

Lytham HoldCo Limited

Report and Financial Statements

Year Ended

28 September 2013

Company Number 07748417



Lytham HoldCo Limited

Report and financial statements for the year ended 28 September 2013

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Directors

A J Edwards
I B Jackson
E Byun
M Moir
D L S Baldi

Secretary and registered office

R Peak, No 6 Factory, Stourport Road, Kidderminster, Worcestershire, United Kingdom, DY11 7PZ

Company number

07748417

Auditors

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

Lytham HoldCo Limited

Report of the directors for the year ended 28 September 2013

The directors present their report together with the audited financial statements for the year ended 28 September 2013

Principal activities

The Group's principal activity is the manufacture, acquisition and sale of high quality floor coverings for commercial and residential markets

The Group has sales and manufacturing operations in the UK as well as India and Portugal and subsidiary companies with sales offices in the USA and Australia. Brintons Carpets Limited has Design Centres in London and Pune (India) as well as Representative Offices in Singapore and Dubai.

The Group markets its products worldwide through its network of sales representatives, agents and distributors.

Review of business

The Directors have maintained their focus on the key drivers of the Group's business, which are

- Maintaining and strengthening the Group's strong customer and supplier relationships,
- Streamlining its manufacturing facilities and processes,
- Product innovation and development,
- Cost reduction

Amongst the key developments

- The Group has developed a number of new products which have been introduced to the market this year, including High Definition Weave rugs and new anti-microbial Axminster carpets which are certified for use in healthcare environments, such as hospitals and care homes
- Existing product ranges that have been refreshed and relaunched include the Group's best selling Bell Twist range
- A new representative sales office has been opened in Dubai to service the rapidly increasing number of top quality hotels in the region
- The Group has invested over £4M in its patented High Definition Weave loom technology. This investment will result in both significant future cost savings and allow the Group to offer their customers 32 colour, high definition, carpets and rugs as well as reduced lead times
- Due to the group's strong cash position the directors decided to make a repayment of £5.5M against the shareholders loan
- The Group's manufacturing processes have been reviewed and streamlined, resulting in annualised cost savings of c £2M
- As a result of the Group's investment in additional High Definition Weave looms, the Group required additional engineers and weavers. The Group has introduced an apprenticeship training scheme whereby talented young people have been recruited and are receiving both in house and external training, thereby securing the Group's skill base for the future
- The Group has continued to rationalise its property portfolio with the sale of its old Head Office building. The Group is continuing to actively market its surplus factory in China

Lytham HoldCo Limited

Report of the directors for the year ended 28 September 2013 (*continued*)

Research and development

The Group continues its tradition of investing to ensure leadership in the technologies, efficiencies, innovation and design of its facilities, equipment and products. All such expenditure is charged against profit as incurred.

Charitable contributions

During the year the group made charitable contributions of £9,673.

Accounting reference date

The formal year end of the company is 30 September but as allowed by Company Law the Directors select a closing date each year that better fits with the business and for 2013 they have selected 28 September.

Results

The Directors consider that the Group has had an excellent second period of trading despite difficult market conditions. The business has consolidated on its strong performance in the previous period and has continued to increase efficiencies and reduce costs. As a result the Group's profitability has again increased this year.

The Group's consolidated profit and loss account is set out on page 8 and shows its results for the period. The Group's trading EBITDA for the period was £8,945k and its cash position at the end of the period was £8,236k.

Key performance indicators

The Board of Brintons Carpets Limited monitors a range of financial key performance indicators on a monthly basis so as to measure performance against expected targets. During the period key KPI's included the following:

<i>KPI</i>	<i>Performance</i>	<i>Objective</i>
Trading EBITDA	£8,945k	To generate positive EBITDA in ongoing activities
EBITDA Margin	10.9%	To generate a positive EBITDA margin

Future Developments

Brintons is the market leader in offering design led, high quality, woven carpets and rugs. It is the Directors' belief that the Group is well placed to strengthen its market leading position in the future based on the Group's constant innovation in both product design and technology. This is led by the Group's continued investment in its patented High Definition Weave loom technology. This technology enables the Group to offer its customers bespoke High Definition designs with up to 32 colours. It enables the Group to offer unique products to the market and meet the needs of even the most demanding design conscious customer.

Product innovation not only allows the Group to offer new products to the market but also to reduce the cost of manufacture through increased efficiencies. The Directors are focused on maximising these efficiencies and rolling them out across the Group. As these innovative processes and working practices are implemented, the Directors are expecting to realise significant cost savings across the Group.

Lytham HoldCo Limited

Report of the directors for the year ended 28 September 2013 (*continued*)

Principal risks and uncertainties

The Group's operations expose it to a variety of risks. The Group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Group by monitoring levels of debt finance and related finance costs. In the opinion of the Directors, the principal risks and uncertainties facing the business are

- Weak growth in the global market. The Group's sales mainly rely on its customers making capital investments in their businesses. Weak economic growth can result in customers delaying or cancelling this investment which could potentially have an impact on the Group's sales.
- Maintaining market share. Particularly in the face of competition from low-cost producers in an increasingly global marketplace.
- Raw material prices and continuity of supply. Having a secure supply of the specialist raw materials within the global supply chain is essential to the Group, in particular wool, yarn and specialist nylon fibres.
- Exchange rate fluctuations. The Group trades in many currencies around the world and material changes to currency exchange rates can have a major impact on the Group's trading results.

The Directors are satisfied that the Group's trade forecasts, together with its current level of funding and facilities, provide a sound basis for continued trading in the 12 months following the date of this report.

Employee involvement

The Directors are committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

The flow of information to employees and their involvement in driving the business forward has been developed during the period.

- The Group Managing Director delivers a video address on the state of the business and key challenges once per quarter.
- There is a monthly internal newsletter to all employees and an ad hoc IT update newsletter.
- Employees are encouraged to ask questions via an "ask the MD" email address.
- Employees are actively encouraged to submit ideas for improvement via a suggestion scheme to identify profit and cash benefits and to remain involved in the transformation of ideas into actions.
- In addition to formal communications and involvement, Directors and members of the management team regularly visit operating sites and sales offices or meet with staff via the audio visual conferencing links.

Policy and practice on the payment of creditors

The Directors seek to maintain appropriate commercial relationships with Group suppliers and seek to respect credit terms within these relationships in the company and at all subsidiary companies.

Lytham HoldCo Limited

Report of the directors for the year ended 28 September 2013 *(continued)*

Directors

The directors of the company during the year were

D W Coates (resigned 7 March 2014)
A J Edwards
I B Jackson
E Byun (appointed 1 February 2014)
M Moir (appointed 21 February 2014)
R Whiteman (resigned 31 October 2013)
D L S Baldi (appointed 10 March 2014)

Directors' responsibilities

The directors are responsible for preparing the 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 group and company 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 group and 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 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.

Lytham HoldCo Limited

Report of the directors for the year ended 28 September 2013 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board



R Peak
Secretary

Date 15 May 2014

Lytham HoldCo Limited

Independent auditor's report

To the members of Lytham HoldCo Limited

We have audited the financial statements of Lytham HoldCo Limited for the year ended 28 September 2013 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. 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).

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 directors and auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 28 September 2013 and of the group's loss 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Lytham HoldCo Limited

Independent auditor's report (*continued*)

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 financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

BDO LLP
22 May 2014

Thomas Lawton (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
Birmingham
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Lytham HoldCo Limited

Consolidated profit and loss account for the year ended 28 September 2013

	Note	Year ended 28 September 2013 £'000	Thirteen months ended 29 September 2012 £'000
Turnover	3	82,071	89,559
Cost of sales		50,916	63,078
		<u> </u>	<u> </u>
Gross profit		31,155	26,481
Administrative and distribution expenses		(23,766)	(24,327)
Administrative and distribution expenses - exceptional items		(3,664)	(4,497)
Administrative and distribution expenses - exceptional amortisation and impairments		(1,994)	2,103
		<u> </u>	<u> </u>
Total administrative and distribution expenses		(29,424)	(26,721)
		<u> </u>	<u> </u>
EBITDA before exceptionals		8,945	3,832
Depreciation, amortisation and impairments	4	(3,550)	425
Exceptional items	2	(3,664)	(4,497)
		<u> </u>	<u> </u>
Operating profit/(loss)	4	1,731	(240)
		<u> </u>	<u> </u>
Profit on disposal of fixed assets		336	-
		<u> </u>	<u> </u>
Profit/(loss) on ordinary activities before interest and other income		2,067	(240)
Interest receivable and similar income	7	79	77
Interest payable and similar charges	8	(6,363)	(6,887)
		<u> </u>	<u> </u>
Loss on ordinary activities before taxation		(4,217)	(7,050)
Taxation	9	(788)	(1,544)
		<u> </u>	<u> </u>
Loss on ordinary activities after taxation		(5,005)	(8,594)
		<u> </u>	<u> </u>

All amounts relate to continuing activities

The notes on pages 13 to 32 form part of these financial statements

Lytham HoldCo Limited

Consolidated statement of total recognised gains and losses for the year ended 28 September 2013

	Year ended 28 September 2013 £'000	Thirteen months ended 29 September 2012 £'000
Consolidated statement of total recognised gains and losses		
Loss for the financial year/period	(5,005)	(8,594)
Exchange translation differences on consolidation	(1,811)	(1,887)
	<hr/>	<hr/>
Total recognised gains and losses for the financial year/period	(6,816)	(10,481)
	<hr/>	<hr/>

The notes on pages 13 to 32 form part of these financial statements

Lytham HoldCo Limited

Consolidated balance sheet at 28 September 2013

Company number 07748417

	Note	28 September 2013 £'000	28 September 2013 £'000	29 September 2012 As restated £'000	29 September 2012 As restated £'000
Fixed assets					
Intangible assets	11		(12,350)		(13,448)
Tangible assets	12		29,596		30,320
			<u>17,246</u>		<u>16,872</u>
Current assets					
Stocks	14	13,975		17,323	
Debtors	15	10,796		11,831	
Cash at bank and in hand		8,236		12,194	
		<u>33,007</u>		<u>41,348</u>	
Creditors: amounts falling due within one year	16	<u>18,277</u>		<u>18,230</u>	
Net current assets			<u>14,730</u>		<u>23,118</u>
Total assets less current liabilities			<u>31,976</u>		<u>39,990</u>
Provisions for liabilities	18		<u>2,871</u>		<u>3,620</u>
			<u>29,105</u>		<u>36,370</u>
Creditors, amounts falling due after more than one year					
- Shareholder PIK loan notes	17		43,408		42,937
- Other	17		2,981		3,904
			<u>46,389</u>		<u>46,841</u>
Capital and reserves					
Share capital	19		13		10
Profit and loss account	20		(17,297)		(10,481)
Shareholders' deficit	21		<u>(17,284)</u>		<u>(10,471)</u>
			<u>29,105</u>		<u>36,370</u>

The financial statements were approved by the board of directors and authorised for issue on

15 May 2014


A J Edwards
Director

The notes on pages 13 to 32 form part of these financial statements

Lytham HoldCo Limited

Company balance sheet at 28 September 2013

Company number 07748417

	Note	28 September 2013 £'000	29 September 2012 As restated £'000
Current assets			
Debtors - due after more than one year	15	43,421	42,947
		<u> </u>	<u> </u>
Creditors amounts falling due after more than one year			
- Shareholder PIK loan notes	17	43,408	42,937
- Other	17	-	-
		<u>43,408</u>	<u>42,937</u>
Capital and reserves			
Share capital	19	13	10
Profit and loss account		-	-
		<u> </u>	<u> </u>
Shareholders' funds	21	13	10
		<u> </u>	<u> </u>
		<u>43,421</u>	<u>42,947</u>

The financial statements were approved by the board of directors and authorised for issue on 15 May 2014


A J Edwards
Director

The notes on pages 13 to 32 form part of these financial statements

Lytham HoldCo Limited

Consolidated cashflow statement for the year ended 28 September 2013

	Note	Year ended 28 September 2013 £'000	Year ended 28 September 2013 £'000	Thirteen months ended 29 September 2012 £'000	Thirteen months ended 29 September 2012 £'000
Net cash inflow from operating activities	26		7,663		8,411
Returns on investments and servicing of finance					
Interest received		79		77	
Interest paid bank loans		(111)		(319)	
Interest paid other loans		(236)		(329)	
Interest paid hire purchase		-		(246)	
Net cash outflow from returns on investments and servicing of finance			(268)		(817)
Taxation					
Corporation tax paid			(710)		(1,166)
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets		(109)		-	
Payments to acquire tangible fixed assets		(4,434)		(3,242)	
Receipts from sale of tangible fixed assets		437		417	
Net cash outflow from capital expenditure and financial investment			(4,106)		(2,825)
Acquisitions and disposals					
Purchase of business operations		-		(24,484)	
Cash acquired with subsidiary undertakings		-		1,502	
Net cash outflow from acquisitions and disposals			-		(22,982)
Cash inflow/(outflow) before use of financing			2,579		(19,379)
Financing					
Share capital issued		3		10	
New loans		-		36,944	
Loans repaid		(6,540)		(4,643)	
Capital element of finance leases repaid		-		(738)	
Net cash (outflow)/inflow from financing			(6,537)		31,573
(Decrease)/increase in cash	27		(3,958)		12,194

The notes on pages 13 to 32 form part of these financial statements

Lytham HoldCo Limited

Notes forming part of the financial statements for the year ended 28 September 2013

1 Accounting policies

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

The following principal accounting policies have been applied

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The directors have prepared a detailed profit and cash flow forecast for the period to 30 September 2015 which shows that the group will be able to trade within its current agreed facilities. On this basis the directors are satisfied that it is appropriate to prepare the financial statements on the going concern basis.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life. Negative goodwill is amortised to profit as the non-monetary assets acquired are used within the business (stocks), amortised over the same period as the related assets (tangible fixed assets) or is left as negative goodwill where no usage as amortisation is applied (investments).

Valuation of investments

Investments held as fixed assets are stated at fair value as at the date of acquisition from Brintons Limited less any provision for impairment.

Fixed assets and depreciation

Fixed assets are recorded at cost or the fair value of assets acquired as at the date of acquisition. Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Land	- not depreciated
Freehold property	- 2.5% per annum straight line
Leasehold land and buildings	- over length of lease
Plant and equipment	- 5 - 50% per annum

Lytham HoldCo Limited

Notes forming part of the financial statements for the year ended 28 September 2013 (*continued*)

1 Accounting policies (*continued*)

Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost includes all costs incurred in bringing each product to its present location and condition, as follows

Raw materials and consumables	purchase cost on a first in first out basis
Work in progress and finished goods	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Deferred taxation

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 group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred. Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria

- the project is clearly defined and related expenditure is separately identifiable,
- the project is technically feasible and commercially viable,
- current and future costs are expected to be exceeded by future sales, and
- adequate resources exist for the project to be completed

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year the group starts to benefit from the expenditure

Provisions

Provisions are recognised when the Group has an obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the period end date

Government grants

Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the asset to which the grant relates. The deferred element of grants is included in creditors. Grants of a revenue nature are credited to the profit and loss account in the period they relate to

Lytham HoldCo Limited

Notes forming part of the financial statements for the year ended 28 September 2013 (*continued*)

1 Accounting policies (*continued*)

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of the estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Turnover

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Sales of goods are recognised when it is considered that the risks and rewards of the ownership of the goods has passed from the company to the purchaser, in accordance with the underlying terms of the contract arrangements. Revenue may also be recognised on formal 'bill and hold' arrangements if the following conditions are met:

- the goods are complete and ready for delivery,
- the goods are separately identified from the groups other stock and are not used to fulfil any other orders, and
- the customer has requested that the goods not be delivered.

Finance costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Lytham HoldCo Limited

Notes forming part of the financial statements for the year ended 28 September 2013 *(continued)*

1 Accounting policies *(continued)*

Pension costs

Contributions to the Group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable

Exceptional items

Exceptional items are items incurred which are either considered to be outside the normal course of business or transactions which are material by virtue to their size or incidence

Exemptions

The directors have taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures', not to disclose transactions with wholly owned group companies. In addition, the directors have taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash flow statements' not to include a statement of cash flows in the financial statements on the grounds that the group is itself a wholly owned subsidiary

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 *(continued)*

2 Exceptional items

	Year ended 28 September 2013 £'000	Thirteen months ended 29 September 2012 £'000
Redundancy costs	(844)	(2,798)
Consultancy and management fees	(294)	-
Onerous contracts	(604)	-
Legal & professional fees	(284)	-
Other restructuring costs	(1,589)	(915)
Exchange gain on BRASIA tax liability	290	-
Discontinued operation costs	(339)	(784)
	<hr/>	<hr/>
Total exceptional items	(3,664)	(4,497)
	<hr/>	<hr/>

In reviewing the operation of the Group in the periods following acquisition, the directors concluded that there were opportunities to improve efficiency and streamline practices and processes. This has resulted in the elimination of unnecessary jobs and roles, leading to redundancy costs as well as incurring other consultancy costs to improve efficiencies within the manufacturing operations.

Lytham HoldCo Limited

Notes forming part of the financial statements for the year ended 28 September 2013 (continued)

3 Turnover

Turnover is solely attributable to the Groups' principal activity. In the opinion of the directors, an analysis of turnover by geographical destination would be seriously prejudicial to the interests of the group for commercial reasons and therefore no disclosure has been made.

4 Operating profit/(loss)

	Year ended 28 September 2013 £'000	Thirteen months ended 29 September 2012 £'000
This is arrived at after charging/(crediting)		
Exceptional items	3,664	4,497
Hire of plant and machinery - operating leases	88	85
Hire of other assets - operating leases	494	636
Subscriptions and donations	50	43
Research and development	22	15
Fees payable to the group auditor for audit services	83	80
Fees payable to the group auditor for taxation services	25	25
Profit on sale of fixed assets	(34)	-
	<u>2013</u> £'000	<u>2012</u> £'000
Depreciation of tangible fixed assets	2,545	2,667
Amortisation of intangible fixed assets	(989)	(989)
Exceptional impairment of goodwill / assets	1,994	6,940
Exceptional amortisation of intangible assets	-	(9,043)
	<u>3,550</u>	<u>(425)</u>

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 (*continued*)

5 Employees

Staff costs (including directors) consist of

	Year ended 28 September 2013 £'000	Thirteen months ended 29 September 2012 £'000
Wages and salaries	22,970	25,865
Social security costs	2,226	2,378
Other pension costs	1,033	1,216
	<u>26,229</u>	<u>29,459</u>

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

	Year ended 28 September 2013 Number	Thirteen months ended 29 September 2012 Number
Production	1,006	1,094
Sales, marketing, distribution and design	281	283
Engineering and technology	75	80
Administration and finance	65	63
	<u>1,427</u>	<u>1,520</u>

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 *(continued)*

6 Directors' remuneration

	Year ended 28 September 2013 £'000	Thirteen months ended 29 September 2012 £'000
Directors' emoluments	533	940
Company contributions to defined contribution pension scheme	29	50
Compensation for loss of office	174	143
	<u> </u>	<u> </u>

There were two directors in the Group's defined contribution pension scheme during the year (2012 - three)

The total amount payable to the highest paid director in respect of emoluments was £300,239 (2012 - £393,203) Company pension contributions of £Nil (2012 - £Nil) were made to a money purchase scheme on their behalf

7 Interest receivable and similar income

	Year ended 28 September 2013 £'000	Thirteen months ended 29 September 2012 £'000
Bank deposits	79	77
	<u> </u>	<u> </u>

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 (*continued*)

8 Interest payable and similar charges

	Year ended 28 September 2013 £'000	Thirteen months ended 29 September 2012 £'000
Bank loans and overdrafts	111	319
Interest on shareholder PIK loan notes (see below)	6,016	5,993
Finance leases and hire purchase contracts	-	246
Arrangement fees and charges	236	329
	<u>6,363</u>	<u>6,887</u>

Non-cash interest on the shareholder PIK loan notes constitutes capitalised non-cash PIK (payment in kind) interest accrued on the shareholder loan, which does not become a cash commitment until the maturity of the shareholder loan in 2019. Unpaid PIK interest is capitalised and added to the shareholder loan balance at each semi-annual interest period.

9 Taxation

	Year ended 28 September 2013 £'000	Thirteen months ended 29 September 2012 £'000
<i>Overseas Corporation tax</i>		
Current tax on profits of the year/period	788	1,428
Overseas deferred tax	-	116
	<u>788</u>	<u>1,544</u>
Taxation on loss on ordinary activities		
	<u>788</u>	<u>1,544</u>

The tax assessed for the year/period is higher than the standard rate of corporation tax applied to loss before tax. This arises because of profits chargeable to tax in certain country jurisdictions which are not able to be offset against tax losses arising in other country jurisdictions. The tax losses arising are able to be carried forward for offset against future profits arising in each jurisdiction but will not be available for group profit relief.

10 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group loss for the year includes a result after tax of £Nil (2012 - £Nil) which is dealt with in the financial statements of the parent company.

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 (*continued*)

11 Intangible fixed assets

Group

	Patents and Trademarks £'000	Goodwill £'000	Total £'000
<i>Fair value cost</i>			
At 30 September 2012	-	(23,480)	(23,480)
Additions	109	-	109
	<u>109</u>	<u>(23,480)</u>	<u>(23,371)</u>
At 28 September 2013	109	(23,480)	(23,371)
	<u>109</u>	<u>(23,480)</u>	<u>(23,371)</u>
<i>Amortisation</i>			
At 30 September 2012	-	10,032	10,032
Provided for the year	(44)	1,033	989
	<u>(44)</u>	<u>11,065</u>	<u>11,021</u>
At 28 September 2013	(44)	11,065	11,021
	<u>(44)</u>	<u>11,065</u>	<u>11,021</u>
<i>Net book value</i>			
At 28 September 2013	65	(12,415)	(12,350)
	<u>65</u>	<u>(12,415)</u>	<u>(12,350)</u>
At 29 September 2012	-	(13,448)	(13,448)
	<u>-</u>	<u>(13,448)</u>	<u>(13,448)</u>

Goodwill has arisen on the acquisition of the trade and assets of the Brintons Limited group. The goodwill is being amortised as the non-monetary assets acquired are used within the group entities through disposal, depreciation or impairment.

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 (*continued*)

12 Tangible fixed assets

Group

	Land and buildings £'000	Plant and equipment £'000	Total £'000
<i>Fair value cost</i>			
At 30 September 2012	14,046	18,685	32,731
Additions	13	4,421	4,434
Disposals	-	(475)	(475)
Impairment	(1,450)	(544)	(1,994)
Exchange adjustments	(283)	(269)	(552)
	<hr/>	<hr/>	<hr/>
At 28 September 2013	12,326	21,818	34,144
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 30 September 2012	523	1,888	2,411
Provided for the year	392	2,153	2,545
Disposals	-	(408)	(408)
Exchange adjustments			
	<hr/>	<hr/>	<hr/>
At 28 September 2013	915	3,633	4,548
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 28 September 2013	11,411	18,185	29,596
	<hr/>	<hr/>	<hr/>
At 29 September 2012	13,523	16,797	30,320
	<hr/>	<hr/>	<hr/>

Included in the above is property of £5,000k held for resale

Plant and equipment includes assets under construction, at 28 September 2013 the net book value of these assets was £2,212k (2012 - £2,131k) These assets represent upgrades to machinery which have not yet been brought into operation

The net book value of leasehold land and buildings may be further analysed as follows

	Group 28 September 2013 £'000	Group 29 September 2012 £'000
Short leasehold	6,450	6,498
Freehold	4,961	7,025
	<hr/>	<hr/>
	11,411	13,523
	<hr/>	<hr/>

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 (*continued*)

13 Fixed asset investments

Company

Cost or valuation

At 30 September 2012 and 28 September 2013

Group
undertakings
£'000

-

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Country of incorporation or registration	Class of share capital held	Proportion of share capital held	Nature of business
Brintons Carpets Asia Private Limited	India	Ordinary shares	100%	Production and sale of high quality Axminster woven carpet
Brintons Industria De Alcatifas Limitada	Portugal	Ordinary shares	100%	Production and sale of high quality Axminster woven carpet
Brintons US Axminster Inc	USA	Common stock	100%	Sale of high quality floor coverings
Brintons Pty Limited	Australia	Ordinary shares	100%	Sale of high quality floor coverings
Brintons Carpets Limited	UK	Ordinary shares	100%	Production of high quality Axminster and Wilton woven carpet and sale of high quality floor coverings

Except for Brintons Carpets Limited, which is held directly by the company, the above interests are held by other group companies

The directors are satisfied that no impairment provision is required against the fixed asset investments

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 (*continued*)

14 Stocks

	Group 28 September 2013 £'000	Group 29 September 2012 £'000	Company 28 September 2013 £'000	Company 29 September 2012 £'000
Raw materials and consumables	1,591	1,840	-	-
Work in progress	4,695	5,140	-	-
Finished goods and goods for resale	7,689	10,343	-	-
	<u>13,975</u>	<u>17,323</u>	<u>-</u>	<u>-</u>

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

15 Debtors

	Group 28 September 2013 £'000	Group 29 September 2012 £'000	Company 28 September 2013 £'000	Company 29 September 2012 £'000
Amounts receivable within one year				
Trade debtors	8,491	8,170	-	-
Other debtors	1,211	2,199	-	-
Prepayments and accrued income	550	922	-	-
	<u>10,252</u>	<u>11,291</u>	<u>-</u>	<u>-</u>
Amounts receivable after more than one year				
Shareholder loan to subsidiary company	-	-	43,421	42,947
Other debtors	103	122	-	-
Prepayments and accrued income	441	418	-	-
	<u>544</u>	<u>540</u>	<u>43,421</u>	<u>42,947</u>
Total debtors	<u>10,796</u>	<u>11,831</u>	<u>43,421</u>	<u>42,947</u>

The shareholder loan matures in 2019 and has no financial covenants. There are no amortisation payments due in advance of its 2019 maturity date. Interest accrues on a non-cash basis and is capitalised and added to the outstanding shareholder loan balance at each semi-annual interest period. No cash interest payments are due in advance of the 2019 maturity date of the shareholder loan. The company also has the option of making early repayments.

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 (*continued*)

16 Creditors amounts falling due within one year

	Group 28 September 2013 £'000	Group 29 September 2012 As restated £'000	Company 28 September 2013 £'000	Company 29 September 2012 As restated £'000
Bank loans (secured)	971	1,057	-	-
Payments received on account	3,111	2,169	-	-
Trade creditors	8,896	8,285	-	-
Corporation tax	340	262	-	-
Other taxation and social security	791	788	-	-
Other creditors	1,156	961	-	-
Accruals and deferred income	3,012	4,708	-	-
	<u>18,277</u>	<u>18,230</u>	<u>-</u>	<u>-</u>

The shareholder loan of £5.5m included within creditors due less than one year in the prior period has been reclassified to creditors falling due after one year, in accordance with the loan agreement

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 (continued)

17 Creditors: amounts falling due after more than one year

	Group 28 September 2013 £'000	Group 29 September 2012 As restated £'000	Company 28 September 2013 £'000	Company 29 September 2012 As restated £'000
Other:				
Bank loans (secured)	2,331	3,240	-	-
Shareholder PIK loan notes	43,408	42,937	43,408	42,937
Other loans and creditors	49	55	-	-
Government grants	601	609	-	-
	<u>46,389</u>	<u>46,841</u>	<u>43,408</u>	<u>42,937</u>

Bank loans are secured over the assets of the Group, cross guarantees are also in place between the entities within the Group

Maturity of other debt:

	Loans and overdrafts 28 September 2013 £'000	Loans and overdrafts 29 September 2012 £'000	Other creditors 28 September 2013 £'000	Other creditors 29 September 2012 £'000
In one year or less, or on demand	<u>971</u>	<u>1,057</u>	<u>-</u>	<u>-</u>
In more than one year but not more than two years	1,384	914	49	55
In more than two years but not more than five years	543	1,374	-	-
In more than five years	<u>404</u>	<u>952</u>	<u>601</u>	<u>609</u>
	<u>2,331</u>	<u>3,240</u>	<u>650</u>	<u>664</u>

Shareholder PIK loan notes:

	Group Year ended 28 September 2013 £'000	Group Year ended 29 September 2012 As restated £'000	Company Year ended 28 September 2013 £'000	Company Year ended 29 September 2012 As restated £'000
Shareholder PIK loan notes	<u>43,408</u>	<u>42,937</u>	<u>43,408</u>	<u>42,937</u>

The shareholder loan matures in 2019 and has no financial covenants. There are no amortisation payments due in advance of its 2019 maturity date. Interest accrues on a non cash basis and is capitalised and added to the outstanding shareholder loan balance at each semi-annual interest period. Interest was

Lytham HoldCo Limited

Notes forming part of the financial statements for the year ended 28 September 2013 *(continued)*

charged at a rate of 15%, with the rate reduced to 10% from September 2013. No cash interest payments are due in advance of the 2019 maturity date of the shareholder loan.

18 Provisions for liabilities

Group

	Deferred taxation £'000	Overseas taxation £'000	Cost of quality £'000	Total £'000
At 30 September 2012	116	1,943	1,561	3,620
Exchange movement	(48)	(359)	-	(407)
Charged to profit and loss account in the year	-	-	186	186
Utilised in period	-	-	(528)	(528)
	<u>68</u>	<u>1,584</u>	<u>1,219</u>	<u>2,871</u>
At 28 September 2013	68	1,584	1,219	2,871

The deferred taxation in the Group represents capital allowances and other differences.

19 Share capital

	28 September 2013 £	29 September 2012 £
<i>Allotted, called up and fully paid</i>		
1,000,000 "A" ordinary shares of £0.01 each	10,000	10,000
253,918 "B" ordinary shares of £0.01 each	2,539	-
	<u>12,539</u>	<u>10,000</u>

During the year the 1,000,000 ordinary shares have been redesignated to "A" ordinary shares and 253,918 "B" ordinary shares have been issued at £0.01 each.

The "A" ordinary shares have full voting, dividend and capital distribution rights and do not confer any rights of redemption. The "B" ordinary shares have full voting and capital distribution rights and do not confer any rights of redemption. Dividends may be paid subject to the prior written approval of holders of at least 50% of the "A" shares.

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 (*continued*)

20 Reserves

Group

	Profit and loss account £'000
At 30 September 2012	(10,481)
Loss for the year	(5,005)
Exchange loss on consolidation	(1,811)
	<hr/>
At 28 September 2013	(17,297)
	<hr/>

21 Reconciliation of movements in shareholders' (deficit)/funds

	Group 28 September 2013 £'000	Group 29 September 2012 £'000	Company 28 September 2013 £'000	Company 29 September 2012 £'000
Loss for the year/period	(5,005)	(8,594)	-	-
Exchange translation differences on consolidation	(1,811)	(1,887)	-	-
Issue of shares	3	10	3	10
	<hr/>	<hr/>	<hr/>	<hr/>
Net (deductions from)/additions to shareholders' (deficit)/funds	(6,813)	(10,471)	3	10
Opening shareholders' (deficit)/funds	(10,471)	-	10	-
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' (deficit)/funds	(17,284)	(10,471)	13	10
	<hr/>	<hr/>	<hr/>	<hr/>

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 (*continued*)

22 Commitments under operating leases

The Group had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 28 September 2013 £'000	Other 28 September 2013 £'000	Land and buildings 29 September 2012 £'000	Other 29 September 2012 £'000
Operating leases which expire				
Within one year	-	48	8	53
In two to five years	138	2	245	240
After five years	39	26	130	86
	<u>177</u>	<u>76</u>	<u>383</u>	<u>379</u>

23 Related party disclosures

The Group incurred management charges of £250,000 (2012 - £270,833) during the period from Carlyle Investment Management L L C

24 Ultimate parent company

The ultimate parent company is Carlyle Strategic Partners II Luxembourg SARL

25 Post balance sheet events

The group has suffered a loss of sales and profits (principally in the post year end period) as a result of damage that was caused to machinery at one of its factories during the year. Since the period end a settlement of £1.6m has been agreed and received.

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 (*continued*)

26 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	Year ended 28 September 2013 £'000	Thirteen months ended 29 September 2012 £'000
Operating profit/(loss)	1,731	(240)
Amortisation of intangible fixed assets	(989)	(10,032)
Impairment of fixed assets	1,994	6,108
Depreciation of tangible fixed assets	2,545	2,667
(Profit)/loss on sale of tangible fixed assets	(34)	48
Decrease in provisions	(342)	(112)
Decrease in stocks	3,348	40
Decrease in debtors	1,035	2,210
Increase in creditors	41	8,959
Working capital exchange adjustments	(1,666)	(1,237)
	<u>7,663</u>	<u>8,411</u>
Net cash inflow from operating activities	<u>7,663</u>	<u>8,411</u>

27 Reconciliation of net cash flow to movement in net debt

	Year ended 28 September 2013 £'000	Thirteen months ended 29 September 2012 £'000
(Decrease)/increase in cash	(3,958)	12,194
Cash inflow/(outflow) from changes in debt	<u>6,540</u>	<u>(31,563)</u>
Movement in net debt resulting from cash flows	2,582	(19,369)
Finance leases acquired on acquisition	-	(738)
Loans acquired on acquisition	-	(8,940)
Interest on shareholder PIK loan notes	<u>(6,016)</u>	<u>(5,993)</u>
Movement in net debt	(3,434)	(35,040)
Opening net debt	<u>(35,040)</u>	<u>-</u>
Closing net debt	<u>(38,474)</u>	<u>(35,040)</u>

Lytham HoldCo Limited

Notes forming part of the financial statements
for the year ended 28 September 2013 (*continued*)

28 Analysis of net debt

	At 30 September 2012 As restated £'000	Cash flow £'000	Other non- cash items £'000	At 28 September 2013 £'000
Cash at bank and in hand	12,194	(3,958)	-	8,236
Debt due within one year	(1,057)	86	-	(971)
Debt due after one year	(46,177)	6,454	(6,016)	(45,739)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	(35,040)	2,582	(6,016)	(38,474)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>