

Lornamead UK Limited
Annual report and financial statements
Year ended 31 December 2015

Company number 01766292

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Lornamead UK Limited

Annual report and financial statements for the year ended 31 December 2015

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Directors and advisers for the year ended 31 December 2015

Directors

RS Lister
N A Cottrell

Registered office

Centenary House
Centenary Way
Salford
Manchester
M50 1RF

Company number

01766292

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL

Lornamead UK Limited

Strategic report for the year ended 31 December 2015

The directors present their Strategic report for the year ended 31 December 2015.

Principal activities and future developments

The principal activities of the company are the distribution, marketing and sales in the UK and export of fragrances, toiletries, cosmetics, private label, beauty and personal care products.

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

Results and dividends

The company's profit for the financial year ended is £1,611,000 (2014: £2,190,000). The directors paid an interim dividend of £1,300,000 (2014: £nil) and do not recommend the payment of a final dividend (2014: £nil).

Following the recent changes to UK GAAP, the Directors have elected to present the financial statements under FRS101, 'Reduced Disclosure Framework'. These changes have had no impact on the 2014 figures previously reported under UK GAAP.

Review of the business and future developments

The results for the year ended 31 December 2015 are summarised as follows:

	£'000
Operating profit	2,158
Income from shares in group undertakings	134
Amounts written off investments in subsidiaries	(134)
Finance costs	(58)
Profit on ordinary activities before taxation	2,100
Tax on profit on ordinary activities	(489)
Profit for the financial year	1,611

Sales for the year ended 31 December 2015 are 8% lower than the previous year whilst gross margins decreased from 39% to 35%. This, with tight control on costs which reduced by 13%, resulted in an operating profit before amortisation of £2,660,000 (2014: £3,384,000).

The strategy continues to be to maximise sales growth for the brands in the existing markets and carefully manage costs.

Key Performance Indicators

The board drives business performance through the setting of clearly defined and measured key performance indicators (KPIs), taking appropriate action where required to enhance the financial results of the business.

The key areas of focus are:

- Net sales of key brands and how these compare to budget and prior period.
- Gross margins of brands' individual products and how these compare to budget and prior period.
- Spend on overheads and third party services, the absolute amounts, and how they compare to budget and prior period as expressed as percent of net sales.
- Stock in absolute and stock days cover, including trends.
- Debtors in absolute and debtor days, including trends.
- Customer service as a guide to how many orders are handled perfectly.

Lornamead UK Limited

Strategic report for the year ended 31 December 2015 (*continued*)

Principal risks and uncertainties

The business operates in the highly competitive personal care industry. The company will continue to develop its brands by bringing new products to existing markets and by continuing to bring our existing brands into new markets. As the company has grown, it has reduced the risk to its overall earnings by any major competitive activity on any individual brand, or from a downturn in one of the major economies we trade in.

There is an element of uncertainty resulting from Brexit, the impact of which is difficult to predict. The directors are currently monitoring the situation.

Financial risk management

The company minimises exchange risk by sourcing most of its product from local suppliers. The exceptions to this rule are products that are made in the US for the UK market. The directors acknowledge this exposure, monitor it and adapt hedging strategies as appropriate.

The company has taken loans in currencies in proportion to the underlying cash flows in the overall business. The company's functional currency is pounds sterling and therefore the company makes foreign currency gains and losses on US\$ and Euro based loans. Although this gives rise to a risk in the UK it also creates a natural hedge between the debt carried by the group and the underlying expected cash generation.

Most of the company's credit risk is attributable to trade debtors. Most of its business is carried out with large blue chip retailers, but where it trades with smaller companies it does perform credit checks and monitor payments daily against contractual arrangements.

The company monitors cash flow as part of its day to day control procedures. The board considers cash flow projections on a monthly basis and ensures that appropriate facilities are available to be drawn upon as necessary.

On behalf of the Board



N A Cottrell

Director

30 September 2016

Lornamead UK Limited

Directors' report for the year ended 31 December 2015

The directors present their Directors' report together with the audited financial statements for the year ended 31 December 2015.

General information

The company is a private company limited by shares and is incorporated and domiciled in the UK.

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

RS Lister
N A Cottrell

The company maintains liability insurance for its directors and officers. By virtue of the articles of association, the company has also provided indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Policy and practice on payment of creditors

The company is a registered supporter of the Better Payment Practice Group's 'Better Payment Practice Code' to which it subscribes when dealing with all of its suppliers. Copies of the Better Payment Practice Group's code are available from the Department for Business, Innovation & Skills (BIS). Trade creditors at the year end represented 62 days (2014: 60 days) of purchases. It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

Results, dividends, future plans, KPIs and financial risk management

Results, dividends, future plans, KPIs and financial risk management are covered in the Strategic report.

Charitable and political donations

There have been no donations in 2015 (2014: £nil).

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Lornamead UK Limited

Directors' report for the year ended 31 December 2015 (*continued*)

Disclosure of information to auditors

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

On behalf of the board



N A Cottrell

Director

30 September 2016

Lornamead UK Limited

Independent auditors' report to the members of Lornamead UK Limited

Report on the financial statements

Our opinion

In our opinion, Lornamead UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its 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.

What we have audited

The financial statements, included within the Annual Report and financial statements (the "Annual report"), comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Income Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Lornamead UK Limited

Independent auditors' report to the members of Lornamead UK Limited (*continued*)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Randal Casson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

30 September 2016

Lornamead UK Limited
Income statement
for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Turnover	2	23,996	26,177
Cost of sales		(15,549)	(16,021)
Gross profit		8,447	10,156
Administrative expenses		(6,304)	(7,264)
Other operating income	5	15	13
Operating profit before exceptional items and amortisation		2,660	3,384
Amortisation of trademarks and goodwill	6	(502)	(479)
Operating profit	6	2,158	2,905
Income from shares in group undertakings		134	-
Amounts written off investments		(134)	-
Finance income	7	-	421
Finance costs	8	(58)	(315)
Profit on ordinary activities before taxation		2,100	3,011
Income tax expense on profit on ordinary activities	9	(489)	(821)
Profit for the financial year		1,611	2,190

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

The company has no other comprehensive income other than the profit above and therefore no separate statement of comprehensive income has been presented.

Lornamead UK Limited

Statement of financial position as at 31 December 2015

	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed assets					
Intangible assets	10		335		837
Property, plant and equipment	11		9		25
Investments in subsidiaries	12		-		134
			344		996
Current assets					
Inventory	13	2,559		4,181	
Trade and other receivables		2,905		3,048	
Cash and cash equivalents		1,660		126	
		7,124		7,355	
Creditors: amounts falling due within one year	15	(5,006)		(6,200)	
Net current assets			2,118		1,155
Total assets less current liabilities			2,462		2,151
Net assets			2,462		2,151
Capital and reserves					
Called up share capital	17		-		-
Capital redemption reserve			980		980
Profit and loss account			1,482		1,171
Total shareholders' funds			2,462		2,151

The financial statements were approved by the board of directors on 30 September 2016 and were signed on its behalf by:



N A Cottrell

Director

Lornamead UK Limited

Registered Number 01766292

Lornamead UK Limited

Statement of changes in equity for the year ended 31 December 2015

	Called-up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance as at 1 January 2014	-	980	(1,019)	(39)
Profit for the financial year	-	-	2,190	2,190
Total comprehensive income for the year	-	-	2,190	2,190
Balance as at 1 January 2015	-	980	1,171	2,151
Profit for the financial year	-	-	1,611	1,611
Total comprehensive income for the year	-	-	1,611	1,611
Dividend paid	-	-	(1,300)	(1,300)
Total transactions recognised directly in equity	-	-	(1,300)	(1,300)
Balance as at 31 December 2015	-	980	1,482	2,462

Lornamead UK Limited

Notes forming part of the financial statements for the year ended 31 December 2015

1 Statement of accounting policies

Summary of significant accounting policies

The principal accounting policies, which have been applied consistently throughout the year, unless otherwise stated, are set out below.

Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly in the year ended 31 December 2015 the company has undergone transition from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101, 'Reduced Disclosure Framework'. The transition has had no impact on the previously reported UK GAAP comparatives.

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, as applicable to companies adopting FRS101. The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial instruments: Disclosures'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - (i) 10(d), (statement of cash flows)
 - (ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - (iii) 16 (statement of compliance with all IFRS),
- IAS 7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of the group.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

Critical accounting estimates and assumptions

Inventory provisioning

The company designs, manufactures and sells personal care products and is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2015, other than the adoption of FRS101, have had a material impact on the company.

Lornamead UK Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (*continued*)

I Statement of accounting policies (continued)

Consolidation

The financial statements contain information about Lornamead UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it, and its subsidiary undertakings, are included by full consolidation in the consolidated financial statements of its parent, Li & Fung Limited, a company incorporated in Bermuda.

Foreign currency translation

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Investment in subsidiaries

A subsidiary is a company in which the company, direct or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of the subsidiary are accounted for by the company on the basis of dividends received and receivable.

Property, plant and equipment

Tangible assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on a straight line basis to write off the cost of tangible fixed assets less estimated residual value over their estimated useful lives as follows:

Plant and machinery	10 years
Fixtures and fittings	10 years

The expected useful lives of the assets to the business are reassessed periodically in the light of experience.

Trademarks

Trademarks are capitalised at cost and amortised over their estimated useful life of the licence. Amortisation is charged to administrative expenses.

The company assesses all intangible assets for impairment by comparing the carrying value of the asset against the higher of realisable value and value in use.

Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Lornamead UK Limited

Notes forming part of the financial statements for the year ended 31 December 2015 *(continued)*

1 Statement of accounting policies (continued)

Financial assets

The company has loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity.

Current and deferred income tax

The tax expense for the period comprises current tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities or as group relief to fellow subsidiary undertakings.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is intention to settle the balances on a net basis.

Leases

Rentals payable under operating leases are charges to income on a straight line basis over the term of the relevant lease. In the event that lease incentives are received to enter into an operating lease, such incentives are recognised as a liability and the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis.

Revenue recognition

Sales of goods

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; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Lornamead UK Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

1 Statement of accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Going concern

The company meets its day-to-day working capital requirements through its cash reserves and borrowings. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Employee Benefits

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave entitlements as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Discretionary bonus

The expected costs of discretionary bonus payments are recognised as a liability when the company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for discretionary bonus are expected to be settled within nine months of the year end date and are measured at the amounts expected to be paid when they are settled.

Post employment benefit obligation

The company participates in a defined contribution scheme, the assets of which are held in separate trustee – administrated funds. The company's contributions to the defined contribution scheme are charged to the income statement in the year to which the contributions relate.

2 Turnover

Turnover and profit on ordinary activities before taxation are attributable to the principal activity of the company, being the distribution, marketing and sales of fragrance, toiletries, cosmetics, private label, beauty and personal care products.

	2015 £'000	2014 £'000
Analysis of turnover by destination is given below:		
United Kingdom	23,322	24,206
Overseas	674	1,971
	<hr/> 23,996	<hr/> 26,177

Lornamead UK Limited

Notes forming part of the financial statements for the year ended 31 December 2015 *(continued)*

3 Employee information

	2015 £'000	2014 £'000
Staff costs (including directors) consist of:		
Wages and salaries	1,514	1,523
Social security costs	174	175
Other pension costs	54	56
	1,742	1,754

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

	2015 Number	2014 Number
Selling and distribution	20	20
Management and administration	3	3
	23	23

On 1 January 2014 all employment contracts were transferred to a fellow group undertaking. Services provided to this company by the former employees were recharged by the fellow subsidiary undertaking and amounted to the £1,742,000 (2014: £1,754,000) as analysed above. In addition to the above, the company also incurred a management charge from the same fellow group undertaking amounting to £450,000 (2014: £450,000), which relates to a further 10 (2014: 10) employees.

4 Directors' emoluments

During the year ended 31 December 2015 none (2014: none) of the directors received emoluments in respect of services to the company.

Lornamead UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2015 *(continued)*

5 Other operating income

	2015 £'000	2014 £'000
Royalty income	15	13

6 Operating profit

	2015 £'000	2014 £'000
Profit in ordinary activities before taxation is stated after charging/(crediting):		
Fees payable to the company's auditors for the audit of the company's annual financial statements	25	30
Services provided by the company's auditors		
– Fees payable for other services – tax compliance	8	10
Depreciation of tangible assets (note 11)	12	12
Amortisation – trademarks (note 10)	502	479
Operating lease rentals		
- land and buildings	14	14
- other	20	20

7 Finance income

	2015 £'000	2014 £'000
Foreign exchange gain on foreign currency loans	-	421

8 Finance costs

	2015 £'000	2014 £'000
Interest payable on group loans	-	250
Bank interest payable	58	65
	58	315

Lornamead UK Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

9 Tax on profit on ordinary activities

	2015 £'000	2014 £'000
<i>UK Corporation tax at 20.25% (2014: 21.5%)</i>		
Current tax on the profit for the year	488	703
Adjustments in respect of prior periods	9	87
Total current tax	497	790
Origination and reversal of timing differences	(2)	7
Adjustments in respect of prior periods	(8)	25
Effect of changes in tax rates	2	(1)
Total deferred tax	(8)	31
Income tax expense on profit on ordinary activities	489	821
 The tax assessed for the year is calculated at a rate that is higher (2014: higher) than the standard rate of corporation tax in the UK. The differences are explained below:		
	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	2,100	3,011
Profit on ordinary activities at the rate of corporation tax in the UK of 20.25% (2014: 21.5%)	426	647
Effect of:		
Adjustments in respect of prior years	1	113
Tax rate changes	2	-
Exempt amounts	60	61
Total income tax expense on profit on ordinary activities	489	821

The rate of UK main corporation tax changed from 21% (2014: 23%) to 20% (2014: 21%) from 1 April 2015 (2014: 1 April 2014) giving a composite rate of 20.25% (2014: 21.5%).

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. The overall effect of that change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £5,000 and reduce the tax credit for the period by £5,000.

Lornamead UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2015 (*continued*)

10 Intangible assets

	Trademarks £'000
Cost	
At 1 January 2015 and at 31 December 2015	12,396
Accumulated amortisation	
At 1 January 2015	11,559
Charge for the year	502
At 31 December 2015	12,061
Net book value	
At 31 December 2015	335
At 31 December 2014	837

11 Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 1 January 2015	29	27	56
Transfer to fellow subsidiary undertaking	-	(7)	(7)
Amounts written off	-	(20)	(20)
At 31 December 2015	29	-	29
Accumulated depreciation			
At 1 January 2015	14	17	31
Charge for the year	6	6	12
Transfer to fellow subsidiary undertaking	-	(3)	(3)
Amounts written off	-	(20)	(20)
At 31 December 2015	20	-	20
Net book value			
At 31 December 2015	9	-	9
At 31 December 2014	15	10	25

Lornamead UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2014 *(continued)*

12 Investments in subsidiaries	In subsidiary undertakings £'000
<i>Cost</i>	
At 1 January 2015 and Dissolved in the year	881 (881)
At 31 December 2015	-
<i>Impairment</i>	
At 1 January 2015 Dissolved in the year	747 (747)
At 31 December 2015	-
<i>Net book value</i>	
At 31 December 2015	-
At 31 December 2014	134

At the beginning of the year, the company owned 100% of the ordinary share capital of Christy Cosmetics Limited and Kuan Limited, both of which were dormant, and both of which were incorporated in Great Britain.

During the year, the two companies were put into liquidation and dissolved. A dividend of £134,000 was paid and the investment of £134,000 was written off.

13 Inventory

	2015 £'000	2014 £'000
Raw materials and consumables	13	62
Finished goods and goods for resale	2,546	4,119
	2,559	4,181

There is no material difference between the replacement cost of stock and the amounts stated above.

Lornamead UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2015 (continued)

14 Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	970	1,053
Amounts owed by group undertakings	54	21
Other receivables	1,803	1,914
Prepayments and accrued income	35	25
Deferred tax asset (note 16)	43	35
	<hr/>	<hr/>
	2,905	3,048
	<hr/>	<hr/>

Amounts owed by group undertakings were unsecured are interest free and have no fixed repayment terms.

During the year, the company continued to sell certain debts on a non-recourse basis to HSBC. At 31 December 2015, the company derecognised those trade debtors where substantially all of the risk had been transferred to the bank. At the year, these balances amounted to £4,014,000 (2014 £3,827,000).

15 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	2,261	2,293
Amounts owed to group undertakings	539	1,204
Other creditors	29	33
Taxation and social security	396	131
Group relief payable	497	790
Accruals and deferred income	1,284	1,749
	<hr/>	<hr/>
	5,006	6,200
	<hr/>	<hr/>

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment terms.

Lornamead UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2015 (*continued*)

16 Deferred taxation

The company has the following deferred taxation assets:

	2015 £'000	2014 £'000
At 1 January 2015	35	66
Origination and reversal of timing differences	2	(7)
Adjustment in respect of prior years	8	(25)
Effect of changes in tax rates	(2)	1
At 31 December 2015	43	35
	2015 £'000	2014 £'000
Tax effect of timing differences because of:		
Differences between capital allowances and depreciation	43	35
	43	35

The deferred tax assets have been included in the financial statements as there is evidence that these assets will be recoverable through future profits. There are no unrecognised deferred tax assets or liabilities.

17 Called up share capital

	2015 £	2014 £
<i>Allotted, called up and fully paid</i>		
100 (2014: 100) Ordinary shares of £1 (2014: £1) each	100	100

18 Dividends paid

	2015 £'000	2014 £'000
Equity - ordinary		
Interim paid £1,300,000 (2014: £nil); £13,000 per £1 ordinary share	1,300	-

19 Pensions

The company has no employees but receives a recharge from LF Beauty (UK) Limited, a fellow subsidiary undertaking, for the costs of employee services received. The total recharge included £54,000 (2014: £56,000) in relation to pension costs. LF Beauty (UK) Limited operates a defined contribution pension scheme whose assets are held separately from those of the company in an independently administered fund.

Lornamead UK Limited

Notes forming part of the financial statements for the year ended 31 December 2015 (continued)

20 Commitments under operating leases

At 31 December 2015, the company had total commitments under non-cancellable operating leases as set out below:

	2015 Land and buildings £'000	2015 Other £'000	2014 Land and buildings £'000	2014 Other £'000
Operating leases which expire:				
Within one year	-	2	14	20
In two to five years	-	35	-	35
	-	37	14	55

21 Related party transactions

The company has taken advantage of the exemption allowed by IAS24 'Related Party Transactions', not to disclose any transactions with entities that are included in the consolidated financial statements of Lornamead Acquisitions Limited and Li & Fung Limited.

22 Financial commitments and contingent liabilities

At 31 December 2015, the company had no financial commitments or contingent liabilities (2014: none).

23 Transition to FRS 101

This is the first year that the company has presented its results under FRS 101, 'Reduced Disclosure Framework'. The financial statements for the year ended 31 December 2014 were presented under UK GAAP. The date of transition to FRS 101 was 1 January 2014 with a requirement to restate comparative figures.

The transition to FRS 101 had no impact on the income statement for the years ending 31 December 2013 and 2014 nor on the statement of financial position as at 31 December 2013 and 2014.

24 Ultimate parent undertaking and controlling party

The company's immediate parent company is Lornamead Group Limited. The company's ultimate parent undertaking is Li & Fung Limited.

The largest and smallest group in which the results of the company are consolidated is that headed by Li & Fung Limited, the ultimate controlling party, which is listed in Hong Kong. The consolidated financial statements of this company are available to the public from Investor Relations, Li & Fung Limited, 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.