

Lyle & Scott Limited

Report and Group Financial Statements

31 March 2016

Registered No. 4111248

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17/12/2016

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COMPANIES HOUSE

Lyle & Scott Limited

Registered No. 4111248

DIRECTORS

S M Watson

H D Driscoll

AUDITORS

Ernst & Young LLP

G1, 5 George Square

Glasgow

G2 1DY

BANKERS

Barclays Bank plc

PO Box 3333

15 Colmore Row

Birmingham

B3 2WN

REGISTERED OFFICE

TS2

Pinewood Business Park

Coleshill Road

Birmingham

B37 7HG

Lyle & Scott Limited

Registered No. 4111248

Strategic Report

PRINCIPAL ACTIVITY

The principal activity of the parent company in the year under review remained the design, sourcing and marketing of branded knitwear and other leisurewear garments.

The activities of the companies in which the Group has investments are shown in note 10 to the financial statements.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The main performance measures used by the Company are sales, profits and cash generation.

Sales were £31,334,945 (2015: £28,676,583), 9.3% higher than the previous year. A reduction was seen in gross margin as a result of broadening of the product offering to 47.6% (2015: 53.8%). An increase in administrative expenses of £709,200 and distribution costs of £176,514 resulted in a profit before tax of £3,225,961 (2015: £4,581,504). The business continues to be self-funding and has maintained strong cash balances throughout the year with a cash balance of £5,714,393 at the year end (2015: £7,235,423).

During 2015/16 our 3 commercial units continued to develop with the relaunch of our Golf product and the launch of a Fitness range into the market. The authenticity of our marketing & product messages continue to find increasing support with our loyal expanding global customer base. We remain committed to our strategy of profitable growth through multi-channel activity and clear product segmentation. We have invested over the year in product and market development including the successful launch of a jacket incorporating contactless payment. In Spring 2016 we opened our third retail outlet at Cheshire Oaks increasing our retail presence providing a controlled environment to showcase our product and brand. We continue to develop our presence via concessions and shop in shops within premium retailers and are increasing our presence in key markets around the world. This is setting the foundations for on-going profitable growth and we remain confident in the long term appeal of the brand.

FINANCIAL RISK MANAGEMENT POLICY

The Group's principal financial instruments comprise cash and cash equivalents.

The Group has various other financial assets and liabilities, including trade debtors and trade creditors that arise directly from its operations.

The Group enters into forward currency contracts, the purpose of which is to manage the foreign currency risks arising from the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in other financial instruments of a speculative nature shall be undertaken.

The principle risks associated with the company's financial assets and liabilities are set out below:

Interest rate risk

The Group is entirely self-funded and expected to be so during the coming financial year. The Group's financial assets are therefore not significantly exposed to interest rate risk.

Lyle & Scott Limited

Registered No. 4111248

Strategic Report (Continued)

Price risk

There is no significant exposure to changes in the carrying value of financial instruments, assets and liabilities, except as a result of foreign currency exchange rate fluctuations.

Foreign currency risk

The Group has exposure to a number of foreign currencies through its purchases and sales of products. Exposure is principally in US, Euros and Swedish Krona. The Group takes out forward foreign currency contracts to mitigate some of this risk, consistent with the Group's policy of hedging against known and highly probable exposures for a 6 - 18 month forward period.

Credit risk

The majority of sales transactions to third parties are insured and consequently the Group has no material exposure to external credit risk.

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generated by its operations. The company is party to a cross-guarantee of financing facilities for other associated companies. The Group has operated a strongly positive cash-flow position over a number of years.

Approved by the Board of Directors and signed by order of the Board



S M Watson

Director

Date

22/09/16

Lyle & Scott Limited

Directors' Report

The directors submit their Report and Group financial statements for the year ended 31 March 2016.

RESULTS AND DIVIDENDS

The Group profit for the year after taxation amounted to £2,561,368 (2015: £3,610,132). Interim dividends of £1,900,000 were declared and paid during the year (2015: £1,683,500). The directors do not propose the payment of a final dividend (2015: £nil).

During the year there was no trading activity by the subsidiary company of Lyle & Scott Limited, LS Subco Limited, which is now dormant. Future developments of the business have been disclosed within the Strategic Report on page 2.

Directors

The directors who served during the year, and to the date of the approval of the financial statements, were as follows:

S M Watson

H D Driscoll

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Having made enquiries of the company's auditors, the directors confirm that:

- to the best of the directors' knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- the directors have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

GOING CONCERN

The directors consider that the Group has adequate resources to continue in operation for the foreseeable future. In forming this view, the director has reviewed budgets and other financial information. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Group's auditors will be put to the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed by order of the Board



S M Watson

Director

22/09/16

DIRECTORS' RESPONSIBILITIES STATEMENT

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS102 "The Financial Reporting standard applicable in the UK and Republic of Ireland", 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 Group and the company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; 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 Group's and 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 of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

to the members of Lyle & Scott Limited

We have audited the financial statements of Lyle & Scott Limited for the year ended 31 March 2016 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Company Statement of Financial Position, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Cash Flow Statement and the related notes 1 to 24. 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, including FRS102 "The Financial Reporting standard applicable in the UK and Republic of Ireland").

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditor

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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 Group's and the parent 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.

INDEPENDENT AUDITORS' REPORT

to the members of Lyle & Scott Limited

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS102 "The Financial Reporting standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Nicola McIntyre (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

Date *22 September 2016*

Lyle & Scott Limited

GROUP INCOME STATEMENT

for the year ended 31 March 2016

	Notes	2016 £	2015 £
Turnover	2	31,334,945	28,676,583
Cost of sales		<u>(16,429,987)</u>	<u>(13,222,984)</u>
Gross profit		14,904,958	15,453,599
Distribution costs		(1,622,765)	(1,446,251)
Administration expenses - ordinary		(11,283,092)	(10,573,892)
Other operating income		<u>1,166,145</u>	<u>1,096,363</u>
Operating profit	3	3,165,246	4,529,819
Net interest receivable	6	<u>60,715</u>	<u>51,685</u>
Profit on ordinary activities before taxation		3,225,961	4,581,504
Tax on profit on ordinary activities	7	<u>(664,593)</u>	<u>(971,372)</u>
Profit on ordinary activities after taxation transferred to reserves		<u><u>2,561,368</u></u>	<u><u>3,610,132</u></u>

All of the activities of the Group are classed as continuing.

Statement of comprehensive income

The above income statement presents all items of income and expense recognised in the period.

Lyle & Scott Limited

GROUP STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2016

		<i>Group</i>	<i>Company</i>	<i>Group</i>	<i>Company</i>
		<i>2016</i>	<i>2016</i>	<i>2015</i>	<i>2015</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Fixed assets					
Tangible assets	9	276,138	276,138	363,630	363,630
Investments	10	-	200	-	200
		<u>276,138</u>	<u>276,338</u>	<u>363,630</u>	<u>363,830</u>
Current assets					
Stocks	11	5,391,070	5,391,070	5,137,683	5,137,683
Debtors	12	9,569,835	9,569,634	7,171,824	7,171,623
Cash at bank and in hand		5,714,393	5,714,393	7,235,423	7,235,423
		<u>20,675,298</u>	<u>20,675,097</u>	<u>19,544,930</u>	<u>19,544,729</u>
Creditors: amounts falling due within one year	13	(4,027,660)	(4,027,660)	(3,638,635)	(3,638,635)
		<u>16,647,638</u>	<u>16,647,437</u>	<u>15,906,295</u>	<u>15,906,094</u>
Net current assets					
		<u>16,923,776</u>	<u>16,923,775</u>	<u>16,269,925</u>	<u>16,269,924</u>
Total assets less current liabilities					
		<u>16,923,776</u>	<u>16,923,775</u>	<u>16,269,925</u>	<u>16,269,924</u>
Creditors: amounts falling due after more than one year	14	(202,745)	(202,745)	(210,262)	(210,262)
		<u>16,721,031</u>	<u>16,721,030</u>	<u>16,059,663</u>	<u>16,059,662</u>
Capital and reserves					
Called up share capital	16	494,000	494,000	494,000	494,000
Profit and loss account		16,227,030	16,227,030	15,565,662	15,565,662
		<u>16,721,030</u>	<u>16,721,030</u>	<u>16,059,662</u>	<u>16,059,662</u>
Equity shareholders' funds		<u>16,721,030</u>	<u>16,721,030</u>	<u>16,059,662</u>	<u>16,059,662</u>
Minority interests		<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
Shareholders' funds		<u>16,721,031</u>	<u>16,721,030</u>	<u>16,059,663</u>	<u>16,059,662</u>

The financial statements were approved by the Board of Directors and issued to the shareholders on

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S M Watson - Director

Lyle & Scott Limited

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

<i>Group</i>	<i>Called-up share Capital</i>	<i>Profit & loss account</i>	<i>Minority Interest</i>	<i>Total Equity</i>
	£	£	£	£
At 1 April 2014	15,000	14,117,080	1	14,132,081
Profit & Total comprehensive income for the year for the year	-	3,610,132	-	3,610,132
Shares Issued	479,000	(478,050)		950
Dividends paid	-	(1,683,500)		(1,683,500)
At 1 April 2015	494,000	15,565,662	1	16,059,663
Profit & Total comprehensive income for the year for the year	-	2,561,368	-	2,561,368
Dividends paid	-	(1,900,000)	-	(1,900,000)
At 31 March 2016	494,000	16,227,030	1	16,721,031

<i>Company</i>	<i>Called-up share Capital</i>	<i>Profit & loss account</i>	<i>Total Equity</i>
	£	£	£
At 1 April 2014	15,000	14,117,080	14,132,080
Profit & Total comprehensive income for the year for the year	-	3,610,132	3,610,132
Shares Issued	479,000	(478,050)	950
Dividends paid	-	(1,683,500)	(1,683,500)
At 1 April 2015	494,000	15,565,662	16,059,662
Profit & Total comprehensive income for the year for the year	-	2,561,368	2,561,368
Dividends paid	-	(1,900,000)	(1,900,000)
At 31 March 2016	494,000	16,227,030	16,721,030

Lyle & Scott Limited

GROUP STATEMENT OF CASHFLOWS

at 31 March 2016

		2016	2015
	Notes	£	£
<i>Net cash inflow from operating activities</i>	23	383,266	3,047,114
<i>Investing activities</i>			
Interest received	6	60,715	51,685
Payments to acquire tangible fixed assets	9	(87,357)	(62,796)
Payments to acquire investments			(20,000)
Receipt of government grants	3	22,346	26,497
Net cash flow from investing activities		(4,296)	(4,614)
<i>Financing activities</i>			
Issue of ordinary share capital			950
Equity dividends paid		(1,900,000)	(1,683,500)
Net cash flow from financing activities		(1,900,000)	(1,682,550)
<i>(Decrease)/Increase in cash and cash equivalents</i>		(1,521,030)	1,359,950
<i>Effect of exchange rates on cash and cash equivalents</i>			
<i>Cash and cash equivalents at 1 January</i>		7,235,423	5,875,473
<i>Cash and cash equivalents at 31 December</i>		5,714,393	7,235,423

Lyle & Scott Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

1. ACCOUNTING POLICIES

Company Information

Lyle & Scott Limited is a Company limited by shares, incorporated in England and Wales. The registered office is TS2 Pinewood Business Park, Coleshill Road, Birmingham, B37 7HG

Basis of preparation

These financial statements have been prepared in accordance with "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention. The principal accounting policies are set out below.

These financial statements for the year ending 31st March 2016 are the first financial statements of Lyle & Scott Limited prepared in accordance with FRS102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2014.

On transition to FRS 102 from previous UK GAAP, the group and company have taken advantage of transitional relief as follows:

- The company has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.
- The Group and company have not applied paragraphs 20.15A or 20.25A to lease incentives where the lease commenced before the date of transition to FRS 102.

The financial statements are prepared under the historical cost convention and are in accordance with applicable accounting standards.

Basis of consolidation

The Group financial statements consolidate the financial statements of Lyle & Scott Limited and its subsidiary undertaking, LS Subco Limited, made up to 31 March 2016. There are no Companies acquired during the year. No profit and loss account is presented for Lyle & Scott Limited as provided by Section 408 of the Companies Act 2006. The operating profit for the year of that company is £3,165,246 (2015: £4,529,819).

Tangible Fixed Assets and Depreciation

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land or assets in the course of construction, at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Leasehold and buildings	over 5 years on a straight line basis
Plant and machinery	over 2 to 20 years on a straight line basis
Fixtures and fittings	over 2 to 10 years on a straight line basis
Computer equipment	over 3 years on a straight line basis

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

1. ACCOUNTING POLICIES (CONTINUED)

Dilapidation

The company is required to perform dilapidation repairs on leased properties prior to the properties being vacated at the end of their lease term. These amounts are based on estimates of the extent and cost of repairs to be completed. The non-current portion of these provisions is expected to be utilised within the next two to five years.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity
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Net realisable value is based on the estimated selling price less any further costs expected to be incurred to completion and disposal.

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Deferred taxation

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Employee benefits

The cost of short term employee benefits are recognised as a liability and an expense.

The estimated cost of any unused holiday entitlement at the end of the financial period is recognised.

Termination benefits are recognised immediately as an expenses when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

1. ACCOUNTING POLICIES (CONTINUED)

Pensions

The Group operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable, in accordance with the rules of the scheme.

Royalty income

Royalty income is recognised when the income is earned. Deferred royalty income is released to the profit and loss account over the period to which the income relates.

Leased assets

Operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Lease incentives are recognised over the lease term on a straight line basis.

Foreign currencies

Transactions in foreign currency are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of the exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Government Grants

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Investments in subsidiaries

The company has elected to treat the carrying amount of investments in subsidiaries under previous UK GAAP at the date of transition as deemed cost on transition to FRS 102.

Impairment of non-financial assets

The company assesses at each reporting date whether an asset may be impaired. If any such indication exists the company estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the company estimates, the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Lyle & Scott Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

2. TURNOVER

Turnover, which is stated net of value added tax, represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities. Income is recognised when substantially all risk and rewards of ownership are transferred to the customer, usually on the despatch of goods.

An analysis of turnover by geographical market is given below:

	2016 £	2015 £
United Kingdom	22,109,573	19,916,694
Rest of Europe	8,774,699	8,028,836
Rest of the world	450,673	731,053
	<u>31,334,945</u>	<u>28,676,583</u>

3. OPERATING PROFIT

This is stated after (crediting)/charging:

	2016 £	2015 £
Royalty income	(1,132,807)	(893,047)
Government grant income	22,346	26,497
Depreciation – owned assets	174,850	230,722
Amortisation of goodwill	-	20,000
Auditors' remuneration	17,000	16,755
Operating lease rentals - land and buildings	832,264	861,279
Operating lease rentals - plant and machinery	14,101	9,252
Exchange differences	(334,668)	(143,314)
	<u></u>	<u></u>

Lyle & Scott Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

4. DIRECTOR'S REMUNERATION

	2016	2015
	£	£
Aggregate remuneration in respect of qualifying services	-	-
	<u> </u>	<u> </u>
In respect of the highest paid Director: Aggregate remuneration	-	-
	<u> </u>	<u> </u>

5. STAFF COSTS

	2016	2015
	£	£
Wages and salaries	3,994,850	3,971,198
Social security costs	426,719	416,590
Other pension costs	48,940	48,010
	<u> </u>	<u> </u>
	4,470,509	4,435,798
	<u> </u>	<u> </u>

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

	2016	2015
	No.	No.
Management and administration	128	114
Production	3	3
	<u> </u>	<u> </u>
	131	117
	<u> </u>	<u> </u>

Key management personnel

Certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £553,717 (2015 - £691,465).

Lyle & Scott Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

6. NET INTEREST RECEIVABLE

	2016 £	2015 £
Bank interest receivable	9,991	12,479
Other interest payable	-	(8,008)
Other interest receivable	50,724	47,214
	<u>60,715</u>	<u>51,685</u>

Lyle & Scott Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

7. TAXATION

(a) The tax charge is made up as follows:

	2016 £	2015 £
UK corporation tax	660,423	985,718
Adjustments in respect of prior periods	(758)	(78,550)
	<hr/>	<hr/>
Total current tax	659,665	907,168
Deferred tax movement (note 15)	4,204	64,204
Adjustments in respect of prior periods	724	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	664,593	971,372
	<hr/>	<hr/>

(b) The tax assessed on the profit on ordinary activities for the year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 21%).

The differences are reconciled below:

	2016 £	2015 £
Profit on ordinary activities before taxation	3,225,961	4,581,504
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of Corporation tax in the UK of 20% (2015: 21%)	645,192	962,116
	<hr/>	<hr/>
Tax effect of expenses that are not deductible in determining taxable profit	21,153	19,909
Research & development tax credit		(4,218)
Adjustments in respect of prior years	(34)	1,950
Effect of tax rate changes	(1,718)	(8,385)
	<hr/>	<hr/>
	19,401	9,256
	<hr/>	<hr/>
Tax expense for the year	664,593	971,372
	<hr/>	<hr/>

(c) Factors that may affect future tax charges

The Finance (No 2) Act 2015, which was passed on 18 November 2015, provided that the main UK corporation tax rate will be reduced to 19% from 1 April 2017 and to 18% from 1 April 2020. In addition, the chancellor announced in his 2016 Summer Budget that from 1 April 2020, the rate will in fact be reduced to 17%.

Lyle & Scott Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

8. INTANGIBLE FIXED ASSETS

GROUP AND COMPANY

The Group and company do not have any intangible assets at the year ended 31 March 2016 (2015: Nil).

9. TANGIBLE FIXED ASSETS

GROUP AND COMPANY

	<i>Leasehold & Buildings</i> £	<i>Plant and machinery</i> £	<i>Fixtures, fittings and equipment</i> £	<i>Computer equipment</i> £	<i>Total</i> £
Cost:					
At 1 April 2015	125,878	265,515	738,339	763,811	1,893,543
Additions	-	-	-	87,357	87,357
Disposals	-	(1,840)	-	-	(1,840)
At 31 March 2016	125,878	263,675	738,339	851,168	1,979,060
Depreciation:					
At 1 April 2015	(50,351)	(213,868)	(561,269)	(704,425)	(1,529,913)
Charge for the year	(31,748)	(43,780)	(55,620)	(43,702)	(174,850)
Disposals	-	1,840	-	-	1,840
At 31 March 2016	(82,099)	(255,808)	(616,889)	(748,127)	(1,702,923)
Net book value:					
At 31 March 2016	43,779	7,867	121,450	103,041	276,138
At 31 March 2015	75,527	51,647	177,070	59,386	363,630

Lyle & Scott Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

10. INVESTMENTS

Investments in subsidiary undertaking at cost:

	£
At 1 April 2014 and 31 March 2016	200

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of company</i>			<i>Proportion of voting rights and share held</i>	<i>Nature of business</i>
<i>Subsidiary undertakings</i>	<i>Holding</i>	<i>Country of registration</i>		
LS Subco Limited	Ordinary shares	England and Wales	99.5%	Non-trading

11. STOCKS

GROUP AND COMPANY

	2016	2015
	£	£
Finished goods	5,381,070	5,127,683
Raw materials	10,000	10,000
	<u>5,391,070</u>	<u>5,137,683</u>

The difference purchase price of stocks and their replacement cost is not material.

Stocks recognised as an expense in the period were £15,794,633 (2015 - £12,825,543) for the company and Group.

12. DEBTORS

	<i>Group 2016 £</i>	<i>Company 2016 £</i>	<i>Group 2015 £</i>	<i>Company 2015 £</i>
Trade debtors	7,953,521	7,953,521	5,635,957	5,635,957
Net Amounts owed by related undertakings	858,478	858,478	1,103,025	1,103,025
Other debtors	147,273	147,273	2,687	2,687
Financial Instrument Asset (Note 17)	368,120	368,120	-	-
Prepayments and accrued income	242,443	242,242	430,155	429,954
	<u>9,569,835</u>	<u>9,569,634</u>	<u>7,171,824</u>	<u>7,171,623</u>

Lyle & Scott Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

13. CREDITORS: amounts falling due within one year

GROUP AND COMPANY

	2016	2015
	£	£
Trade creditors	646,279	525,743
Corporation tax	222,498	437,326
Other taxes and social security costs	1,425,193	1,033,530
Other creditors	397,848	235,755
Financial Instrument Liability (Note 17)	368,120	-
Deferred income	-	501,133
Accruals	967,722	905,148
	<u>4,027,660</u>	<u>3,683,635</u>

14. CREDITORS: amounts falling due after more than one year

GROUP AND COMPANY

	2016	2015
	£	£
Provision for dilapidation	170,111	182,556
Deferred Tax (Note 15)	32,634	27,706
	<u>202,745</u>	<u>210,262</u>

NOTES TO THE FINANCIAL STATEMENTS**at 31 March 2016****15. DEFERRED TAXATION**

The deferred taxation amounts recognised are as follows:

GROUP AND COMPANY

	<i>Capital gains held over</i>	<i>Decelerated Capital allowances</i>	<i>Other timing differences</i>	Total
Deferred tax asset at 1 April 2014		(35,935)	(563)	(36,498)
Deferred tax movements in prior year				
Charge to profit or loss	70,000	(4,781)	(1,015)	64,204
Deferred tax liability at 1 April 2015	70,000	(40,716)	(1,578)	27,706
Deferred tax movements in current year				
Charge to profit or loss	(3,500)	8,192	236	4,928
Deferred tax liability at 31 March 2016	66,500	(32,524)	(1,342)	32,634

The company does not expect any of the deferred tax asset to reverse in 2017

The Finance Act (No 2) Act 2015, which was substantively enacted on 26 October 2015, and passed on 18 November 2015, provided that the main UK corporation tax rate will be reduced to 19% from 1 April 2017 and to 18% from 1 April 2020. Accordingly these rates have been applied in the measurement of the deferred tax balances at 31 March 2016.

In addition, the chancellor announced in his 2016 Summer Budget that from 1 April 2020, the rate will in fact be reduced to 17%. The effect of this subsequent reduction has not been reflected in these financial statements due to the relevant legislation not having been substantively enacted at the reporting date.

Lyle & Scott Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

16. SHARE CAPITAL

	2016 No.	2016 £	2015 No.	2015 £
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	100,000	100,000	100,000	100,000
Ordinary "B" shares of £1 each	285,000	285,000	285,000	285,000
Ordinary "C" shares of £1 each	95,000	95,000	95,000	95,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Allotted, partly called up and partly paid</i>				
Ordinary "A" shares of £1 each	1,400,000	14,000	1,400,000	14,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1,880,000	494,000	1,880,000	494,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

On 4 July 2014, 950 "C" ordinary shares with aggregate nominal value of £950 were allotted for cash at £1.00 each.

Equity shareholders were issued bonus shares totalling £478,050 in the following share issues:

- On 4 July 2014, 2,850 "B" ordinary shares with aggregate nominal value of £2,850 were allotted by way of bonus at £1.00 each. A total of £2,850 bonus shares issued.
- On 4 July 2014, the Company issued Ordinary, Ordinary "B" and Ordinary "C" equity shareholders bonus shares at a rate of 99 shares for every 1 share held to be allotted from the Company's distributable reserves. (99,000 Ordinary shares, 282,150 Ordinary "B" shares and 94,050 Ordinary "C" shares). A total of £475,200 bonus shares issued.

'A' Ordinary shares carry restricted voting rights, with no income rights. This class of share carries preferential rights to capital distributions of the company including on a winding up. This class of share is non-redeemable and does not give rights to participate in any dividend or other distribution of the company other than those expressly resolved to be distributed to the holders of the ordinary shares.

'B' Ordinary shares carry one vote, with no income rights. This class of share carries subordinate rights to 20% of capital distributions of the company including on a winding up after aggregate distribution to holders of class 'A' Ordinary shares, 'C' Ordinary shares, 'D' Ordinary shares, 'E' Ordinary shares, 'F' Ordinary shares. This class of share is non-redeemable.

'C' Ordinary shares carry one vote, with each share having subordinate rights to participate in 25% of any income distribution of the company. This class of share carries subordinate rights to capital distributions of the company including on a winding up. This class of share is non-redeemable.

During the prior year the Company issued 1,400,000 Ordinary "A" shares of £1 each with £0.99 remaining unpaid on each share as at 31 March 2015. No call has been made for this further capital. The unpaid element is not recognised.

Lyle & Scott Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

17. FINANCIAL INSTRUMENTS

	<i>Group</i> <i>2016</i>	<i>Company</i> <i>2016</i>	<i>Group</i> <i>2015</i>	<i>Company</i> <i>2015</i>
	£	£	£	£
Financial assets measured at amortised cost				
Trade debtors	7,953,521	7,953,521	5,635,957	5,635,957
Financial assets at fair value through profit or loss				
Financial instrument asset	368,120	368,120	-	-
Financial liabilities measured at amortised cost				
Trade creditors	646,279	646,279	525,743	525,743
Financial liabilities at fair value through profit or loss				
Financial instrument liability	368,120	368,120	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

18. FINANCIAL COMMITMENTS

Future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>Land and Buildings</i>		<i>Other</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	£	£	£	£
Not later than one year	71,209	-	1,055	2,387
Later than one year and not later than five years	1,033,763	45,976	7,000	5,810
Later than five years	-	815,303	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	1,043,014	861,279	8,055	8,197
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

19. PENSION COMMITMENTS

Defined contribution scheme

Lyle & Scott Limited operates a defined contributions scheme for the benefit of its employees. The assets of the Scheme are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at the year end, included within 'other creditors' (note 13), are £7,062 (2015: £7,889). The subsidiary does not have any employees or pension scheme.

20. CONTINGENT LIABILITIES

As at 31 March 2016, the Waterlinks Investments Limited Group does not have an overdraft facility, however does operate with a Group cross guarantee. As at 31 March 2016, bank overdraft of the Group (excluding Lyle & Scott Limited) was £170,000 (2015: £722,000), with the Group cross guarantee continuing to exist.

In the ordinary course of business, the company had guaranteed certain liabilities of a related company. The potential liability under this guarantee was £170,000 at 31 March 2016 (2015: £722,000).

Lyle & Scott Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

21. TRANSITION TO FRS 102

The Group and company transitioned to FRS 102 from previously extant UK GAAP at 1 April 2014. As of 1 April 2014, there were no material differences.

Reconciliation of equity at 1 April 2014:

The transition to FRS 102 had no impact on the reported Group and company financial position and financial performance.

Reconciliation of equity at 31 March 2015:

The transition to FRS 102 had no impact on the reported Group and company financial position and financial performance.

Reconciliation of Profit and Loss for the year ended 31 March 2015:

The transition to FRS 102 had no impact on the reported Group and company financial position and financial performance.

22. RELATED PARTY TRANSACTIONS

During the year, the company entered into the following transactions, in the ordinary course of business with other related parties. Transactions entered into, and trading balances outstanding at 31st March, are as follows:

	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Amounts owed to related parties</i>	<i>Amounts owed by related parties</i>
	£	£	£	£
<i>Entities with significant influence over the Group</i>				
2016	-	480,741	-	858,478
2015	-	460,589	-	1,103,025
<i>Entities controlled by Sue Watson (as Lyle & Scott majority owner)</i>				
2016				
Tulchan Textiles Limited	-	11,873	-	-
Quarks to Quasars Limited	-	581,061	3,075	-
2015				
Tulchan Textiles Limited	-	4,206	-	-
Quarks to Quasars Limited	-	405,948	5,125	-

Lyle & Scott Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2016

23. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit to net cash (outflow)/inflow from operating activities

	2016	2015
	£	£
Group profit for the year	3,165,246	4,529,819
Adjustments to reconcile profit for the year to net cash flow from operating activities		
Depreciation and impairment of tangible fixed assets	174,850	230,722
Amortisation of goodwill	-	20,000
Government Grants Received	(22,346)	(26,497)
(Increase)/decrease in debtors	(2,398,011)	1,138,195
(Increase)/decrease in stocks	(253,387)	(1,395,337)
(Decrease)/increase in creditors	599,595	(667,082)
Taxation		
Corporation tax paid (including advance corporation tax)	(882,680)	(£782,706)
	(2,781,980)	(1,482,705)
Net cash (outflow)/inflow from operating activities	383,266	3,047,114

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following;

	At 31 March 2016	At 31 March 2015
	£	£
Cash at bank and in hand	5,714,393	7,235,423
Short-term deposits	-	-
	5,714,393	7,235,423
Bank overdrafts	-	-
Cash and cash equivalents	5,714,393	7,235,423

24. IMMEDIATE & ULTIMATE CONTROLLING PARTY

The immediate & ultimate controlling party is S M Watson.