

Lornamead UK Limited

Annual report and financial statements

Nine month period ended 31 December 2013

Company Number 01766292



Lornamead UK Limited

Annual report and financial statements for the nine month period ended 31 December 2013

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Directors

RS Lister

Registered office

Centenary House
Centenary Way
Salford
Manchester
M50 1RF

Company number

01766292

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

Lornamead UK Limited

Strategic report for the nine month period ended 31 December 2013

The directors present their strategic report for the nine month period ended 31 December 2013.

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 period ended is £823,000 (year ended 31 March 2013: £239,000). The directors do not recommend the payment of a dividend (year ended 31 March 2013: £nil).

Review of the business and future developments

The results for the period ended 31 December 2013 are summarised as follows:

	£'000
Operating profit	1,349
Net interest payable and similar charges	<u>(159)</u>
Loss on ordinary activities before taxation	1,190
Taxation on profit on ordinary activities	<u>(367)</u>
Profit for the financial year	823

The results for the nine month period include the full impact of the Wipro agreement concluded in August 2012. Sales for the nine months are 70% of the previous full year. Cost of sales are only 67%. Lower sales result from the sale of the two brands to Wipro. Administrative expenses, when excluding the non-recurring costs of the previous year, are relatively unchanged.

Having now been part of the Li & Fung group for over a year the business has been integrated under a new structure and the focus will now be to maximise sales growth for the brands in the existing markets and continuing to manage the costs.

Lornamead UK Limited

Strategic report for the nine month period ended 31 December 2013 (*continued*)

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 year.
- Gross margins of brands' individual products and how these compare to budget and prior year.
- Spend on overheads and third party services, the absolute amounts, and how they compare to budget and prior year 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.

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.

Financial risk management

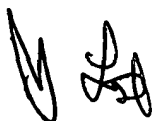
The company minimises exchange risk by sourcing most of its product from local suppliers. The exceptions to this rule are products that are made in the US for the UK market. The directors acknowledge this exposure, monitor it and adapt hedging strategies as appropriate.

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



RS Lister

Director

22 September 2014

Lornamead UK Limited

Annual report of the directors for the nine month period ended 31 December 2013 (*continued*)

The directors present their annual report together with the audited financial statements for the period ended 31 December 2013.

Directors

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

DP Famulak (resigned 23 June 2014)

RS Lister

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 period end represented 83 days (31 March 2013: 56 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 risks and uncertainties

Results, dividends, future plans, KPIs and risks and uncertainties are covered in the strategic report.

Charitable and political donations

There have been no donations in 2013 (31 March 2013: £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). 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Lornamead UK Limited

**Annual report of the directors
for the nine month period ended 31 December 2013 (continued)**

Disclosure of information to auditors

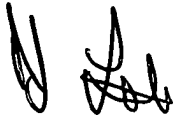
In so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the AGM.

On behalf of the Board



RS Lister

Director

22 September 2014

Lornamead UK Limited

Independent auditors' report to the members of Lornamead UK Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the period 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Lornamead UK Limited, comprise:

- the Balance sheet as at 31 December 2013;
- the Profit and loss account for the period then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

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

Opinion on 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 period 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.

Lornamead UK Limited

Independent auditors' report to the members of Lornamead UK Limited

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.

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 set out on page [5], 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 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.



Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

22 September 2014

Lornamead UK Limited

Profit and loss account for the nine month period ended 31 December 2013

	Note	Period ended 31 December 2013 £'000	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000	Year ended 31 March 2013 £'000
Turnover	2		21,185		30,382
Cost of sales			(13,565)		(20,113)
Gross profit			7,620		10,269
Administrative expenses			(6,276)		(9,626)
			1,344		643
Other operating income	5		5		458
Operating profit before exceptional items and amortisation		2,010		3,247	
Net non recurring items	6	-		(1,267)	
Amortisation of trademarks and goodwill	6	(661)		(879)	
Operating profit	6		1,349		1,101
Interest receivable and similar income	7		183		79
Interest payable and similar charges	8		(342)		(714)
Profit on ordinary activities before taxation			1,190		466
Tax on profit on ordinary activities	9		(367)		(227)
Profit for the financial period/year	21		823		239

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

The company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the period/year stated above and their historical cost equivalents.

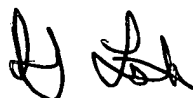
Lornamead UK Limited

Balance sheet as at 31 December 2013

		31 December 2013	31 December 2013	31 March 2013	31 March 2013
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		1,316		1,977
Tangible assets	11		37		40
Investments	12		134		134
			<hr/>		<hr/>
			1,487		2,151
Current assets					
Stocks	13	4,283		2,964	
Debtors amounts falling:					
- due within one year	14	5,665		6,292	
- due after more than one year	15	830		853	
		6,495		7,145	
Cash at bank and in hand		2,590		3,756	
		<hr/>		<hr/>	
		13,368		13,865	
Creditors: amounts falling due within one year	16	(8,570)		(7,748)	
		<hr/>		<hr/>	
Net current assets			4,798		6,117
			<hr/>		<hr/>
Total assets less current liabilities			6,285		8,268
Creditors: amounts falling due after more than one year	17		(6,324)		(9,130)
			<hr/>		<hr/>
Net liabilities			(39)		(862)
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	19		-		-
Capital redemption reserve	20		980		980
Profit and loss account	20		(1,019)		(1,842)
			<hr/>		<hr/>
Total shareholders' deficit	21		(39)		(862)
			<hr/>		<hr/>

The financial statements were approved by the board of directors on 22 September 2014 and were signed on its behalf by:

RS Lister
Director



Lornamead UK Limited

Registered Number 01766292

Lornamead UK Limited

Notes forming part of the financial statements for the nine month period ended 31 December 2013

1 Statement of accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of its intermediate parent company LF Europe Limited. The directors have received confirmation that LF Europe Limited intends to support the company for at least one year after these financial statements are signed.

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 400 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 ultimate parent, Li & Fung Limited, a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange.

In addition, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996).

Related party transactions

As the company is a wholly owned subsidiary and is included in the consolidated financial statements of Lornamead Acquisitions Limited and Li & Fung Limited (from 21 December 2012) which are publicly available, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions with entities which form part of the Lornamead and Li & Fung groups.

Turnover

Turnover is the amount derived from the provision of goods falling within the company's ordinary activities after deduction of trade discounts and value added tax. Turnover is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on delivery.

Trademarks

Trade marks are capitalised at cost and amortised over their estimated useful life of the licence.

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.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated to write off the cost of all fixed assets in equal annual instalments over their estimated useful lives at the following rates:

Computer equipment	-	25%
Plant and machinery	-	20%
Fixtures and fittings	-	10-50%

Lornamead UK Limited

Notes forming part of the financial statements for the nine month period ended 31 December (*continued*)

1 Accounting policies (*continued*)

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less additional costs to completion and disposal. Provision is made where necessary for obsolete, slow moving and defective stocks.

Investments

Fixed asset investments are stated at cost less any charge for impairment.

Impairment of fixed assets

The need for any fixed asset impairment write down is assessed by comparing the carrying value of the asset against the higher of realisable value and value in use.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Leases

All leases are operating leases and rentals payable are charged to the profit and loss account on a straight line basis.

Leases include reverse premiums and similar incentives to enter into operating lease agreements. These are initially recorded as deferred income and released to the profit and loss account over the year to date on which the rent is first expected to be adjusted to the prevailing market rate.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. All exchange differences arising are included in the profit and loss account for the year.

Pension costs

Contributions to a defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Lornamead UK Limited

Notes forming part of the financial statements for the nine month period ended 31 December 2013 (continued)

2 Turnover

Turnover and profit 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.

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Analysis of turnover by destination is given below:		
United Kingdom	18,529	25,926
Overseas	2,656	4,456
	21,185	30,382

3 Employees

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Staff costs (including directors) consist of:		
Wages and salaries	1,237	1,331
Social security costs	132	173
Other pension costs	42	55
	1,411	1,559

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

	Number	Number
Selling and distribution	20	24
Management and administration	5	8
	25	32

4 Directors' emoluments

During the period ended 31 December 2013 none (year ended 31 March 2013: none) of the directors received emoluments in respect of services to the company.

5 Other operating income

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Profit on sale of assets relating to Yardley and Woods of Windsor	-	458
Royalty income	5	-
	5	458

Lornamead UK Limited

Notes forming part of the financial statements
for the nine month period ended 31 December 2013 (continued)

6 Operating profit

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Profit in ordinary activities before taxation is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's annual financial statements	25	30
Fees payable to the company's auditor and its associates for other services:		
- taxation services	10	10
- other services payable to company's former auditors	-	26
Foreign exchange gains	(93)	(5)
Depreciation of tangible fixed assets	9	20
Amortisation - trademarks	661	879
Operating lease rentals - other	102	240
Non-recurring costs		
- alignment of accounting estimates with new parent undertaking	-	1,725
- profit on disposal of assets relating to Yardley and Woods of Windsor	-	(458)

The alignment of the accounting estimates relates primarily to stock and debtor provisioning.

7 Interest receivable and similar income

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Interest receivable on group loans	49	79
Foreign exchange gain on foreign currency loans	134	-
	183	79

8 Interest payable and similar charges

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Interest payable on group loans	342	542
Foreign exchange loss on foreign currency loans	-	172
	342	714

Lornamead UK Limited

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

9 Taxation on profit on ordinary activities

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £000
<i>UK Corporation tax</i>		
Current tax on the profit for the period/year	397	35
Adjustment in respect of prior periods	(18)	-
Total current tax	379	35
Origination and reversal of timing differences	-	84
Adjustment in respect of previous periods	(12)	106
Effect of changes in tax rate	-	2
Total deferred tax	(12)	192
Taxation charge on profit on ordinary activities	367	227

The tax assessed for the period is calculated at a rate that is different (year ended 31 March 2013: different) to the standard rate of corporation tax in the UK. The differences are explained below:

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Profit on ordinary activities before taxation	1,190	466
Profit on ordinary activities at the rate of corporation tax in the UK of 23% (31 March 2013: 24%)	274	112
Effect of:		
Expenses not deductible for tax purposes	128	127
Other short term timing differences	-	(120)
Capital allowances for year in excess of depreciation	(5)	(9)
Utilisation of tax losses	-	(75)
Adjustment in respect of prior periods	(18)	-
Current tax charge for the period/year	379	35

Lornamead UK Limited

Notes forming part of the financial statements
for the period ended 31 December 2013 (*continued*)

10 Intangible fixed assets

	Trademarks £'000
<i>Cost</i>	
At 1 April 2013	12,396
<i>Accumulated amortisation</i>	
At 1 April 2013	10,419
Charge for the year	661
At 31 December 2013	11,080
<i>Net book value</i>	
At 31 December 2013	1,316
At 31 March 2013	1,977

11 Tangible assets

	Computer equipment £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<i>Cost</i>				
At 1 April 2013	110	110	336	556
Additions	-	-	6	6
At 31 December 2013	110	110	342	562
<i>Accumulated depreciation</i>				
At 1 April 2013	99	85	332	516
Charge for the year	4	4	1	9
At 31 December 2013	103	89	333	525
<i>Net book value</i>				
At 31 December 2013	7	21	9	37
At 31 March 2013	11	25	4	40

Lornamead UK Limited

Notes forming part of the financial statements for the period ended 31 December 2013 (continued)

12 Investment in subsidiary undertakings

	£'000
<i>Cost</i>	
At 1 April 2013 and at 31 December 2013	881
<i>Impairment</i>	
At 1 April 2013 and at 31 December 2013	747
<i>Net book value</i>	
At 31 March 2013 and 31 December 2013	134

The company owns 100% of the ordinary share capital of Christy Cosmetics Limited and Kuan Limited, both of which are dormant, and both of which are incorporated in Great Britain.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

13 Stocks

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Raw materials and consumables	50	77
Finished goods and goods for resale	4,233	2,887
	<u>4,283</u>	<u>2,964</u>

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

14 Debtors – amounts falling due within one year

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Trade debtors	3,894	6,037
Amounts owed by group undertakings	1,280	-
Other debtors	213	6
Prepayments and accrued income	143	126
Corporation tax recoverable	69	69
Deferred tax asset (note 18)	66	54
	<u>5,665</u>	<u>6,292</u>

Amounts owed by group undertakings are unsecured and have no fixed repayment terms. Interest is charged on £830,000 at LIBOR plus 4%.

During the period, the company entered into an agreement to sell certain debts on a non-recourse basis to HSBC. At 31 December 2013, the company rerecognised those trade debtors where substantially all of the risk had been transferred to the bank. At the year end, these balances amounted to £1,951,000 (31 March 2013: £nil).

Lornamead UK Limited

Notes forming part of the financial statements
for the period ended 31 December 2013 (*continued*)

15 Debtors – amounts falling due after more than one year

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Amount owed by group undertakings	830	853

The amount due from group undertakings was due for repayment on 1 April 2014. Interest was charged at LIBOR plus 4%.

16 Creditors: amounts falling due within one year

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Trade creditors	3,896	4,290
Amounts owed to group undertakings	2,330	2,039
Other creditors	36	550
Accruals and deferred income	1,471	333
Taxation and social security	458	501
Group relief payable	379	35
	8,570	7,748

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 period ended 31 December 2013 (continued)

17 Creditors: amounts falling due after more than one year

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Amounts owed to group undertakings	6,324	9,130
	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Maturity of debt:		
In more than two years but not more than five years	6,324	9,130
	6,324	9,130

Amounts due to group undertakings are unsecured. Interest is charged at LIBOR plus 4%.

18 Deferred taxation

The company has the following deferred taxation assets:

	Period ended 31 December 2013 £'000
At 1 April 2013	54
Credit to the profit and loss account (note 9)	12
At 31 December 2013	66

Lornamead UK Limited

Notes forming part of the financial statements
for the period ended 31 December 2013 (*continued*)

18 Deferred taxation (continued)

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Tax effect of timing differences because of:		
Differences between capital allowances and depreciation	36	52
Tax losses	-	-
Short term timing differences	30	2
	<u>66</u>	<u>54</u>

The deferred taxation assets have been included within the financial statements as there is evidence that these assets will be recoverable through future profits.

19 Called up share capital

	Period ended 31 December 2013 £	Year ended 31 March 2013 £
<i>Allotted, called up and fully paid</i>		
100 (31 March 2013: 100) Ordinary shares of £1 (31 March 2013: £1) each	100	100
	<u>100</u>	<u>100</u>

As at 31 December 2013 and 31 March 2013, there were 100 ordinary shares of £1 each authorised, allotted, called up and fully paid.

20 Reserves

	Capital redemption reserve £'000	Profit and loss account £'000
At 1 April 2013	980	(1,842)
Profit for the financial year	-	823
	<u>980</u>	<u>1,019</u>
At 31 December 2013	980	1,019

21 Reconciliation of movements in shareholders' deficit

	Period ended 31 December 2013 £'000	Year ended 31 March 2013 £'000
Profit for the financial year	823	239
Opening shareholders' deficit	(862)	(1,101)
	<u>(39)</u>	<u>(862)</u>
Closing shareholders' deficit	(39)	(862)

Lornamead UK Limited

Notes forming part of the financial statements for the period ended 31 December 2013 (continued)

22 Pensions

The company operates a defined contribution pension scheme whose assets are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company and amounted to £42,000 (31 March 2013: £55,000). At the period end accrued pension charges amounted to £nil (31 March 2013: £nil).

23 Commitments under operating leases

At 31 December 2013, the company had annual commitments under non-cancellable operating leases as set out below:

	Period ended 31 December 2013	Period ended 31 December 2013	Year ended 31 March 2013	Year ended 31 March 2013
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	55	23	95	33
In two to five years	14	10	-	14
	<u>69</u>	<u>33</u>	<u>95</u>	<u>47</u>

24 Related party transactions

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8 '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.

25 Financial commitments and contingent liabilities

At 31 December 2013, the company had no financial commitments or contingent liabilities (31 March 2013: none).

26 Ultimate controlling party

The company's immediate parent company is Lornamead Group Limited.

The company's ultimate parent undertaking and controlling party is Li & Fung Limited, which is listed on the Hong Kong stock exchange. The company's results are included in the consolidated financial statements of that company. These are available to the public and can be obtained from Investor Relations, Li & Fung Limited, 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.