

Company registration number: 06862887

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED

31 MARCH 2018

**GIFT UNIVERSE GROUP
LIMITED**



MENZIES
BRIGHTER THINKING

GIFT UNIVERSE GROUP LIMITED

COMPANY INFORMATION

Directors	V Corner P Kraftman P Martin
Registered number	06862887
Registered office	The Atrium Curtis Road Dorking Surrey RH4 1XA
Independent auditors	Menzies LLP Chartered Accountants & Statutory Auditor Victoria House 50-58 Victoria Road Farnborough Hampshire GU14 7PG

GIFT UNIVERSE GROUP LIMITED

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GIFT UNIVERSE GROUP LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018

Introduction

The principal activity of Gift Universe Group Limited is the holding company of a group of companies whose principal activities are those of the operation of retail stores and website for the sale of gifts and gadgets.

Business review

Although we are pleased with the increase in the group turnover to £66.9m from £64.1m, this was primarily driven by lower margin like for like growth from ecommerce and wholesale which resulted in a decrease in EBITDA to £3.3m from £5.7m before unrealised losses on forward contract valuations.

During the year we have repaid the remainder of our term loan used to acquire RED5 and The Source, and the company is now free of any fixed long-term bank debt.

Bricks and mortar retail continued to be challenging and although to a great extent our business model protects us, we had some legacy loss-making stores trading through this period. We are pleased to confirm that post year end we have divested ourselves of the majority of these and the full benefit of this will be realised in 2019-20.

In addition, we have taken the opportunity to write down legacy stock of £536k which we have included within the cost of sales and going forward we have made improvements to our supply chain which has resulted in a significant reduction in our total stock levels and working capital funding requirements.

Consumer confidence remains low driven by uncertainty surrounding Brexit; we are taking steps to respond to the structural changes in the way people shop by continuing to invest in ecommerce and omni-channel to create a unified cross channel experience, with a particular focus on customer loyalty and retention.

Principal risks and uncertainties

The company's principal financial instruments comprise bank balances, trade creditors and loans. The main purpose of these instruments is to raise funds for the company's operations. The company's approach to managing the risk applicable to the financial instruments concerned are as follows:

In respect to bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest should it be considered necessary.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due and to ensure loan repayments are met on time.

The company has a sufficiently strong balance sheet at the year end with sufficient cash reserves to meet forthcoming requirements.

The group mitigates risk from exchange rate fluctuations by utilising forward contracts to provide certainty as to costs incurred from foreign suppliers. In accordance with accounting standards, a fair value exercise is undertaken at the year end to value the remaining forward contracts. Due to the exchange rate position as at the year end, the financial statements are showing an unrealised loss on forward contracts of £958,668. This loss was never realised and post year end has moved positively and as at 30 November 2018, the group was showing a unrealised profit on these contracts of £652k. Accordingly, this unrealised loss is excluded from our key EBITDA financial performance indicator mentioned below.

Future Developments

The Directors will continue to develop the business along similar lines to those followed in previous years.

GIFT UNIVERSE GROUP LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

Financial key performance indicators

The key financial performance indicators are as follows:

	2018	2017
Turnover	£ 66,909,572	£ 64,050,867
Turnover Growth	4.5%	13%
Earnings Before Interest, Tax, Depreciation, unrealised loss on forward contracts	3,298,619	5,712,681

This report was approved by the board and signed on its behalf by:



P Kraftman
Director

Date: 21st December 2018

GIFT UNIVERSE GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

Directors' responsibilities statement

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £272,298 (2017 - £2,904,284).

Directors

The directors who served during the year were:

V Corner
P Kraftman
P Martin

Going Concern

The Directors have a reasonable expectation that the Group has adequate resources to continue operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Future developments

The Directors will continue to develop the business along similar lines to those followed in previous years.

Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the company. This is achieved through regular contact by management with employees both over electronic communications and formal and informal communications.

GIFT UNIVERSE GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

Disabled employees

The company does not discriminate against disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Matters covered in the strategic report

The company has chosen in accordance with Section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out within the company's Strategic Report the Company's Strategic Report Information required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008. This includes information that would have been included in the business review and details of the principle risks and uncertainties.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

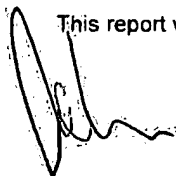
Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

Under section 487(2) of the Companies Act 2006, Menzies LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf by:



P Kraftman
Director

Date: 21st December 2018

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GIFT UNIVERSE GROUP LIMITED

Opinion

We have audited the financial statements of Gift Universe Group Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2018, which comprise the Group Statement of Income and Retained Earnings, the Group and company Statements of Financial Position, the Group Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GIFT UNIVERSE GROUP LIMITED (CONTINUED)

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GIFT
UNIVERSE GROUP LIMITED (CONTINUED)

Use of our report

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 Auditors' 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.



Roberto Lobue FCA (Senior Statutory Auditor)

for and on behalf of
Menzies LLP

Chartered Accountants
Statutory Auditor

Victoria House
50-58 Victoria Road
Farnborough
Hampshire
GU14 7PG

Date: 21/12/18

GIFT UNIVERSE GROUP LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £	2017 £
Turnover	4	66,909,572	64,050,867
Cost of sales		(36,260,033)	(31,353,049)
Gross profit		30,649,539	32,697,818
Distribution costs		(1,262,422)	(2,289,914)
Administrative expenses		(27,656,277)	(26,040,098)
Exceptional administrative expenses		-	(359,298)
Forward contract valuation	5	(958,668)	101,832
Operating profit	5	772,172	4,110,340
Interest payable and expenses	9	(281,423)	(261,817)
Profit before tax		490,749	3,848,523
Tax on profit	10	(218,451)	(944,239)
Profit after tax		272,298	2,904,284
Retained earnings at the beginning of the year		9,484,042	6,829,758
		9,484,042	6,829,758
Profit for the year attributable to the owners of the parent		272,298	2,904,284
Dividends declared and paid		(250,000)	(250,000)
Retained earnings at the end of the year		9,506,340	9,484,042

Earnings Before Interest, Tax, Depreciation, Amortisation, unrealised loss on forward contracts was £3,298,619 (2017: £5,712,681).

The notes on pages 13 to 30 form part of these financial statements.

GIFT UNIVERSE GROUP LIMITED
REGISTERED NUMBER:06862887

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	13	3,315,623	3,747,347
Tangible assets	14	3,230,689	2,841,443
		<u>6,546,312</u>	<u>6,588,790</u>
Current assets			
Stocks	16	7,852,439	8,067,410
Debtors: amounts falling due within one year	17	6,746,037	5,836,886
Cash at bank and in hand	18	1,672,184	1,624,970
		<u>16,270,660</u>	<u>15,529,266</u>
Creditors: amounts falling due within one year	19	(12,034,644)	(11,036,123)
Net current assets		<u>4,236,016</u>	<u>4,493,143</u>
Total assets less current liabilities		<u>10,782,328</u>	<u>11,081,933</u>
Creditors: amounts falling due after more than one year	20	(692,383)	(966,660)
Provisions for liabilities			
Deferred taxation	23	(6,605)	(54,231)
		<u>(6,605)</u>	<u>(54,231)</u>
Net assets		<u>10,083,340</u>	<u>10,061,042</u>
Capital and reserves			
Called up share capital	24	577,000	577,000
Profit and loss account	25	9,506,340	9,484,042
		<u>10,083,340</u>	<u>10,061,042</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



P Kraftman
 Director

Date: 21st December 2018

The notes on pages 13 to 30 form part of these financial statements.

GIFT UNIVERSE GROUP LIMITED
REGISTERED NUMBER:06862887

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	15	<u>7,827,197</u>	<u>7,777,197</u>
		7,827,197	7,777,197
Creditors: amounts falling due within one year	19	<u>(6,950,197)</u>	<u>(6,900,197)</u>
Net current liabilities		(6,950,197)	(6,900,197)
Total assets less current liabilities		877,000	877,000
Creditors: amounts falling due after more than one year	20	<u>(300,000)</u>	<u>(300,000)</u>
Net assets		577,000	577,000
Capital and reserves			
Called up share capital	24	<u>577,000</u>	<u>577,000</u>
		577,000	577,000

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Income and Retained Earnings in these financial statements. The profit after tax of the parent company for the year was £250,000 (2017 - £265,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


P Kraftman
 Director

Date: 21st December 2018

The notes on pages 13 to 30 form part of these financial statements.

GIFT UNIVERSE GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	272,299	2,919,284
Adjustments for:		
Amortisation of intangible assets	465,260	456,663
Depreciation of tangible assets	1,102,499	1,145,403
Loss on disposal of intangible assets	10,150	
Interest paid	281,423	243,045
Taxation charge	218,451	944,239
Decrease/(increase) in stocks	214,971	(2,544,245)
(Increase)/decrease in debtors	(697,293)	39,835
Increase/(decrease) in creditors	1,613,884	(3,198,964)
Corporation tax (paid)	(751,049)	(1,235,204)
Net cash generated from operating activities	2,730,595	(1,229,944)
Cash flows from investing activities		
Purchase of intangible fixed assets	(50,000)	(10,500)
Purchase of tangible fixed assets	(1,137,542)	(1,593,384)
HP interest paid	(64,478)	(19,969)
Assets acquired on acquisition of subsidiary		(91,799)
Net cash from investing activities	(1,252,020)	(1,715,652)

GIFT UNIVERSE GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

	2018 £	2017 £
Cash flows from financing activities		
New secured loans		1,749,731
Repayment of loans	(2,000,080)	
Repayment of finance lease	(248,087)	363,320
Dividends paid	(250,000)	(250,000)
Interest paid	(201,945)	(223,077)
Preference share dividend paid	(15,000)	(15,000)
Net cash used in financing activities	(2,715,112)	1,624,974
Net (decrease) in cash and cash equivalents	(1,236,537)	(1,320,622)
Cash and cash equivalents at beginning of year	(210,350)	1,110,272
Cash and cash equivalents at the end of year	(1,446,887)	(210,350)
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,672,184	1,624,968
Bank overdrafts	(3,119,071)	(1,835,318)
	(1,446,887)	(210,350)

The notes on pages 13 to 30 form part of these financial statements.

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. General information

Gift Universe Group Limited is a private company limited by shares, incorporated in England. The address of the registered office, which is the same as its principal place of business, is disclosed on the company information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Income and Retained Earnings in these financial statements.

2.2 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Income and Retained Earnings from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.4 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Income and Retained Earnings over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	10	years
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10 years is considered to be appropriate as the basis to amortise the goodwill over because it is the average life of contracts acquired.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Long-term leasehold property	-	20% on cost
Plant and machinery	-	33% on cost
Fixtures and fittings	-	15% to 50% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Income and Retained Earnings.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Income and Retained Earnings.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.9 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.10 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.11 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Income and Retained Earnings on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.12 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets.

Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives.

Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated Statement of Income and Retained Earnings so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.13 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits ;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.15 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the accounts recognised in the financial statements are described below.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying of assets and liabilities within the next financial year are as follows :

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider factors including the current credit rate of the debtor, the ageing profile of debtors and historical experience.

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual value are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 14 for the carrying amount of the tangible fixed assets.

The group makes an estimate of the realisable value of stock, with a general provision made based on a percentage of sales made throughout the course of the year.

There were no other key sources of estimation uncertainty.

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Sales of goods	66,909,572	64,050,867
	<u>66,909,572</u>	<u>64,050,867</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	65,683,656	63,618,448
Rest of World	1,225,916	432,419
	<u>66,909,572</u>	<u>64,050,867</u>

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

5. Operating profit

The operating profit is stated after charging:

	2018	2017
	£	£
Exchange differences and forward contract valuation	990,403	185,026
Other operating lease rentals	<u>6,491,786</u>	<u>6,435,974</u>

The group mitigates risk from exchange rate fluctuations by utilising forward contracts to provide certainty as to costs incurred from foreign suppliers. In accordance with accounting standards, a fair value exercise is undertaken at the year end to value the remaining forward contracts. Due to the exchange rate position as at the year end, the financial statements are showing an unrealised loss on forward contracts of £958,668. This loss was never realised and post year end has moved positively and as at 30 November 2018, the group was showing a unrealised profit on these contracts of £652k.

6. Auditors' remuneration

	2018	2017
	£	£
Fees payable to the Group's auditor for the audit of the Group's annual accounts	<u>6,450</u>	<u>4,500</u>
	6,450	4,500
Fees payable to the Group's auditor and its associates in respect of:		
Audit of subsidiaries	41,503	41,986
Other services relating to taxation	7,025	6,810
Accounts preparation	<u>10,993</u>	<u>10,656</u>

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Wages and salaries	9,477,014	9,531,955	-	-
Social security costs	569,510	277,078	-	-
Cost of defined contribution scheme	96,411	41,447	-	-
	10,142,935	9,850,480	-	-

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Stores	785	733
Online	10	5
Wholesale	5	4
Warehouse	35	20
Head office	38	47
Directors	3	3
	876	812

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	224,172	254,859
Amounts paid to third parties in respect of directors' services	10,000	10,000
	234,172	264,859

The highest paid director received remuneration of £224,172 (2017 - £205,246).

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

9. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	201,945	225,479
Preference share dividends	15,000	15,000
Finance leases and hire purchase contracts	64,478	21,338
	<u>281,423</u>	<u>261,817</u>

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	266,077	969,011
Adjustments in respect of previous periods	-	23,879
	<u>266,077</u>	<u>992,890</u>
Total current tax	<u>266,077</u>	<u>992,890</u>
Deferred tax		
Origination and reversal of timing differences	(47,626)	(48,651)
Total deferred tax	<u>(47,626)</u>	<u>(48,651)</u>
Taxation on profit on ordinary activities	<u>218,451</u>	<u>944,239</u>

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	490,749	3,848,523
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	93,242	769,705
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	88,399	91,263
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	10,548	(3,868)
Depreciation of assets ineligible for capital allowances	39,140	63,260
Changes in tax rates on deferred tax	4,186	-
Over/under provision	(17,064)	23,879
Total tax charge for the year	218,451	944,239

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

11. Dividends

	2018 £	2017 £
Ordinary Share Dividends	250,000	250,000
	250,000	250,000

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

12. Exceptional items

	2018 £	2017 £
Warehouse closure costs	-	359,298
	-	359,298

In the previous period exceptional costs represented additional, one-off expenditure on staff, carriage and other operational costs as a result of bringing all fulfilment and distribution in-house having previously used third party providers for Menkind. This was driven by the need to improve the customer focus of this function made all the more important by the increase in ecommerce and wholesale distribution.

13. Intangible assets

Group

	Development £	Goodwill £	Total £
Cost			
At 1 April 2017	26,290	4,643,492	4,669,782
Additions	-	50,000	50,000
Disposals	(10,500)	-	(10,500)
Transfer between classes	(15,790)	-	(15,790)
At 31 March 2018	-	4,693,492	4,693,492
Amortisation			
At 1 April 2017	9,824	912,610	922,434
Charge for the year	-	465,260	465,260
On disposals	(350)	-	(350)
Transfer between classes	(9,474)	-	(9,474)
At 31 March 2018	-	1,377,870	1,377,870
Net book value			
At 31 March 2018	-	3,315,622	3,315,622
At 31 March 2017	16,466	3,730,882	3,747,348

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

14. Tangible fixed assets

Group

	Long-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 April 2017	737,431	1,502,902	6,082,566	8,322,899
Additions	110,628	264,411	762,503	1,137,542
Transfers between classes	-	15,790	-	15,790
Contribution adjustment	-	-	1,340,190	1,340,190
At 31 March 2018	<u>848,059</u>	<u>1,783,103</u>	<u>8,185,259</u>	<u>10,816,421</u>
Depreciation				
At 1 April 2017	537,812	828,892	4,114,750	5,481,454
Charge for the year	67,297	218,115	817,087	1,102,499
Transfers between classes	-	9,474	-	9,474
Contribution adjustment	-	-	992,305	992,305
At 31 March 2018	<u>605,109</u>	<u>1,056,481</u>	<u>5,924,142</u>	<u>7,585,732</u>
Net book value				
At 31 March 2018	<u>242,950</u>	<u>726,622</u>	<u>2,261,117</u>	<u>3,230,689</u>
At 31 March 2017	<u>199,619</u>	<u>674,010</u>	<u>1,967,816</u>	<u>2,841,445</u>

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

14. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	2017 £
Furniture, fittings and equipment	451,053	724,006
Computer equipment	480,598	410,043
	<u>931,651</u>	<u>1,134,049</u>

15. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Menkind Seasonal Limited	Ordinary	100 %	Dormant
Gadget Grotto Limited	Ordinary	100 %	Online retailer of giftware
Gift Universe Limited	Ordinary	100 %	Dormant
Gift Universe (Wholesale) Limited	Ordinary	100 %	Dormant
Gift Universe Management Limited	Ordinary	100 %	Management company
Menkind Limited	Ordinary	100 %	Retail of giftware
Menkind Properties UK Limited	Ordinary	100 %	Dormant
Red 5 (Retail) Limited	Ordinary	100 %	Retail of giftware
The Source Wholesale Limited	Ordinary	100 %	Stock wholesaler
Treat Factory Limited	Ordinary	100 %	Stock wholesaler
Menkind Group Limited	Ordinary	100 %	Dormant
Menkind Retail Limited	Ordinary	100 %	Dormant
Menkind Stores Limited	Ordinary	100 %	Dormant
Red 5 Limited	Ordinary	100 %	Dormant

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

15. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2017	7,777,197
Additions	50,000
At 31 March 2018	<u>7,827,197</u>
Net book value	
At 31 March 2018	<u>7,827,197</u>
At 31 March 2017	<u>7,777,197</u>

16. Stocks

	Group 2018 £	Group 2017 £
Finished goods and goods for resale	7,852,439	8,067,407
	<u>7,852,439</u>	<u>8,067,407</u>

Stock recognised in cost of sales during the year as an expense was £29,624,106 (2017 - £24,148,193).

17. Debtors

	Group 2018 £	Group 2017 £
Trade debtors	2,114,709	853,138
Other debtors	1,882,331	1,787,356
Prepayments and accrued income	2,548,539	3,196,391
Tax recoverable	200,458	-
	<u>6,746,037</u>	<u>5,836,885</u>

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

18. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	1,672,185	1,624,968	-	-
Less: bank overdrafts	(3,119,071)	(1,835,318)	(8,493)	(64,458)
	<u>1,446,886</u>	<u>(210,350)</u>	<u>(8,493)</u>	<u>(64,458)</u>

19. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank overdrafts	3,119,071	1,835,318	8,493	64,458
Bank loans	-	2,000,080	-	2,000,000
Trade creditors	5,593,503	3,496,546	-	-
Amounts owed to group undertakings	-	-	6,941,704	4,630,739
Corporation tax	-	284,511	-	-
Other taxation and social security	131,447	187,558	-	-
Obligations under finance lease and hire purchase contracts	636,904	610,713	-	-
Other creditors	1,379,382	350,718	-	205,000
Accruals and deferred income	1,174,337	2,270,677	-	-
	<u>12,034,644</u>	<u>11,036,121</u>	<u>6,950,197</u>	<u>6,900,197</u>

Included within other creditors is a derivative financial instrument of £725,455 (2017: debtor of £223,213) which is measured at fair value, with a change in valuation of £958,668 (2017: -£101,832) recognised in the Statement of Income and Retained Earnings.

20. Creditors: Amounts falling due after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Net obligations under finance leases and hire purchase contracts	392,383	666,660	-	-
Share capital treated as debt	300,000	300,000	300,000	300,000
	<u>692,383</u>	<u>966,660</u>	<u>300,000</u>	<u>300,000</u>

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2018 £	Group 2017 £
Within one year	636,904	609,440
Between 1-5 years	392,382	497,820
Between 2 - 5 years		168,836
	<u>1,029,286</u>	<u>1,276,096</u>

22. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets				
Financial assets measured at fair value through profit or loss	-	223,213	-	-
Financial assets that are debt instruments measured at amortised cost	3,575,388	2,417,281	-	-
Financial assets that are equity instruments measured at cost less impairment	-	-	7,827,197	7,777,197
	<u>3,575,388</u>	<u>2,640,494</u>	<u>7,827,197</u>	<u>7,777,197</u>
Financial liabilities				
Derivative financial instruments measured at fair value through profit or loss	(725,455)	-	-	-
Other financial liabilities measured at fair value through profit or loss	-	-	-	-
Financial liabilities measured at amortised cost	(11,342,701)	(11,230,712)	(6,950,197)	(6,900,277)
	<u>(12,068,156)</u>	<u>(11,230,712)</u>	<u>(6,950,197)</u>	<u>(6,900,277)</u>

Financial assets measured at fair value through profit or loss comprise forward contracts.

Financial assets measured at amortised cost comprise trade debtors and other debtors.

Financial assets that are equity instruments measured at cost less impairment comprise fixed asset investments.

Financial liabilities measured at amortised cost comprise bank overdrafts, bank loans, trade creditors, hire purchase, accruals and other creditors.

Derivative financial instruments measured at fair value comprise of forward contracts.

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

23. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	(54,231)	(102,882)
Charged to profit or loss	47,626	48,651
At end of year	(6,605)	(54,231)
	Group 2018 £	Group 2017 £
Accelerated capital allowances	(6,605)	(54,231)
	(6,605)	(54,231)

24. Share capital

	2018 £	2017 £
Shares classified as equity		
Allotted, called up and fully paid		
577,000 (2017 - 577,000) Ordinary Share Capital shares of £1.00 each	577,000	577,000
	2018 £	2017 £
Shares classified as debt		
Allotted, called up and partly paid		
300,000 (2017 - 300,000) Preference Share Capital shares of £1.00 each	300,000	300,000

25. Reserves

Profit and loss account

This reserve records retained earnings and accumulated losses.

GIFT UNIVERSE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

26. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £96,411 (2017 - £41,448). Contributions totalling £35,259 (2017 - £15,224) were payable to the fund at the reporting date.

27. Commitments under operating leases

At 31 March 2018 the Group and the company had future minimum lease payments under non-cancellable operating leases on property as follows:

	Group 2018	Group 2017
	£	£
Not later than 1 year	3,653,703	3,477,966
Later than 1 year and not later than 5 years	8,160,561	8,073,560
Later than 5 years	4,419,987	1,734,225
	<u>16,234,251</u>	<u>13,285,751</u>

28. Related party transactions

Included within other creditors are amounts of £nil (2017: £205,000) payable to the directors and shareholders

The directors consider key management personnel remuneration to be equal to directors remuneration disclosed in note 8.

29. Controlling party

The group is considered to be controlled by P Kraftman by virtue of his shareholding.