

Lornamead UK Limited
Annual report and financial statements
Year ended 31 December 2017

Company number 01766292



Lornamead UK Limited

Annual report and financial statements for the year ended 31 December 2017

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Directors and advisers for the year ended 31 December 2017

Directors

G J Raymond
G D Armstrong
R A Sharpe

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 2017

The directors present their Strategic report for the year ended 31 December 2017.

Principal activities and future developments

The principal activities of the company are the distribution, marketing and sales in the UK and export of 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 31 December 2017 is £2,249,000 (2016: £1,489,000). The directors paid an interim dividend of £nil (2016: £1,000,000) and do not recommend the payment of a final dividend (2016: £nil).

Change of ownership

On 14 December 2017, the company's ultimate parent undertaking announced its intention to divest certain business segments, including those companies operating in the Beauty division, to Fung Group and Hony Capital, a China-based private equity firm.

On 31 January 2018, it announced that at a Special General Meeting 99.94% of independent shareholder votes had been in favour of the various strategic divestments announced on 14 December 2017. The transaction was completed on 3 April 2018 and as a result Lornamead UK Limited has become part of a smaller, more entrepreneurial specialist Beauty group, with the structure and resources to better support its full growth potential.

Review of the business and future developments

The results for the year ended 31 December 2017 are summarised as follows:

	£'000
Operating profit	2,824
Finance costs	(40)
Profit before taxation	2,784
Tax on profit	(535)
Profit for the financial year	2,249

Sales for the year ended 31 December 2017 are 4% lower than the previous year and gross margins also fell by 4%. Administrative expenses fell by 35% and operating profit increased from £1,973,000 in 2016 to £2,824,000 in 2017. This was due primarily to curtailing certain discretionary selling expenses during a difficult trading period.

The strategy continues to be to maximise sales growth for the brands in the existing markets and carefully manage costs. The company's position as at the end of the year is as expected.

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.

Lornamead UK Limited

Strategic report for the year ended 31 December 2017 (*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 continuing to monitor 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



R A Sharpe

Director

10 JULY 2018

Lornamead UK Limited

Directors' report for the year ended 31 December 2017

The directors present their Directors' report together with the audited financial statements for the year ended 31 December 2017.

General information

The company is a private company limited by shares and is incorporated in Great Britain and registered in England & Wales.

Directors

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

G J Raymond (appointed 7 March 2017)

R A Sharpe (appointed 18 June 2018)

RS Lister (resigned 7 March 2017)

N A Cottrell (resigned 18 June 2018)

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, which was in place both during the financial year and at the date of approval of the financial statements.

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 54 days (2016: 51 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 2017 (2016: £nil).

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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

Directors' report for the year ended 31 December 2017 (*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.

Independent auditors

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

On behalf of the board



R A Sharpe

Director

10 JULY 2018

Lornamead UK Limited

Independent auditors' report to the members of Lornamead UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Lornamead UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2017; the Income statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies:

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Lornamead UK Limited

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



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

10 JULY

2018

Lornamead UK Limited

Income statement for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	2	21,696	22,634
Cost of sales		(14,933)	(14,605)
Gross profit		6,763	8,029
Administrative expenses		(3,954)	(6,071)
Other operating income	5	15	15
Operating profit before amortisation		2,824	2,308
Amortisation of trademarks	6	-	(335)
Operating profit	6	2,824	1,973
Finance costs	7	(40)	(56)
Profit before taxation		2,784	1,917
Tax on profit	8	(535)	(428)
Profit for the financial year		2,249	1,489

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 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	9	-	-
Property, plant and equipment	10	-	3
		-	3
Current assets			
Inventories	11	2,961	2,284
Trade and other receivables		2,188	3,776
Cash and cash equivalents		4,821	1,572
		9,970	7,632
Creditors: amounts falling due within one year	13	(4,770)	(4,684)
Net current assets		5,200	2,948
Total assets less current liabilities		5,200	2,951
Net assets		5,200	2,951
Capital and reserves			
Called up share capital	15	-	-
Capital redemption reserve		980	980
Profit and loss account		4,220	1,971
Total shareholders' funds		5,200	2,951

The financial statements were approved by the board of directors on
on its behalf by:

10 JULY

2018 and were signed

R A Sharpe

Director

Lornamead UK Limited

Registered Number 01766292

Lornamead UK Limited

Statement of changes in equity for the year ended 31 December 2017

	Called-up share capital	Capital redemption reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
Balance as at 1 January 2016	-	980	1,482	2,462
Profit for the financial year	-	-	1,489	1,489
Total comprehensive income for the year	-	-	1,489	1,489
Dividend paid	-	-	(1,000)	(1,000)
Total transactions recognised directly in equity	-	-	(1,000)	(1,000)
Balance as at 31 December 2016 and 1 January 2017	-	980	1,971	2,951
Profit for the financial year	-	-	2,249	2,249
Total comprehensive income for the year	-	-	2,249	2,249
Balance as at 31 December 2017	-	980	4,220	5,200

Lornamead UK Limited

Notes forming part of the financial statements for the year ended 31 December 2017

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. The financial statements have therefore been prepared in accordance with FRS 101, 'Reduced Disclosure Framework'.

The financial statements have been prepared under the historical cost convention, on a going concern basis 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.

New standards, amendments and IFRIC interpretations

A number of new standards, amendments to standards and interpretations are effective for the year ended 31 December 2017. These are currently considered either not to have a material impact on the Company.

- IFRS 9 "Financial Instruments" and IFRS 15 "Revenue Recognition" are new standards that are mandatory for accounting periods beginning on or after 1 January 2018, but the Company has not adopted them early. These are considered not material to the Company.
- IFRS 16 "Leases" was issued in January 2016 with an effective date of 1 January 2019. The standard specifies how leases are recognised, presented, measured and disclosed. This is considered not material to the Company.

Lornamead UK Limited

Notes forming part of the financial statements for the year ended 31 December 2017 *(continued)*

1 Statement of accounting policies (continued)

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.

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

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.

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.

Lornamead UK Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (*continued*)

1 Statement of accounting policies (continued)

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.

Turnover recognition

Sales of goods

Turnover 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 turnover 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.

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.

Lornamead UK Limited

Notes forming part of the financial statements for the year ended 31 December 2017 (continued)

1 Statement of accounting policies (continued)

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.

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.

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.

	2017 £'000	2016 £'000
Analysis of turnover by destination is given below:		
United Kingdom	21,521	22,538
Rest of Europe	112	88
Rest of World	63	8
	21,696	22,634

3 Employee information

The company has no employees. Services provided to this company by 23 (2016: 23) employees of a fellow subsidiary undertaking are recharged and amounted to the £1,074,000 for the year ended 31 December 2017 (2016: £1,174,000) as analysed below. In addition, the company paid a management charge to the same fellow group undertaking amounting to £450,000 (2016: £450,000), relating to a further 10 (2016: 10) employees.

Lornamead UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

3 Employee information (continued)

	2017 £'000	2016 £'000
Staff costs recharged to the company (including directors) consist of:		
Wages and salaries	1,314	1,400
Social security costs	164	175
Other pension costs	46	49
	1,524	1,624

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

	2017 Number	2016 Number
Selling and distribution	29	29
Management and administration	4	4
	33	33

4 Directors' emoluments

During the year ended 31 December 2017 none (2016: none) of the directors received emoluments in respect of services to the company.

5 Other operating income

	2017 £'000	2016 £'000
Royalty income	15	15

6 Operating profit

	2017 £'000	2016 £'000
Profit before taxation is stated after charging:		
Fees payable to the company's auditors for the audit of the company's annual financial statements	20	20
Services provided by the company's auditors		
– Fees payable for other services – tax compliance	8	8
Depreciation of tangible assets (note 10)	3	6
Amortisation – trademarks (note 9)	-	335
Operating lease rentals		
- other	15	15

Lornamead UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

7 Finance costs

	2017 £'000	2016 £'000
Bank interest payable	40	56

8 Tax on profit

	2017 £'000	2016 £'000
<i>UK Corporation tax at 19.25% (2016: 20%)</i>		
Current tax on the profit for the year	530	425
Adjustments in respect of prior periods	(8)	-
Total current tax	522	425

Origination and reversal of timing differences	6	(1)
Adjustments in respect of prior periods	7	-
Effect of changes in tax rates	-	4
Total deferred tax	13	3

Total income tax expense on profit	535	428
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The tax assessed for the year is calculated at a rate that is lower (2016: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2017 £'000	2016 £'000
Profit before taxation	2,784	1,917

Profit before taxation at the rate of corporation tax in the UK of 19.25% (2016: 20%)	536	383
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Effect of:		
Adjustments in respect of prior periods	(1)	-
Tax rate changes	-	4
Exempt amounts	-	41

Total income tax expense on profit	535	428
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Changes to UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015 and as part of Finance Bill 2016 on 6 September 2016. These changes include reductions to the main rate to reduce it from 20% to 19% from 1 April 2017 and from 19% to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Lornamead UK Limited

Notes forming part of the financial statements
for the year ended 31 December 2017 (*continued*)

9 Intangible assets

Trademarks £'000

Cost

At 1 January 2017 and 31 December 2017

12,396

Accumulated amortisation

At 1 January 2017 and 31 December 2017

12,396

Net book value

At 31 December 2016 and 31 December 2017

-

10 Property, plant and equipment

Plant and machinery £'000

Cost

At 1 January 2017 and 31 December 2017

29

Accumulated depreciation

At 1 January 2017

26

Charge for the year

3

At 31 December 2017

29

Net book value

At 31 December 2017

-

At 31 December 2016

3

Lornamead UK Limited

Notes forming part of the financial statements for the year ended 31 December 2017 *(continued)*

11 Inventories

	2017 £'000	2016 £'000
Raw materials and consumables	4	8
Work in progress	2	6
Finished goods and goods for resale	2,955	2,270
	<hr/> 2,961	<hr/> 2,284

There is no material difference between the replacement cost of stock and the amounts stated above. £nil (2016: £nil was expensed through cost of sales in the year.

12 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	2,129	3,727
Amounts owed by group undertakings	-	9
Other receivables	32	-
Deferred tax asset (note 14)	27	40
	<hr/> 2,188	<hr/> 3,776

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 2017, the company derecognised those trade debtors where substantially all of the risk had been transferred to the bank. At the year end, these balances amounted to £2,868,000 (2016 £3,747,000).

13 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	2,017	2,042
Amounts owed to group undertakings	415	194
Other creditors	-	19
Taxation and social security	319	365
Group relief payable	522	424
Accruals and deferred income	1,497	1,640
	<hr/> 4,770	<hr/> 4,684

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 2017 (*continued*)

14 Deferred taxation

The company has the following deferred taxation assets:

	2017 £'000	2016 £'000
At 1 January	40	43
Origination and reversal of timing differences	(6)	1
Adjustment in respect of prior periods	(7)	-
Effect of changes in tax rates	-	(4)
At 31 December	27	40
	2017 £'000	2016 £'000
Tax effect of timing differences because of:		
Differences between capital allowances and depreciation	27	40

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 (2016: none).

15 Called up share capital

	2017 £	2016 £
<i>Allotted, called up and fully paid</i>		
100 (2016: 100) Ordinary shares of £1 (2016: £1) each	100	100

16 Dividends paid

	2017 £'000	2016 £'000
Equity - ordinary		
Interim paid £nil (2016: £1,000,000); £nil (2016: £10,000) per £1 ordinary share	-	1,000

17 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 £46,000 (2016: £49,000) 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 2017 (continued)

18 Commitments under operating leases

At 31 December 2017, the company had total commitments under non-cancellable operating leases as set out below:

	2017	2016
	Other £'000	Other £'000
Operating leases which expire:		
Within one year	11	15
In two to five years	-	11
	<hr/>	<hr/>
	11	26

19 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 Li & Fung Limited.

20 Financial commitments and contingent liabilities

At 31 December 2017, the company had no financial commitments or contingent liabilities (2016: £nil).

21 Ultimate parent undertaking and 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, 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.

22 Post balance sheet event

The company's ultimate parent undertaking and controlling party remained Li & Fung Limited until 3 April 2018. On that date, the sub group to which the company belonged, headed by LF Pegasus Limited, a company incorporated in the British Virgin Islands, was sold by Li & Fung Limited. Its immediate parent undertaking remained Lornamead Group Limited, but from that date, by virtue of its indirect 55% holding in LF Pegasus Limited, the ultimate parent and controlling party became King Lun Holdings Limited, a company incorporated in the British Virgin Islands.