188</u>

All of the results for the period and preceding year relate to continuing operations.

There were no items of other comprehensive income and as such, the profit for the period is equivalent to total comprehensive income for the period.

The accompanying notes form an integral part of these financial statements.

LED Hut Fulfilment Services Ltd

**Statement of Changes in Equity
for the period ended 31 December 2015**

	Share capital GBP	Retained earnings GBP	Total GBP
Balance as at 31 May 2014	<u>1</u>	<u>454,789</u>	<u>454,790</u>
Profit for the year	-	263,188	263,188
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year	-	717,977	717,978
Dividends	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at 31 May 2015	<u>1</u>	<u>717,977</u>	<u>717,978</u>
Loss for the period	-	(889,826)	(889,826)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	-	(889,826)	(889,826)
Dividends	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1</u>	<u>(171,849)</u>	<u>(171,848)</u>

The accompanying notes form an integral part of these financial statements.

LED Hut Fulfilment Services Ltd

**Statement of Cash Flows
for the period ended 31 December 2015**

	7 month period ended 31 December 2015 GBP	Year ended 31 May 2015 GBP
Cash flows from operating activities		
Profit for the year before tax	(1,089,216)	348,336
Adjustments for:		
Depreciation of property and equipment	41,638	43,303
Loan on sale of fixed assets	1,952	-
Operating cash flow before changes in operating assets and liabilities	(1,045,626)	391,639
Increase in stocks	(3,583,787)	
(Increase)/ decrease in trade and other receivables	(564,923)	(620,087)
Increase in trade and other payables	977,314	423,602
Increase in provisions	124,345	-
Corporation tax paid	-	(68,606)
Net cash (used in)/generated from operating activities	(4,092,677)	126,548
Cash flows from investing activities		
Purchase of property and equipment	(134,012)	(100,005)
Proceeds from disposal of property and equipment	325	-
Net cash used in investing activities	(133,687)	(100,005)
Cash flows from financing activities		
Funds advanced by group	4,181,311	-
	4,181,311	-
Net (decrease)/increase in cash and cash equivalents during the year	(45,053)	26,543
Cash and cash equivalents, at the beginning of the year	56,205	29,662
Cash and cash equivalents, at the end of the year (Note 6)	11,152	56,205

The accompanying notes form an integral part of these financial statements.

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2015

1. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU, including International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the EU and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements were prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

Going Concern

The financial statements have been prepared on a going concern basis. The following paragraphs set out the basis on which the directors have reached their conclusion.

The Company currently meets its working capital requirements through its cash balances and related party borrowings. The Board of Directors meet regularly to assess the performance of the Company and that of LED Hut Limited, the Company's immediate parent.

The LED Hut Limited group's forecasts and projections, which have been prepared to 31 December 2017, show that the Company will be able to operate within the level of its current cash resources and related party borrowings.

The directors have concluded, after making enquiries, that they have a reasonable expectation that the Company and the wider LED Hut Limited group, has access to adequate resources to enable it to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received, or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes.

The Company recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria have been met for the Company's activities, as described below. The Company bases its estimate of returns on actual historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Internet revenue

Revenue from the provision of the sale of goods on the internet is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of dispatch. Transactions are settled by credit card, payment card or PayPal. Provisions are made for credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns.

Wholesale revenue

Wholesale revenues from the sale of goods are recognised at the point that the risks and rewards of the inventory have passed to the customer, which depends on the specific terms and conditions of sales transactions and which are typically upon dispatch. Revenues are settled in cash, net of discounts. Provisions are made for Wholesale credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns.

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Notes to the financial statements for the year ended 31 December 2015

Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in British Pounds ("GBP"), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date and any resulting gains or losses are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Leases

Leases are accounted for as operating leases where the risks and rewards of ownership are retained by the lessor. The rental charges are charged to the statement of comprehensive income on a straight-line basis over the life of the lease.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price and the costs attributable to bringing the asset into its working condition. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are recognised within other gains and losses (net) in the statement of financial position.

Depreciation is provided at rates calculated to write down the cost of the assets, less their estimated residual values, over their remaining useful economic lives as follows:

Leasehold improvements	– 4-5 years on a straight-line basis
Furniture, fixtures and fittings	– 5 years on a straight-line basis
Computer equipment	– 3-4 years on a straight-line basis

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost comprises costs associated with the purchase and bringing of inventories to the distribution centers and is based on the First In First Out (FIFO) principle. Provisions are made for obsolescence, mark-downs and shrinkage.

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Notes to the financial statements for the year ended 31 December 2015

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the reporting date.

Share capital

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

Cost of sales

Cost of sales comprises movements between opening and closing inventories, purchases, carriage in and out, commissions payable, and other related expenses.

Financial Instruments

Financial assets and liabilities are recognised when the Company has become a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are initially recognized at fair value. Trade and other receivables are remeasured at cost less impairment. Trade and other receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the receivable, the estimated future cash flows of the investment have been affected. The carrying amount of the receivable is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

Trade and other payables

Trade and other payables are non-interest bearing and are initially recognised at their fair value which approximates book value. Trade and other payables are derecognised when the contractual obligations to the cash flows from the liability expire or are transferred.

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2015

Cash and cash equivalents

Cash and short-term deposits comprise cash at bank and in hand and short-term deposits with an original maturity date of three months or less. Bank overdrafts are offset against cash when a right of offset exists and the company intends to use this right of offset.

Provisions and contingent liabilities

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the obligation can be estimated reliably. Provisions are discounted if the impact on the provision is deemed to be material.

Segmental Reporting

The directors consider that the risks and returns associated with providing products to different business segments and with supplying different geographical markets are not significantly different. The directors consider that all the activities of the company are similar and that therefore there is no confidential information to disclose.

Impairment

The directors conduct regular reviews of the company value of assets. If any evidence of impairment exists the estimated recoverable amount is compared to the carrying value of the asset. Where the carrying value exceeds the estimated of recoverable amount an impairment loss is recognised.

Interpretations and standards effective in the current period

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year ending 31 May 2016.

- IFRS 15 represents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.
IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The company is yet to assess the full impact of IFRS 15 and intends to adopt IFRS 15 in the accounting period in which adoption is effective.
- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 in the accounting period in which adoption is effective. The Company will also consider the impact of the remaining phases of IFRS 9 when completed.

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2015

Annual improvements 2012-2014 Cycle (effective from 1 January 2016)

Makes amendments to the following standards:

- **IFRS 5** — Adds specific guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- **IFRS 7** — Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements
- **IAS 19** — Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- **IAS 34** — Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.

Amendments to IAS16 and IAS38 Clarification of acceptable method of Depreciation and Amortisation (effectively from 1 January 2016)

Clarification of the meaning of the term 'consumption of the expected future economic benefits embodied in the asset' when determining appropriate depreciation and amortisation methods.

The directors have considered other standards and interpretations in issue but not effective and concluded that they would not have a material impact on the future financial periods when they become available.

Critical accounting judgments and key sources of estimation certainty

In the application of the Company's accounting policies, which are described above, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

In the process of applying Company's accounting policies, management is of the opinion that there is no instance of application of judgments which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations described below.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2015

Provisions

The Company has recognised provisions for impairment of trade receivables, post year end credit notes and returns in respect of revenue in its financial statements which requires management to make judgments. The judgments, estimates and associated assumptions necessary to calculate these provisions are based on historical experience.

Warranty provision

The Company provides standard warranties for products for periods up to two years with options for extended warranties. The warranty is limited to the cost of the product and the Company will replace or refund the cost of the product as required. The Company monitors the actual warranty repair costs and the replacements and refunds are issued within weeks following the original date of the sale. A provision for warranties has been quantified and provided for in the financial statements.

2. Profit from operations

Profit from operations is stated after charging:

	7 month period ended 31 December 2015 GBP	Year ended 31 May 2015 GBP
Depreciation of owned fixed assets	41,638	43,303
Operating lease costs:		
Property, plant and equipment	42,220	160,459
Exchange rate loss	-	(5,316)
Loss on disposal of fixed assets	(1,651)	-

Auditors remuneration for both audit and non-audit services was borne by the company's parent company, LED HUT Limited.

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2015

3. Property and equipment

Details of the company's property and equipment and their carrying values are as follows:

	Leasehold Improvements £	Fixtures & fittings £	Equipment £	Total £
Cost				
1 June 2014	34,547	41,688	89,331	165,566
Additions	14,470	26,540	58,995	100,005
Disposals	-	-	-	-
At 31 May 2015	<u>49,017</u>	<u>68,228</u>	<u>148,326</u>	<u>265,571</u>
Depreciation				
At 1 June 2014	6,632	3,079	19,846	29,557
Charge for the year	7,165	10,225	25,913	43,303
Depreciation on disposal	-	-	-	-
At 1 May 2015	<u>13,797</u>	<u>13,304</u>	<u>45,759</u>	<u>72,860</u>
Net book value				
At 31 May 2014	<u>27,915</u>	<u>38,609</u>	<u>69,485</u>	<u>136,009</u>
Cost				
At 1 June 2015	49,017	68,228	148,326	265,571
Additions	46,880	10,168	76,964	134,012
Disposals	-	-	(4,018)	(4,018)
At 31 December 2015	<u>95,897</u>	<u>78,396</u>	<u>221,272</u>	<u>395,565</u>
Depreciation				
At 1 June 2015	13,797	13,304	45,759	72,860
Charge for the year	9,308	8,516	23,814	41,638
On disposal	-	-	(1,741)	(1,741)
At 31 December 2015	<u>23,105</u>	<u>21,820</u>	<u>67,832</u>	<u>112,757</u>
Net book value				
At 31 December 2015	<u>72,792</u>	<u>56,576</u>	<u>153,440</u>	<u>282,808</u>
Net book value				
At 31 May 2015	<u>35,220</u>	<u>54,924</u>	<u>102,567</u>	<u>192,711</u>

LED Hut Fulfilment Services Ltd**Notes to the financial statements
for the year ended 31 December 2015****4. Inventories**

	31 December 2015 GBP	31 May 2015 GBP
Merchandise	3,583,787	-
	<u>3,583,787</u>	<u>-</u>

In the period ended 31 December 2015 £5,423,474 (31 May 2015: £NIL) of inventories was included in profit or loss as an expense.

Inventories comprise stock held by the company and goods in transit from suppliers which are in the course of delivery. Deposits for stock purchases are included within prepayments until such point as the goods are available to be transported from suppliers and are then reclassified into inventories.

5. Trade and other receivables

	31 December 2015 GBP	31 May 2015 GBP
Trade debtors	636,113	462,801
Prepayments	118,537	84,915
Other debtors	79,283	1,187
Deposits	131,358	2,475
VAT recoverable	151,010	-
Deferred tax	166,080	-
Amounts due from group companies	-	843,821
	<u>1,282,381</u>	<u>1,395,199</u>

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2015

5. Trade and other receivables (continued)

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

The Company's credit risk is primarily attributable to trade receivables. However the company insures its receivables through a credit insurance policy. The amounts presented in the statement of financial position are net of allowance for doubtful receivables. The Company is concentrating on recovering certain debts which are overdue. There is an allowance for doubtful receivables in the period of £24,000 (May 2015: £5,000). The ageing profile of trade receivables is shown below:-

	31 December 2015 GBP	31 May 2015 GBP
Current	258,673	345,299
31-60 days old	242,947	50,945
60-90 days old	113,933	70,310
Over 90 days	44,560	1,247
	<u>660,113</u>	<u>467,801</u>
Opening allowance	(5,000)	-
Allowance for doubtful receivables Utilised in year	(19,000)	(5,000)
	<u>-</u>	<u>-</u>
	<u>636,113</u>	<u>462,801</u>

The amounts due from group companies are £nil (May 2015: £843,821) due from LED Hut Limited, the immediate parent company of the Group. At 31 May 2015 the amount was unsecured, interest free and repayable on demand. The Company confirmed it would not seek repayment until the related companies had sufficient funds in excess of the working capital requirements.

6. Cash and cash equivalents

Cash and cash equivalents comprise of cash held by the Company. The carrying amount of the asset approximates fair value. Balances held in sterling amount to £11,152 (May 2015: £56,205).

7. Share capital

	31 December 2015 GBP	31 May 2015 GBP
Issued, allotted and fully paid 1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2015

8. Accruals and other liabilities

	31 December 2015 GBP	31 May 2015 GBP
Accruals and other liabilities	1,452,824	308,246
Amounts owed to related parties	3,337,490	-
VAT payable	-	270,498
	<u>4,790,314</u>	<u>578,744</u>

9. Taxation

The Company is subject to corporation tax on the profits in the United Kingdom.

Tax charge

	31 December 2015 GBP	31 May 2015 GBP
UK Corporation tax	-	65,446
Deferred tax	(199,390)	19,702
	<u>(199,390)</u>	<u>85,148</u>
(Loss)/profit on ordinary activities before tax	(1,089,217)	348,336
Tax on profit on ordinary activities at 20% (2015 : 20.83%)	(217,843)	72,558
<i>Effects of:</i>		
Fixed asset differences	-	21,709
Expenses not deductible for tax purposes	-	73
Adj	-	-
Marginal relief	-	(383)
Capital allowances in excess of depreciation	-	(8,850)
Other short term timing differences	18,453	41
	<u>(199,390)</u>	<u>85,148</u>
Total tax credit/(charge) for period		

Deferred taxation

	Deferred tax GBP
At 1 June 2015	33,310
(Credited)/charged to the Statement of Comprehensive Income	(199,390)
At 31 December 2015	<u>(166,080)</u>

LED Hut Fulfilment Services Ltd**Notes to the financial statements
for the year ended 31 December 2015****9. Taxation (continued)****The deferred tax (asset)/liability is made up as follows:**

	31 December 2015 GBP	31 May 2015 GBP
Accelerated capital allowances	44,200	34,310
Short term timing differences	-	(1,000)
Losses and other deductions	(210,280)	-
	<u>(199,390)</u>	<u>33,310</u>

10. Warranty provision

	Warranty GPB
Provision at 1 May 2015	-
Provided in the year	<u>124,345</u>
Provision at 31 December 2015	<u>124,345</u>

11. Administrative expenses

	31 December 2015 GPB	31 May 2015 GPB
Administration staff salaries and benefits	1,010,677	1,299,774
Social security costs	83,071	110,201
Property costs	123,891	247,742
Depreciation of property, plant and equipment	41,638	43,303
Other expenses	243,453	172,349
	<u>1,502,731</u>	<u>1,873,369</u>

Included in the administration staff salaries and benefits is remuneration and other benefits for key management personnel that totaled £nil (May 2015: £95,629). Remuneration comprises core salary and bonuses for certain directors. The Company does not provide any pension contributions and the average number of employees in the period was 49 (May 2015: 43).

Directors emoluments

Emoluments paid to Directors were all paid by the company's ultimate parent company, Batteries Plus LLC, which has borne this expense.

**Notes to the financial statements
for the year ended 31 December 2015**

12. Financial Assets and Liabilities

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure to its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk. In the current period £19,000 impairment losses were recorded. In the prior year £5,000 impairment losses were recorded.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors who have built an appropriate liquidity risk management framework for the management of the Company's short and medium-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows, dealing with financial institutions of sound reputation and matching the maturity profiles of financial assets and liabilities.

As at the reporting date for the current financial period and prior financial year, the Company's financial assets and liabilities are all due within one year. The carrying value of all assets and liabilities is approximate to their fair value.

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2015

13. Operating lease commitments

Operating lease rentals are payable by the Company for the warehouse in England. The company also leases vehicles.

At the reporting date, the Company had future commitments under the operating leases, which fall due as follows:

	31 December 2015	31 May 2015
Within one year	129,280	125,717
More than 1 year and less than 5 years	7,069	297,319
	<u>136,348</u>	<u>423,036</u>

The lease agreement for the premises in Middleton, Manchester was signed on 6 November 2013.

14. Reconciliation of movements in equity shareholders' funds

	31 December 2016 GPB	31 May 2015 GPB
Profit for the period	<u>(889,826)</u>	<u>263,188</u>
Addition to equity shareholders' funds		
Dividends	-	-
Opening equity shareholders' funds	<u>717,978</u>	<u>454,790</u>
Closing equity shareholders' funds	<u>(171,848)</u>	<u>717,978</u>

15. Capital commitments

The Company had not entered into any contracts to purchase property, plant and equipment at the period end.

16. Related party transactions and ultimate controlling party

During the period the Company provided order fulfilment services to LED Hut Limited, the parent on-line trading company of the Group which is incorporated in Jersey. The net sum charged during the period was £1,567,736 (May 2015 : £5,806,905) and the balance owed to LED Hut Limited at the reporting date was £3,337,490 (May 2015: £843,821 owed from LED Hut) owed from LED.

The company is a wholly owned subsidiary of LED Hut Limited. The ultimate controlling party of the entity is LUMI Ventures Ltd, a company incorporated in the United Kingdom.

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2015

17. Post Balance Sheet Events

On the 5th July 2016 the parent company to LED Hut Ltd, being Square Brands LLC, was sold by Roark Capital Group to Freeman Spogli & Co. On the 7th October 2016, LED Hut Ltd Group was acquired from Square Brands LLC by LUMI Ventures Ltd.

No further significant events occurred between 31 December 2015 and the date of issue.