

Lornamead UK Limited  
Annual report and financial statements  
Year ended 31 December 2014

Company number 01766292

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# **Lornamead UK Limited**

## **Annual report and financial statements for the year ended 31 December 2014**

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#### **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  
Benson House  
33 Wellington Street  
Leeds  
LS1 4JP

# Lornamead UK Limited

## Strategic report for the year ended 31 December 2014

The directors present their Strategic report for the year ended 31 December 2014.

### 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 £2,190,000 (nine month period ended 31 December 2013: £823,000). The directors do not recommend the payment of a dividend (nine month period ended 31 December 2013: £nil).

### Review of the business and future developments

The results for the year ended 31 December 2014 are summarised as follows:

	£'000
<b>Operating profit</b>	<b>2,905</b>
Net interest receivable and similar income	106
<b>Profit on ordinary activities before taxation</b>	<b>3,011</b>
Taxation on profit on ordinary activities	(821)
<b>Profit for the financial year</b>	<b>2,190</b>

Sales for the year ended 31 December 2014 are 7% lower than the previous period on a pro rata basis whilst gross margins increased from 36% to 39%. This, with tight control on costs, resulted in an operating profit before amortisation of £3,384,000.

The strategy continues to be on maximising sales growth for the brands in the existing markets and carefully managing costs.

# Lornamead UK Limited

## Strategic report for the year ended 31 December 2014 (*continued*)

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### 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.

### 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



N A Cottrell

Director

30 June 2015

# **Lornamead UK Limited**

## **Directors' report for the year ended 31 December 2014 (continued)**

The directors present their annual report together with the audited financial statements for the year ended 31 December 2014.

### **Directors**

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

DP Famulak (resigned 23 June 2014)

RS Lister

N A Cottrell (appointed 15 December 2014)

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 60 days (nine month period ended 31 December 2013: 83 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 2014 (nine month period ended 31 December 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;
- 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.

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 2014 (*continued*)**

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### **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



N A Cottrell

**Director**

30 June 2015

# **Lornamead UK Limited**

## **Independent auditors' report to the members of Lornamead UK Limited**

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### **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 2014 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***

Lornamead UK Limited's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended;
- 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).

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)**

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**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 3, 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 June 2015



# Lornamead UK Limited

## Profit and loss account for the year ended 31 December 2014

	Note	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
<b>Turnover</b>	2	26,177	21,185
Cost of sales		(16,021)	(13,565)
<b>Gross profit</b>		10,156	7,620
Administrative expenses		(7,264)	(6,276)
		2,892	1,344
Other operating income	5	13	5
<b>Operating profit before exceptional items and amortisation</b>		3,384	2,010
Amortisation of trademarks and goodwill	6	(479)	(661)
<b>Operating profit</b>	6	2,905	1,349
Interest receivable and similar income	7	421	183
Interest payable and similar charges	8	(315)	(342)
<b>Profit on ordinary activities before taxation</b>		3,011	1,190
Tax on profit on ordinary activities	9	(821)	(367)
<b>Profit for the financial year/period</b>	21	2,190	823

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 year/period stated above and their historical cost equivalents.

# Lornamead UK Limited

## Balance sheet as at 31 December 2014

		31 December 2014	31 December 2014	31 December 2013	31 December 2013
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	10		837		1,316
Tangible assets	11		25		37
Investments	12		134		134
			996		1,487
<b>Current assets</b>					
Stocks	13	4,181		4,283	
Debtors					
- amounts falling due within one year	14	3,048		5,665	
- amounts falling due after more than one year	15	-		830	
		3,048		6,495	
Cash at bank and in hand		126		2,590	
		7,355		13,368	
<b>Creditors: amounts falling due within one year</b>	16	(6,200)		(8,570)	
<b>Net current assets</b>			1,155		4,798
<b>Total assets less current liabilities</b>			2,151		6,285
<b>Creditors: amounts falling due after more than one year</b>	17		-		(6,324)
<b>Net assets/(liabilities)</b>			2,151		(39)
<b>Capital and reserves</b>					
Called up share capital	19		-		-
Capital redemption reserve	20		980		980
Profit and loss account	20		1,171		(1,019)
<b>Total shareholders' funds/(deficit)</b>	21		2,151		(39)

The financial statements were approved by the board of directors on 30 June 2015 and were signed on its behalf by:



N A Cottrell

Director

Lornamead UK Limited

Registered Number 01766292

# Lornamead UK Limited

## Notes forming part of the financial statements for the year ended 31 December 2014

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### 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 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.

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

Trademarks 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 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:

Plant and machinery	-	20%
Fixtures and fittings	-	10-50%

# **Lornamead UK Limited**

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

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### **1 Statement of accounting policies (continued)**

#### **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.

#### **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.

#### **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 year ended 31 December 2014 (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.

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Analysis of turnover by destination is given below:		
United Kingdom	24,206	18,529
Overseas	1,971	2,656
	<b>26,177</b>	<b>21,185</b>

### 3 Employee information

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Staff costs (including directors) consist of:		
Wages and salaries	1,523	1,237
Social security costs	175	132
Other pension costs	56	42
	<b>1,754</b>	<b>1,411</b>

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

	Number	Number
Selling and distribution	20	20
Management and administration	3	5
	<b>23</b>	<b>25</b>

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 £1,754,000 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, which relates to a further 10 employees.

### 4 Directors' emoluments

During the year ended 31 December 2014 none (nine month period ended 31 December 2013: none) of the directors received emoluments in respect of services to the company.

### 5 Other operating income

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Royalty income	13	5

## Lornamead UK Limited

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

### 6 Operating profit

	Year ended 31 December 2014 £'000	Period ended 31 December 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	30	25
Services provided by the company's auditor		
– Fees payable for other services – tax compliance	10	10
Foreign exchange gains	-	(93)
Depreciation of tangible assets	12	9
Amortisation - trademarks	479	661
Operating lease rentals		
- land and buildings	14	55
- other	20	23

### 7 Interest receivable and similar income

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Interest receivable on group loans	-	49
Foreign exchange gain on foreign currency loans	421	134
	421	183

### 8 Interest payable and similar charges

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Interest payable on group loans	250	342
Bank interest payable	65	-
	315	342

# Lornamead UK Limited

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

### 9 Taxation on profit on ordinary activities

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
<i>UK Corporation tax at 21.5% (nine month period ended 31 December 2013: 23%)</i>		
Current tax on the profit for the year/period	703	397
Adjustments in respect of prior periods	87	(18)
Total current tax	790	379
Origination and reversal of timing differences	7	-
Adjustments in respect of prior periods	24	(12)
Total deferred tax	31	(12)
Taxation charge on profit on ordinary activities	821	367

The tax assessed for the year/period is calculated at a rate that is higher (2013: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 December 2014 £'000	Period ended 31 December 2013 £'000
Profit on ordinary activities before taxation	3,011	1,190
Profit on ordinary activities at the rate of corporation tax in the UK of 21.5% (nine month period ended 31 December 2013: 23%)	647	274
Effect of:		
Expenses not deductible for tax purposes	62	128
Capital allowances for year in excess of depreciation	(6)	(5)
Adjustment in respect of previous periods	87	(18)
Current tax charge for the year/period	790	379

During the year, as a result of the change in the UK main corporation tax rate from 23% to 21% from 1 April 2014, with a further reduction to 20% from 1 April 2015, that was substantively enacted on 2 July 2013, the relevant deferred tax balances have been remeasured. No further reductions to the UK corporation tax rate have been announced since July 2013. In any event any rate changes that are not substantively enacted at the balance sheet date are not recognised in these financial statements.

# Lornamead UK Limited

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

## 10 Intangible assets

	Trademarks £'000
<b>Cost</b>	
At 1 January 2014 and at 31 December 2014	12,396
<b>Accumulated amortisation</b>	
At 1 January 2014	11,080
Charge for the year	479
At 31 December 2014	11,559
<b>Net book value</b>	
At 31 December 2014	837
At 31 December 2013	1,316

## 11 Tangible assets

	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>			
At 1 January 2014	110	452	562
Disposals	(81)	(425)	(506)
At 31 December 2014	29	27	56
<b>Accumulated depreciation</b>			
At 1 January 2014	89	436	525
Charge for the year	6	6	12
Disposals	(81)	(425)	(506)
At 31 December 2014	14	17	31
<b>Net book value</b>			
At 31 December 2014	15	10	25
At 31 December 2013	21	16	37



# Lornamead UK Limited

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

12 Investments	In subsidiary undertakings £'000
<i>Cost</i>	
At 31 December 2013 and at 31 December 2014	881
<i>Impairment</i>	
At 31 December 2013 and at 31 December 2014	747
<i>Net book value</i>	
At 31 December 2013 and at 31 December 2014	134

At the year end, 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.

Since the year end, the two companies have been put into liquidation. A dividend of £134,000 was paid and the investment of £134,000 was written off. There has been no net impact on the post year end profit and loss of the company and hence, the directors believe that the carrying value of the investments was supported by their underlying net assets as at 31 December 2014.

### 13 Stocks

	31 December 2014 £'000	31 December 2013 £'000
Raw materials and consumables	62	50
Finished goods and goods for resale	4,119	4,233
	<u>4,181</u>	<u>4,283</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

	31 December 2014 £'000	31 December 2013 £'000
Trade debtors	1,053	3,894
Amounts owed by group undertakings	21	1,280
Other debtors	1,914	213
Corporation tax recoverable	-	69
Prepayments and accrued income	25	143
Deferred tax asset (note 18)	35	66
	<u>3,048</u>	<u>5,665</u>

Amounts owed by group undertakings were unsecured and have no fixed repayment terms. Interest is charged on £nil (2013: £830,000) at LIBOR plus 4%.

During the year, the company continued to sell certain debts on a non-recourse basis to HSBC. At 31 December 2014, the company derecognised those trade debtors where substantially all of the risk had been transferred to the bank. At the year/period end, these balances amounted to £3,827,000 (2013: £1,951,000).

# Lornamead UK Limited

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

## 15 Debtors: amounts falling due after more than one year

	31 December 2014 £'000	31 December 2013 £'000
Amount owed by group undertakings	-	830

The amount due from group undertakings was repaid in the year. Interest was charged at LIBOR plus 4%.

## 16 Creditors: amounts falling due within one year

	31 December 2014 £'000	31 December 2013 £'000
Trade creditors	2,293	3,896
Amounts owed to group undertakings	1,204	2,330
Other creditors	33	36
Taxation and social security	131	458
Group relief payable	790	379
Accruals and deferred income	1,749	1,471
	<b>6,200</b>	<b>8,570</b>

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

## 17 Creditors: amounts falling due after more than one year

	31 December 2014 £'000	31 December 2013 £'000
Amounts owed to group undertakings	-	6,324
	<b>31 December 2014 £'000</b>	<b>31 December 2013 £'000</b>
Maturity of debt:		
In more than two years but not more than five years	-	6,324

Amounts due to group undertakings were unsecured and repaid in the year. Interest was charged at LIBOR plus 4%.

# Lornamead UK Limited

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

## 18 Deferred taxation

The company has the following deferred taxation assets:

	31 December 2014 £'000
At 1 January 2014	66
Debit to the profit and loss account (note 9)	(31)
At 31 December 2014	<u>35</u>

  

	31 December 2014 £'000	31 December 2013 £'000
Tax effect of timing differences because of:		
Differences between capital allowances and depreciation	35	36
Short term timing differences	-	30
	<u>35</u>	<u>66</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

	31 December 2014 £	31 December 2013 £
<i>Allotted, called up and fully paid</i>		
100 (31 December 2013: 100) Ordinary shares of £1 (31 December 2013: £1) each	<u>100</u>	<u>100</u>

## 20 Reserves

	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2014	980	(1,019)
Profit for the financial year	-	2,190
At 31 December 2014	<u>980</u>	<u>1,171</u>

# Lornamead UK Limited

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

21 Reconciliation of movements in shareholders' funds/(deficit)	31 December 2014	31 December 2013
	2014 £'000	2013 £'000
Profit for the financial year/period	2,190	823
Opening shareholders' deficit	(39)	(862)
	<hr/>	<hr/>
Closing shareholders' funds/(deficit)	2,151	(39)
	<hr/>	<hr/>

## 22 Pensions

The company operated a defined contribution pension scheme whose assets were 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 £nil (31 December 2013: £42,000). At the year end accrued pension charges amounted to £nil (nine month period ended 31 December 2013: £nil). During the year, all the company's employees were transferred to a fellow group undertaking and the costs relating to their services to Lornamead UK Limited were recharged by them. The total recharge included £56,000 in relation to pension costs.

## 23 Commitments under operating leases

At 31 December 2014, the company had annual commitments under non-cancellable operating leases as set out below:

	Year ended 31 December 2014 Land and buildings £'000	Year ended 31 December 2014 Other £'000	Period ended 31 December 2013 Land and buildings £'000	Period ended 31 December 2013 Other £'000
Operating leases which expire:				
Within one year	14	20	55	23
In two to five years	-	35	14	10
	<hr/>	<hr/>	<hr/>	<hr/>
	14	55	69	33
	<hr/>	<hr/>	<hr/>	<hr/>

## 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 2014, the company had no financial commitments or contingent liabilities (nine month period ended 31 December 2013: none).

## **Lornamead UK Limited**

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

### **26 Ultimate controlling party**

The company's immediate parent company is Lornamead Group 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, 11<sup>th</sup> Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.