

Company Registration Number: 07458137

LED Hut Fulfilment Services Ltd

**Financial statements for the year ended
31 December 2016**

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Company information

LED Hut Fulfilment Services Ltd

Directors

C Brown (Appointed 7 October 2016)
S Boyle (Appointed 7 October 2016)
T A O'Hare (Resigned 7 October 2016)
R Chambers (Resigned 7 October 2017)
R Reynolds (Resigned 7 October 2017)

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.

Business review

The results of the company for the financial year, as set out in the financial statements, show a loss before tax of £1,335,543 for the year to December 31st 2016 (loss before tax of £1,089,217 for the 7 month period to December 31st 2015). The net liabilities of the company total £1,695,024 (net assets of £171,848 as at 31 December 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 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 year ended 31 December 2016 are shown in the table below: -

	December 2016	December 2015 (7 months)	Percentage change
Revenue	£12,984,215	£9,699,138	33.9%
Gross Margin	28.99%	17.43%	66.0%
Loss before tax	£(1,335,543)	£(1,089,216)	22.6%
Net liabilities	£(1,695,024)	£(171,848)	886.35%

This report was approved by the board on 18th November 2017 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 year ended 31st December 2016.

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 year to to 31st December 2016 of £1,523,176 (loss year ended 31st December 2015 £889,826).

The directors have not recommended a dividend (31st December 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 and cash flow risks are 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. Where appropriate foreign currency forward contracts are used to manage this risk.

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 business has been trading in line with the directors' expectations for the year to 31 December 2017 and positive cash balances remain at the date of signing the financial statements. During 2017 a purchasing facility of £500,000 and an invoice discounting facility have been arranged with the HSBC. Whilst these facilities can be withdrawn at any time at the bank's discretion, the directors have a reasonable expectation that they will remain in place for the foreseeable future and for at least 12 months from the date of approval of these financial statements.

As part of their assessment of going concern the directors have prepared forecasts and projections to 30 November 2018 which show that the Company is expected to be able to operate within the level of its current cash resources and related party borrowings.

LED Hut Fulfilment Services Ltd

Directors' report

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. On this basis the directors judge the business to be a going concern and so have prepared the financial statements on that basis.

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 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 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.

LED Hut Fulfilment Services Ltd
Directors' report

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 13th NOVEMBER 2017 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 year ended 31 December 2016 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 2016 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 matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report under the Companies Act 2006

In the light of the 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 Directors' report.

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.



Michael Frankish
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

Date: 14 NOVEMBER 2017.

LED Hut Fulfilment Services Ltd

**Statement of Comprehensive Income
for the year ended 31 December 2016**

		Year ended 31 December 2016 GBP	7 months period ended 31 December 2015 GBP
Revenue		12,984,215	9,699,138
Cost of sales		(9,219,295)	(8,008,407)
Gross profit		3,764,920	1,690,731
Sales and marketing costs		(1,460,723)	(1,272,210)
Administrative expenses	11	(3,605,726)	(1,502,731)
Operating profit / (loss)	2	(1,301,529)	(1,084,210)
Finance Costs		(34,014)	(5,007)
Loss before taxation		(1,335,543)	(1,089,217)
Taxation	9	(187,633)	199,390
Total comprehensive income for the year / period attributable to equity holders of the company		(1,523,176)	(889,826)

All of the results for the year and preceding period 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
Company registration number: 07458137

**Statement of Financial Position
At 31 December 2016**

	Note	31 December 2016 GBP	31 December 2015 GBP
ASSETS			
Non-current assets			
Property and equipment	3	<u>207,535</u>	<u>282,808</u>
Current assets			
Inventories	4	2,198,788	3,583,787
Trade and other receivables	5	803,706	1,282,381
Cash and bank balances	6	<u>298,034</u>	<u>11,152</u>
Total current assets		<u>3,300,528</u>	<u>4,877,320</u>
Total assets		<u>3,508,063</u>	<u>5,160,128</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the company			
Share capital	7	1	1
Retained earnings		<u>(1,695,025)</u>	<u>(171,849)</u>
Total equity		<u>(1,695,024)</u>	<u>(171,848)</u>
Non-current liabilities			
Deferred tax	9	<u>21,553</u>	-
Total non-current liabilities		<u>21,553</u>	-
Current liabilities			
Trade and other payables		1,224,422	351,871
Accruals and other liabilities	8	3,770,692	4,790,314
Current tax liabilities	9	-	65,446
Warranty provision	10	<u>186,420</u>	<u>124,345</u>
Total current liabilities		<u>5,181,534</u>	<u>5,331,976</u>
Total liabilities		<u>5,203,087</u>	<u>5,331,976</u>
Total equity and liabilities		<u>3,508,063</u>	<u>5,160,128</u>

The financial statements were approved by the board of directors and authorised for issue on 13 NOVEMBER 2017

They were signed on its behalf by:


C Brown
Director

LED Hut Fulfilment Services Ltd

**Statement of Changes in Equity
for the year ended 31 December 2016**

	Share capital GBP	Retained earnings GBP	Total GBP
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	-	-	-
Total comprehensive income for the year	-	(889,826)	(889,826)
Balance as at 31 December 2015	<u>1</u>	<u>(171,849)</u>	<u>(171,848)</u>
Loss for the year	-	(1,523,176)	(1,530,526)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(1,702,375)	(1,702,375)
Balance as at 31 December 2016	<u>1</u>	<u>(1,695,025)</u>	<u>(1,695,024)</u>

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

LED Hut Fulfilment Services Ltd

**Statement of Cash Flows
for the year ended 31 December 2016**

	Year Ended 31 December 2016 GBP	7 month period ended 31 December 2015 GBP
Cash flows from operating activities		
Loss for the year before tax	(1,335,543)	(1,089,216)
Adjustments for:		
Depreciation of property and equipment	97,170	41,638
Interest expense	34,014	5,007
Loss on disposal of fixed assets	118,207	1,952
Operating cash flow before changes in operating assets and liabilities	(1,086,152)	(1,040,619)
Decrease / (increase) in stocks	1,384,999	(3,583,787)
Decrease / (increase) in trade and other receivables	312,595	(564,923)
(Decrease) / increase in trade and other payables	(369,466)	977,314
Increase in provisions	62,175	124,345
	<hr/>	<hr/>
Corporation tax paid	(65,446)	-
Net cash generated/(used in) from operating activities	238,705	(4,087,670)
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property and equipment	(140,103)	(134,012)
Proceeds from disposal of property and equipment	-	325
	<hr/>	<hr/>
Net cash used in investing activities	(140,103)	(133,687)
	<hr/>	<hr/>
Cash flows from financing activities		
Interest paid	(34,014)	(5,007)
Funds advanced by group	222,294	4,181,311
	<hr/>	<hr/>
	188,280	4,176,304
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents during the year	286,882	(45,053)
	<hr/>	<hr/>
Cash and cash equivalents, at the beginning of the year	11,152	56,205
	<hr/>	<hr/>
Cash and cash equivalents, at the end of the year (Note 6)	298,034	11,152
	<hr/>	<hr/>

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 2016

1. Significant accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and 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.

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 Group 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 Group.

The business has been trading in line with the directors' expectations for the year to 31 December 2017 and positive cash balances remain at the date of signing the financial statements. During 2017 a purchasing facility of £500,000 and an invoice discounting facility have been arranged with the HSBC. Whilst these facilities can be withdrawn at any time at the bank's discretion, the directors have a reasonable expectation that they will remain in place for the foreseeable future and for at least 12 months from the date of approval of these financial statements.

As part of their assessment of going concern the directors have prepared forecasts and projections to 30 November 2018 which show that the Group is expected to be able to operate within the level of its current cash resources.

The directors have concluded, after making enquiries, that they have a reasonable expectation that the Group has access to adequate resources to enable it to continue in operational existence for the foreseeable future. On this basis the directors judge the business to be a going concern and so have prepared the financial statements on that basis.

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.

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2016

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.

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2016

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 probably 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 2016

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.

Recently issued accounting pronouncements

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective and have been applied in these financial statements.

- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)

The following new accounting standards, interpretations and amendments to existing standards have been published and are mandatory for the accounting period beginning on 1 January 2017 or later. The Group has not early adopted them.

IFRS 9 Financial instruments

The standard addresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement, impairment, derecognition and hedge accounting. It will be mandatory for the accounting period beginning on 1 January 2018. The Group has undertaken a review of all financial liabilities, particularly those measured at fair value through profit or loss and has concluded that the application of IFRS 9 will have a material impact on the consolidated results or financial position.

IFRS 15 Revenue from contracts with customers

This standard combines, enhances and replaces specific guidance on recognising revenue with a single standard. It defines a new five-step model to recognise revenues from customer contracts. The Group is currently undertaking a review of the main types of commercial arrangements used with customers under this model and is currently assessing the impact of IFRS 15 on the consolidated results and financial position.

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2016

IFRS 16 Leases

The standard specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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.

Provisions

The Company has recognised provisions for impairment of trade receivables, impairment of stock and post year end credit notes 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.

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2016

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/(crediting):

	Year ended 31 December 2016 GBP	7 month period ended 31 December 2015 GBP
Depreciation of owned fixed assets	97,170	41,638
Operating lease costs:		
Property, plant and equipment	39,085	42,220
Exchange rate loss	4,069	-
Loss/ (profit) on disposal of fixed assets	118,206	(1,651)

LED Hut Fulfilment Services Ltd

**Notes to the financial statements
for the year ended 31 December 2016**

3. Property and equipment

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

	Leasehold Improvements £	Fixtures & fittings £	Equipment £	Motor Vehicles £	Total £
Cost					
At 1 January 2016	95,897	78,396	221,272		395,565
Additions	4,056	2,152	92,280	41,615	140,103
Disposals	(3,281)	(25,200)	(161,748)	-	(190,229)
At 31 December 2016	<u>96,672</u>	<u>55,348</u>	<u>151,804</u>	<u>41,615</u>	<u>345,439</u>
Depreciation					
At 1 January 2016	23,105	21,820	67,832	-	112,757
Charge for the year	19,696	15,505	61,969	-	97,170
On disposal	(2,133)	(10,353)	(59,537)	-	(72,023)
At 31 December 2016	<u>40,668</u>	<u>26,972</u>	<u>70,264</u>	<u>-</u>	<u>137,904</u>
Net book value					
At 31 December 2016	<u>56,004</u>	<u>28,376</u>	<u>81,540</u>	<u>41,615</u>	<u>207,535</u>
Cost					
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>-</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
Depreciation on disposal	-	-	(1,741)	-	(1,741)
At 1 December 2015	<u>23,105</u>	<u>21,820</u>	<u>67,832</u>	<u>-</u>	<u>112,757</u>
Net book value					
At 31 December 2015	<u>72,792</u>	<u>56,756</u>	<u>153,440</u>	<u>-</u>	<u>282,808</u>

LED Hut Fulfilment Services Ltd

**Notes to the financial statements
for the year ended 31 December 2016**

4. Inventories

	31 December 2016 GBP	31 December 2015 GBP
Finished goods	<u>2,198,788</u>	<u>3,583,787</u>

In the year ended 31 December 2016 £7,192,257 (7 month period ended 31 December 2015: £5,423,474) 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.

There is an inventory provision of £112,722 (2015: 205,504).

5. Trade and other receivables

	31 December 2016 GBP	31 December 2015 GBP
Trade debtors	411,549	636,113
Prepayments	72,628	118,537
Other debtors	139,988	79,283
Deposits	134,600	131,358
VAT recoverable	44,941	151,010
Deferred tax	-	166,080
	<u>803,705</u>	<u>1,282,381</u>

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 a general allowance for doubtful receivables of £24,000 (2015: £24,000) and as such there is no specific provision to disclose against any aging category.

LED Hut Fulfilment Services Ltd**Notes to the financial statements
for the year ended 31 December 2016****5. Trade and other receivables (continued)**

The ageing profile of trade receivables is shown below:-

	2016	2015
	GBP	GBP
Current	192,747	258,673
31-60 days old	71,469	242,947
60-90 days old	76,098	113,933
Over 90 days	95,235	44,560
	435,549	660,113
Opening allowance	(24,000)	(5,000)
Movement in year	-	(19,000)
	411,549	636,113

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 £298,034 (December 2015: £11,152).

7. Equity**7.1 Share capital**

	2016	2015
	GBP	GBP
Issued, allotted and fully paid		
1 Ordinary share of £1 each	1	1

The share capital of LED Hut Fulfilment Services Limited consists only of one fully paid ordinary share with a nominal value of £1 per share.

7.2 Retained earnings

This includes all current and prior period retained profits and losses.

8. Accruals and other liabilities

	31 December	31 December
	2016	2015
	GPB	GPB
Accruals and other liabilities	210,908	1,452,824
Amounts owed to group companies	3,559,784	3,337,490
	3,770,692	4,790,314

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2016

9. Taxation

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

Tax charge

	Year ended 31 December 2016 GBP	7 month period ended 31 December 2015 GBP
UK Corporation tax	-	-
Deferred tax	<u>187,633</u>	<u>(199,390)</u>
	<u>187,633</u>	<u>(199,390)</u>
Loss on ordinary activities before tax	(1,335,543)	(1,089,217)
Tax on loss on ordinary activities at 20% (2016 : 20%)	(267,109)	(217,843)
<i>Effects of:</i>		
Fixed asset differences	2,616	-
Expenses not deductible for tax purposes	6,414	-
Group relief	19,755	-
Adjustments in respect of prior periods	15,525	-
Deferred tax not recognised	366,319	-
Other short term timing differences	44,113	18,453
Total tax charge/(credit) for period	<u>187,633</u>	<u>(199,390)</u>

Deferred taxation

	Deferred tax GBP
At 31 December 2015	(166,080)
Charged to the Statement of Comprehensive Income	172,108
Adjustment in respect of prior periods	15,525
At 31 December 2016	<u>21,553</u>

The deferred tax (asset)/liability is made up as follows:

	Year ended 31 December 2016 GBP	7 month period ended 31 December 2015 GBP
Accelerated capital allowances	27,078	46,726
Short term timing differences	(5,525)	4,140
Losses and other deductions	-	(208,666)
	<u>21,553</u>	<u>(199,390)</u>

LED Hut Fulfilment Services Ltd.**Notes to the financial statements
for the year ended 31 December 2016****10. Warranty provision**

	Warranty GPB
Provision at 31 December 2015	124,345
Net movement in the year	<u>62,075</u>
Provision at 31 December 2016	<u><u>186,420</u></u>

11. Administrative expenses

	Year ended 31 December 2016 GPB	7 month period ended 31 December 2015 GPB
Administration staff salaries and benefits	1,937,618	1,010,677
Social security costs	186,236	83,071
Property costs	398,458	123,891
Depreciation of property, plant and equipment	97,170	41,638
Other expenses	986,244	243,453
	<u><u>3,605,726</u></u>	<u><u>1,502,730</u></u>

Included in the administration staff salaries and benefits is remuneration and other benefits for key management personnel that totaled £72,498 (December 2015: £nil). 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 53 (December 2015: 49).

Key management personnel are not remunerated through the company.

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.

LED Hut Fulfilment Services Ltd

Notes to the financial statements for the year ended 31 December 2016

12. Financial Assets and Liabilities (continued)

Currency risk management

The Company is exposed to currency exchange rates through its overseas purchases which are primarily denominated in US dollars and Euros. To mitigate the exposure to foreign currency risk, cash flows are monitored and forward exchange contracts are entered into in accordance with the Company's risk management policies.

At the year end a forward exchange contract was in place to mitigate the currency risk in relation to US dollars. The risk in relation to Euros was not significant to the Company. As such sensitivity analysis is not disclosed.

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 year and prior financial period, 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.

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 2016 GPB	31 December 2015 GPB
Within one year	124,438	129,280
More than 1 year and less than 5 years	107,558	7,069
	<u>231,996</u>	<u>136,348</u>

14. Capital commitments

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

LED Hut Fulfilment Services Ltd

**Notes to the financial statements
for the year ended 31 December 2016**

15. Related party transactions and ultimate controlling party

During the year the parent company LED Hut Limited, which is incorporated in Jersey provided services to the company. The net sum charged during the period was £878,267 (December 2015 : £1,567,736) and the balance owed to LED Hut Limited at the reporting date was £3,555,145 (December 2015 : £3,337,490).

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.

16. Post Balance Sheet Events

No significant events occurred between 31 December 2016 and the date of issue.