

## **Lytham HoldCo Limited**

Report and Financial Statements

Year Ended

26 September 2015

Company Number 07748417

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# Lytham HoldCo Limited

## Report and financial statements for the year ended 26 September 2015

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### Directors

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

### Secretary and registered office

R Peak, Brintons Carpets Limited, Stourport Road, Kidderminster, Worcestershire, United Kingdom, DY11 7PZ

### Company number

07748417

### Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

# Lytham HoldCo Limited

## Chief Executive's statement

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Results for the year to 26 September 2015

### Trading Report

This year the focus has been to address the key performance metrics of the business and to concentrate on our core activities. I am delighted to report a strong and successful year for the Brintons Group, the highlights of which are:

- Revenue growth 10.9%
- EBITDA increase from £4.1m to £8.0m
- Margin growth from 5.9 % to 10.4%
- Successful acquisition of F.D.Agnella (Poland)

Sales revenue increased on a like for like basis by 7.2%\* (\*when excluding two months of acquisition sales) spearheaded by a strong performance in the commercial sector. Brintons operates primarily in three commercial sectors, hospitality, gaming and marine, providing high quality bespoke Axminster carpets designed to individual customer specifications.

Brintons has a global market presence, and trading was positive across all our three sectors, Americas, APAC and EMEA benefiting from both strong market trends and share gains.

Brintons is also recognised as the premium brand in the consumer sector and we have a strong market presence in the residential sectors within the UK and Australia. This year has been one of consolidation as we embarked on a number of initiatives to reduce inventory by streamlining ranges but at the same time improved service levels and response times. With a number of new ranges and future projects in the pipeline we look forward to a resurgence in these areas.

Design remains at the heart of Brintons philosophy and our customers recognize our expertise in this field. We maintain strong field based, customer facing design teams, as well as utilising our highly skilled service centre in Pune, India. We participate in a number of collaborations worldwide with leading designers to enhance the customer offering across all our business sectors.

The strong EBITDA performance was a combination of revenue growth and a reduction in our manufacturing costs and overhead base. Key to this was our successful drive to utilise capacity from our lower cost overseas manufacturing plants, as well as reducing our central cost base by devolving key management functions to the regions. The realisation of further cost initiatives is an ongoing process which will continue to deliver rewards into the following years.

### New enlarged Group

The acquisition of F.D.Agnella in July 2015 has given the Group an extra dimension. F.D.Agnella is a Polish manufacturer and distributor of Axminster carpets and Wilton carpets and rugs. Situated in the town of Bialystok, in north eastern Poland, it trades in both its domestic market as well as distributing carpets throughout Europe and also into the USA. Its manufacturing ethos in respect of quality of product and design is similar to Brintons and it is why we believe this is a complementary business to our existing one.

A full year P&L on a pro forma basis to include Agnella for the 2014/15 trading year is highlighted below demonstrating the additional revenue and enhanced margin this acquisition has brought.

	(Unaudited) Pro Forma 2015 £m
Turnover	92.9
Gross Profit	34.4
EBITDA	10.7
Margin %	11.5%

# Lytham HoldCo Limited

## Chief Executive's statement (*continued*)

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### Prospects for the year to 1 October 2016

It has been a positive start to our new trading year with a strong order bank expected to deliver a Q1 ahead of plan as we seek to strengthen our market position through increased penetration, especially in the EMEA region. The focus this year will be to drive synergies resulting from our recent acquisition of another lower cost plant and to ensure we remain competitive by further driving down manufacturing costs. Our increased Group structure has given us the opportunity to improve our input prices and general buying terms across the organisation. Our goal is to continue to improve margins to be best in class.

### Acknowledgement

It goes without saying that without the efforts and commitment of all our employees we would not be able to achieve the results for which we are striving. This past year has witnessed a culture change within the organisation which has had clear benefits for the Group's performance. This process is ongoing as we aim for better results and I thank all our employees for their contribution.



D L S Baldi  
Director

17 December 2015

# Lytham HoldCo Limited

## Strategic report for the year ended 26 September 2015

The directors present their strategic report together with the audited financial statements for the year ended 26 September 2015.

### Principal activities

The Group's principal activity is the manufacture and sale of high quality machine woven carpets and rugs for commercial and residential markets. Brintons is a vertically integrated business, spinning and dying yarn prior to weaving bespoke carpets and rugs.

The Group's main head office and manufacturing premises is in Kidderminster, with an additional UK plant in Telford. It also has subsidiary companies with manufacturing operations in India, Portugal, Poland and subsidiary companies with sales offices in the USA and Australia.

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

### Review of business

The Directors have maintained their focus on the key drivers of the Group's business and are continuing to:

- maintain and strengthen the Group's strong customer and supplier relationships,
- streamline its manufacturing facilities and processes,
- innovate and develop its products,
- reduce costs.

A review of the business during the year is included in the Chief Executive's statement on page 1.

### Key performance indicators

The Board 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:

	2015	2014 As restated (see note 27)
	£'000	£'000
Turnover	76,825	68,235
Gross Margin %	36.4%	35.0%
EBITDA	7,973	4,069
Margin %	10.4%	5.9%

# Lytham HoldCo Limited

## Strategic report for the year ended 26 September 2015 (*continued*)

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### 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:

- **Global market performance:**  
The Group's sales primarily rely on its customers making capital investments in their operations; these investments can vary according to market conditions and impact the Group's turnover and profits.
- **Maintaining market share:**  
The Group operates across a global footprint with a number of similar competitors. The Group must maintain good customer relations and ensure it is price competitive to maintain its market share.
- **Raw material prices:**  
The Group primarily uses two major raw materials, British wool and specialist nylon fibres from the USA. The Group is therefore exposed to market fluctuations in these materials.
- **Exchange rate fluctuations:**  
The Group trades in five main currencies Pounds sterling, US dollars, Euro's, Australian dollars and Polish Zloty. The Group is therefore exposed to fluctuations in the exchange rates of these currencies.

Information on financial risk management objectives and policies are included in the Report of the directors on page 5.

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.

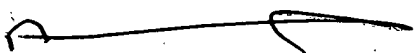
### Future developments

See Chief Executive's statement.

### 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.

### On behalf of the board



A J Edwards  
Director

17 December 2015

# Lytham HoldCo Limited

## Report of the directors for the year ended 26 September 2015

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The directors present their report together with the audited financial statements for the year ended 26 September 2015.

### Results and dividends

The profit and loss account is set out on page 10 and shows the profit for the year.

The directors do not recommend the payment of a dividend this year (2014 - £nil).

### Strategic report

The review of the business, key performance indicators, future developments and the principal risks and uncertainties are not shown in the directors report as they are shown in the strategic report in accordance with S414C(11) of the Companies Act 2006.

### 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 2015 they have selected 26 September.

### Financial instruments

The Group's principal financial liabilities comprise bank loans and trade payables. It also has shareholder loans (PIK notes) which accrue interest but these are not cash payable in the normal course of business. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and deposits, which arise directly from its operations.

In the normal course of business, the Group is exposed to a number of financial risks, including market risk (including interest rate risk, foreign currency risk and other price risk), liquidity risk and credit risk. The Board of Directors reviews and establishes policies for managing each of these risks which are summarised below.

#### Market Risk

The Group is exposed to risk from movements in interest rates, foreign currency exchange rates and market prices that affect its assets, liabilities and raw materials. The objective of market risk management is to manage and control market risk exposures, while optimising the return on the risk.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group borrows on both a fixed and variable rate basis. Variable rate loans are based on EURIBOR, WIBOR and LIBOR rates; these variable rate loans account for 74% of external debt (2014 : 100%) but only 12% of total loans (2014: 4%). The Group does not consider interest rate risk to be significant and is not using instruments to hedge these risks. Nevertheless, the Group monitors interest rates and will use instruments to hedge such risk as necessary.

#### Foreign Currency Risk

The Group's exposure to currency risk relates to sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's subsidiaries. The currencies in which these transactions and balances primarily denominated are US dollars, Euro's, Australian dollars and Polish Zloty. The Group doesn't use formal arrangements to manage currency risks but it seeks to bring its financial liabilities in foreign currencies in line with its assets and export net sales, thus mitigating currency risk.

# Lytham HoldCo Limited

## Report of the directors for the year ended 26 September 2015 (*continued*)

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### Liquidity risk

Liquidity risk arises when the Group encounters difficulties to meet commitments associated with liabilities and other payment obligations. The Group manages this risk by always having sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. At present, the Group believes it has access to sufficient funding and has also both committed and uncommitted lending facilities to meet currently foreseeable borrowing requirements.

### Credit Risk

Credit risk is the potential exposure of the Group to losses should the Group's debtors fail to pay amounts due to the Group. Financial instruments that potentially expose the Group to credit risk consist primarily of cash and trade accounts receivable. The credit risk arising from the Group's normal commercial operations is controlled by each individual company within the Group using Group-approved procedures for evaluating the reliability and solvency of each customer, including receivable collection. This monitoring activity is performed at the Group level according to set guidelines and measurement techniques to qualify and monitor credit risk. The Group also maintains insurance cover against bad debts.

### Equal opportunities

The Group is committed to a policy of providing equal opportunities for all, regardless of gender, race, religion, disability, sexual orientation or political views. All employees are made aware of this policy and it is a condition of employment that this policy is observed by all employees of the Group, regardless of where in the world they are employed.

The Group periodically carries out diversity training to help maintain these standards.

### Employee participation

The flow of information to employees and their involvement in driving the business forward continues to play an important role within the Group.

- The CEO delivers a personal address to all UK employees on a quarterly basis with interactive Q&A sessions. This same briefing is disseminated throughout the Group via the divisional heads to ensure continuity of message.
- 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 which have been developed during the period.
- The Group seeks to promote a culture of achievement and has measures in place to recognise and reward employees for their results and efforts.

### Directors

The directors of the company during the year were:

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



# Lytham HoldCo Limited

## Report of the directors for the year ended 26 September 2015 (*continued*)

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### Directors' responsibilities

The directors are responsible for preparing the annual 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.

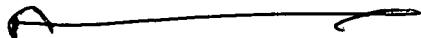
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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.

### 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.

### On behalf of the board



A J Edwards  
Director

17 December 2015

# Lytham HoldCo Limited

## Independent auditor's report

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### To the members of Lytham HoldCo Limited

We have audited the financial statements of Lytham HoldCo Limited for the year ended 26 September 2015 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](http://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 26 September 2015 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### 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.

# Lytham HoldCo Limited

## Independent auditor's report (*continued*)

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### 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.



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

17 December 2015.

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 26 September 2015

	Note	2015 £'000	2014 As restated (see note 27) £'000
<b>Turnover</b>	2	<b>76,825</b>	68,235
Cost of sales		(48,840)	(44,351)
<b>Gross profit</b>		<b>27,985</b>	23,884
<i>Gross profit %</i>		<b>36.4%</b>	35.0%
Administrative expenses- including exceptional costs of £216,000 (2014 - £4,227,000)	4	(22,145)	(26,993)
Other operating income		-	1,520
<b>EBITDA* before exceptionals</b>		<b>7,973</b>	4,069
Depreciation and amortisation		(1,917)	(1,431)
Impairments		-	(1,398)
Exceptional costs		(810)	(3,747)
Exceptional profit on disposal of assets		594	918
<b>Group operating profit/(loss)</b>	5	<b>5,840</b>	(1,589)
Other interest receivable and similar income	8	98	67
Interest payable and similar charges	9	(650)	(415)
Interest accrued but not payable on shareholder loans	9	(4,294)	(4,425)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>994</b>	(6,362)
Taxation on profit/(loss) on ordinary activities	10	(980)	(79)
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>14</b>	(6,441)

\* EBITDA before exceptional items is earnings before interest, tax, depreciation/amortisation, impairments and exceptional costs.

Turnover and operating profit included in the above figures in respect of the acquisition during the year amounts to £2,204k and £89k respectively.

The notes on pages 15 to 37 form part of these financial statements.

# Lytham HoldCo Limited

## Consolidated statement of total recognised gains and losses for the year ended 26 September 2015

	Note	2015 £'000	2014 £'000
<b>Consolidated statement of total recognised gains and losses</b>			
Profit/(loss) for the financial year		14	(6,441)
Exchange translation differences on consolidation		(864)	(596)
		<u>          </u>	<u>          </u>
<b>Total recognised gains and losses for the financial year</b>		<b>(850)</b>	<b>(7,037)</b>
		<u>          </u>	<u>          </u>

The notes on pages 15 to 37 form part of these financial statements.

# Lytham HoldCo Limited

## Consolidated balance sheet at 26 September 2015

<i>Company number 07748417</i>	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
<b>Fixed assets</b>					
Intangible assets	12		(5,074)		(11,281)
Tangible assets	13		44,981		29,921
			<u>39,907</u>		<u>18,640</u>
<b>Current assets</b>					
Stocks	15	17,107		15,320	
Debtors	16	13,362		10,188	
Cash at bank and in hand		8,956		7,394	
		<u>39,425</u>		<u>32,902</u>	
<b>Creditors: amounts falling due within one year</b>	17	(34,711)		(22,963)	
		<u></u>		<u></u>	
<b>Net current assets</b>			<u>4,714</u>		<u>9,939</u>
<b>Total assets less current liabilities</b>			<u>44,621</u>		<u>28,579</u>
<b>Provisions for liabilities</b>	19		(2,903)		(2,372)
			<u>41,718</u>		<u>26,207</u>
<b>Creditors: amounts falling due after more than one year:</b>					
- Shareholder loans			43,738		47,832
- Other			9,766		2,696
			<u>53,504</u>		<u>50,528</u>
<b>Capital and reserves</b>					
Called up share capital	20		13,398		13
Profit and loss account	21		(25,184)		(24,334)
			<u></u>		<u></u>
<b>Shareholders' deficit</b>	22		(11,786)		(24,321)
			<u>41,718</u>		<u>26,207</u>

The financial statements were approved by the board of directors and authorised for issue on 17 December 2015.

  
D L S Baldi  
Director

  
A J Edwards  
Director

The notes on pages 15 to 37 form part of these financial statements.

# Lytham HoldCo Limited

## Company balance sheet at 26 September 2015

<b>Company number 07748417</b>	<b>Note</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Current assets</b>			
Debtors	16	57,136	47,847
		<u>57,136</u>	<u>47,847</u>
<b>Creditors: amounts falling due after more than one year:</b>			
- Shareholder loans		43,738	47,834
- Other loan		-	-
		<u>43,738</u>	<u>47,834</u>
<b>Capital and reserves</b>			
Called up share capital	20	13,398	13
Profit and loss account	21	-	-
		<u>13,398</u>	<u>13</u>
<b>Shareholders' funds</b>	22	13,398	13
		<u>57,136</u>	<u>47,847</u>

The financial statements were approved by the board of directors and authorised for issue on 17 December 2015.

  
D L S Baldi  
Director

  
A J Edwards  
Director

The notes on pages 15 to 37 form part of these financial statements.

# Lytham HoldCo Limited

## Consolidated cashflow statement for the year ended 26 September 2015

	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
<b>Net cash inflow from operating activities</b>	28		10,777		120
<b>Returns on investments and servicing of finance</b>					
Interest received		98		67	
Interest paid: bank loans		(101)		(88)	
Interest paid: other loans		(515)		(327)	
Interest paid: finance leases		(34)		-	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(552)		(348)
<b>Taxation</b>					
Corporation tax paid			(689)		(606)
<b>Capital expenditure and financial investment</b>					
Payments to acquire intangible fixed assets		(66)		(85)	
Payments to acquire tangible fixed assets		(2,985)		(5,335)	
Receipts from sale of tangible fixed assets		849		1,663	
<b>Net cash outflow from capital expenditure and financial investment</b>			(2,202)		(3,757)
<b>Acquisitions and disposals</b>					
Payments to acquire subsidiaries		(9,783)		-	
Cash acquired from subsidiary		100		-	
<b>Net cash outflow from acquisitions and disposals</b>			(9,683)		-
<b>Cash outflow before use of financing</b>			(2,349)		(4,591)
<b>Financing</b>					
Share capital issued		13,385		-	
New loans		4,711		4,396	
Loans repaid		(14,084)		(647)	
Capital element of finance leases repaid		(101)		-	
<b>Net cash inflow from financing</b>			3,911		3,749
<b>Increase/(Decrease) in cash</b>	29		1,562		(842)

The notes on pages 15 to 37 form part of these financial statements.



# Lytham HoldCo Limited

## Notes forming part of the financial statements for the year ended 26 September 2015

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### 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 2017 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 less any provision for impairment. 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 less any provision for impairment.

#### *Depreciation*

Fixed assets are recorded at cost or the fair value of assets acquired as at the date of acquisition less any provision for impairment. 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 on historical cost
Leasehold land and buildings	- over length of lease
Plant and machinery	- 4 - 50% per annum

# Lytham HoldCo Limited

## Notes forming part of the financial statements for the year ended 26 September 2015 (*continued*)

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### 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.

#### *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.

#### *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.

#### *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.

# Lytham HoldCo Limited

## Notes forming part of the financial statements for the year ended 26 September 2015 (*continued*)

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### 1 Accounting policies (*continued*)

#### *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.

#### *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 formally requested a delay in the delivery of the goods.

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 (*continued*)

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## 1 Accounting policies (*continued*)

### *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.

### *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.

# Lytham HoldCo Limited

## Notes forming part of the financial statements for the year ended 26 September 2015 (continued)

### 2 Turnover

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

### 3 Exceptional items

	2015 £'000	2014 £'000
Redundancy costs	(326)	(2,026)
Other restructuring costs	(143)	(947)
Consultancy and management fees	(274)	(280)
Onerous contracts	-	(100)
Legal & professional fees	-	(84)
Discontinued operations	(309)	(310)
Reversal of loan impairments	242	-
	<u>(810)</u>	<u>(3,747)</u>

The directors maintain a continuous review of the operations of the business which 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.

### 4 Other operating income

Other operating income of £1,520,000 in the prior year was received in respect of an insurance claim as a result of damage caused to machinery at one of its factories. The amount included in other operating income represented the settlement of £1,600,000 less £80,000 in respect of loss assessor costs.

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 (*continued*)

## 5 Operating profit/(loss)

	2015 £'000	2014 £'000
This is arrived at after charging/(crediting):		
Exceptional costs (note 3)	810	3,747
Other operating income (note 4)	-	(1,520)
Depreciation, amortisation and impairments (see below)	1,917	2,829
Hire of plant and machinery - operating leases	20	78
Hire of other assets - operating leases	524	442
Exchange differences	(196)	(69)
Subscriptions and donations	84	56
Research and development	10	31
Fees payable to the Group auditor for audit services	75	75
Fees payable to the Group auditor for non-audit services	13	49
Profit on sale of fixed assets	-	(3)
	<u>          </u>	<u>          </u>

	2015 £'000	2014 £'000
Depreciation of tangible fixed assets	2,637	2,415
Amortisation of intangible assets	(720)	(984)
Exceptional impairment of assets	-	1,398
	<u>          </u>	<u>          </u>
Depreciation, amortisation and impairments	1,917	2,829
	<u>          </u>	<u>          </u>

The exceptional impairment of assets in the prior year related to the property and equipment located in the closed facility in China.

### Exceptional profit on disposal of fixed assets

During the year the Group disposed of one of its factory land and buildings and recorded a profit after costs of £594,000 (2014: £918,000). This has been recorded as an exceptional profit on sale as it is outside the normal disposals of plant and equipment within the Group.

## 6 Employees

Staff costs (including directors) consist of:

	Group 2015 £'000	Group 2014 £'000
Wages and salaries	21,817	21,926
Social security costs	1,972	2,078
Other pension costs	1,331	1,012
	<u>          </u>	<u>          </u>
	25,120	25,016
	<u>          </u>	<u>          </u>

# Lytham HoldCo Limited

## Notes forming part of the financial statements for the year ended 26 September 2015 (continued)

### 6 Employees (continued)

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

	Group 2015 Number	Group 2014 Number
Production	1,356	967
Sales, marketing, distribution and design	296	276
Engineering and technology	83	90
Administration and finance	130	65
	<u>1,865</u>	<u>1,398</u>

### 7 Directors' remuneration

	2015 £'000	2014 £'000
Directors' emoluments	377	395
Company contributions to money purchase pension schemes	34	15
Compensation for loss of office	-	320
	<u></u>	<u></u>

There were 2 directors in the Group's defined contribution pension scheme during the year (2014 - 2).

The total amount payable to the highest paid director in respect of emoluments was £197,719 (2014 - £469,866). Company pension contributions of £19,750 (2014 - £Nil) were made to a money purchase scheme on their behalf.

### 8 Other interest receivable and similar income

	2015 £'000	2014 £'000
Bank deposits	98	67
	<u></u>	<u></u>

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 (*continued*)

## 9 Interest payable and similar charges

	2015 £'000	2014 £'000
Bank loan and overdrafts	101	88
Finance leases	34	-
Arrangement fees and charges	437	327
Other	78	-
	<u>650</u>	<u>415</u>
Interest accrued but not payable on shareholder loans (see below)	4,294	4,425
	<u>4,944</u>	<u>4,840</u>

Non-cash interest on shareholder loan 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.

## 10 Taxation on profit on ordinary activities

	2015 £'000	2014 £'000
<i>Overseas Corporation tax</i>		
Current tax	833	45
Deferred tax	147	34
	<u>980</u>	<u>79</u>

The tax assessed for the year is different to the standard rate of corporation tax applied to profit 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. Information on tax losses carried forward is shown in note 19.

## 11 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 profit for the year includes a result after tax of £Nil (2014 - £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 26 September 2015 (*continued*)

## 12 Intangible fixed assets

### Group

	Patents and trademarks £'000	Goodwill on consolidation £'000	Total £'000
<i>Fair value cost</i>			
At 28 September 2014	127	(23,480)	(23,353)
Acquisition of subsidiary	402	-	402
Additions	66	5,136	5,202
Disposals	(55)	-	(55)
Exchange adjustments	6	(4)	2
	<hr/>	<hr/>	<hr/>
At 26 September 2015	<b>546</b>	<b>(18,348)</b>	<b>(17,802)</b>
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 28 September 2014	(30)	12,102	12,072
Provided for the year	(74)	794	720
Subsidiary undertaking acquired	(119)	-	(119)
Disposals	55	-	55
	<hr/>	<hr/>	<hr/>
At 26 September 2015	<b>(168)</b>	<b>12,896</b>	<b>12,728</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 26 September 2015	<b>378</b>	<b>(5,452)</b>	<b>(5,074)</b>
	<hr/>	<hr/>	<hr/>
At 27 September 2014	<b>97</b>	<b>(11,378)</b>	<b>(11,281)</b>
	<hr/>	<hr/>	<hr/>

The negative goodwill at the start of the year related to the acquisition of the trade and assets of Brintons Limited. The goodwill addition during the year relates to the acquisition of Fabryka Dywanow Agnella SA - see note 23 for details.

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 (*continued*)

## 13 Tangible fixed assets

### Group

	Land and buildings £'000	Plant and equipment £'000	Total £'000
<i>Cost or valuation</i>			
At 28 September 2014	10,991	25,498	36,489
Acquisition of subsidiary	21,098	24,144	45,242
Additions	12	2,973	2,985
Disposals	(8,147)	(973)	(9,120)
Exchange adjustments	682	(150)	532
	<u>24,636</u>	<u>51,492</u>	<u>76,128</u>
At 26 September 2015			
<i>Depreciation</i>			
At 28 September 2014	(1,242)	(5,326)	(6,568)
Acquisition of subsidiary	(5,934)	(16,796)	(22,730)
Provided for the year	(417)	(2,220)	(2,637)
Disposals	-	788	788
	<u>(7,593)</u>	<u>(23,554)</u>	<u>(31,147)</u>
At 26 September 2015			
<i>Net book value</i>			
At 26 September 2015	<u>17,043</u>	<u>27,938</u>	<u>44,981</u>
At 27 September 2014	<u>9,749</u>	<u>20,172</u>	<u>29,921</u>

Included in the above land and buildings is property with a recorded book value of £4m that is not in current use in the Group and is available for sale.

Plant and equipment includes assets under construction and at 26 September 2015 the net book value of these assets was £1,165k (2014 - £1,058k). These assets represent upgrades to machinery which have not yet been brought into operation.

Included within disposals are non core assets totalling £8,012k which formed part of the consideration for the purchase of Fabryka Dywanow Agnella SA (see note 23).

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 *(continued)*

## 13 Tangible fixed assets *(continued)*

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

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Freehold	11,825	5,749	-	-
Leasehold	5,218	4,000	-	-
	<u>17,043</u>	<u>9,749</u>	<u>-</u>	<u>-</u>

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 (*continued*)

## 14 Fixed asset investments

*Subsidiary undertakings, associated undertakings and other investments*

The principal undertakings in which the Company's interest at the year end is 20% or more, all of whom are consolidated in these financial statements, 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
Fabryka Dywanow Agnella SA	Poland	Ordinary shares	100%	Production and sale of high quality woven carpets and rugs
Brintons Pty Limited	Australia	Ordinary shares	100%	Sale of high quality floor coverings
Brintons Carpets Limited	UK	Ordinary shares	100%	Production and sale 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 26 September 2015 (*continued*)

## 15 Stocks

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Raw materials and consumables	1,853	1,294	-	-
Work in progress	6,365	5,137	-	-
Finished goods and goods for resale	8,889	8,889	-	-
	<u>17,107</u>	<u>15,320</u>	<u>-</u>	<u>-</u>

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

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 (*continued*)

## 16 Debtors

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Amounts receivable within one year				
Trade debtors	9,891	7,898	-	-
Corporation tax recoverable	77	221	-	-
Other debtors	1,647	952	131	-
Prepayments and accrued income	1,606	603	-	-
	<u>13,221</u>	<u>9,674</u>	<u>131</u>	<u>-</u>
Amounts receivable after more than one year				
Shareholder loans	-	-	57,005	47,847
Other debtors	99	103	-	-
Prepayments and accrued income	42	411	-	-
	<u>141</u>	<u>514</u>	<u>57,005</u>	<u>47,847</u>
Total debtors	<u>13,362</u>	<u>10,188</u>	<u>57,136</u>	<u>47,847</u>

The shareholder loans mature in 2019 and have no financial covenants. There are no amortisation payments due in advance of the 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. The Company has the option of making early repayments. During the financial year interest was charged at 10% up to 1 September 2015 when the interest rate was reduced to 8%.

The directors are working to a plan that will realise value within the Group and at this stage do not consider that any impairment is required against the shareholder loan to subsidiary company. The amount payable on the shareholder PIK loan notes (see note 18) will only be paid in the event that appropriate value is realised for the group.

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 (continued)

## 17 Creditors: amounts falling due within one year

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Bank loans and overdrafts (secured)	4,783	4,980	-	-
Payments received on account	1,587	4,331	-	-
Trade creditors	15,928	8,689	-	-
Taxation and social security	636	367	-	-
Obligations under finance lease and hire purchase contracts	941	-	-	-
Other creditors	4,426	1,618	-	-
Accruals and deferred income	6,410	2,978	-	-
	<u>34,711</u>	<u>22,963</u>	<u>-</u>	<u>-</u>

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

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Bank loans (secured)	7,232	2,070	-	-
Shareholder loans	43,738	47,834	43,738	47,834
Obligations under finance lease and hire purchase contracts	1,909	-	-	-
Other loans and creditors	173	112	-	-
Grants	452	512	-	-
	<u>53,504</u>	<u>50,528</u>	<u>43,738</u>	<u>47,834</u>

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

Shareholder loans:

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Shareholder loans	<u>43,738</u>	<u>47,832</u>	<u>-</u>	<u>-</u>

The shareholder loans mature in 2019 and have no financial covenants. 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. Repayments of £8.4m were made during the year.

During the financial year interest was charged at 10% up to 1 September 2015 when the interest rate was reduced to 8%.

# Lytham HoldCo Limited

## Notes forming part of the financial statements for the year ended 26 September 2015 (continued)

### 18 Creditors: amounts falling due after more than one year (continued)

Maturity of debt excluding shareholder loans:

	Loans and overdrafts 2015 £'000	Loans and overdrafts 2014 £'000	Finance leases 2015 £'000	Finance leases 2014 £'000
In one year or less, or on demand	4,783	4,980	941	-
In more than one year but not more than two years	7,232	1,022	1,909	-
In more than two years but not more than five years	-	911	-	-
In more than five years	-	137	-	-
	7,232	2,070	1,909	-

### 19 Provisions for liabilities

#### Group

	Deferred taxation £'000	Overseas taxation £'000	Cost of quality £'000	Total £'000
At 28 September 2014	102	1,605	665	2,372
Exchange movement	-	5	-	5
Utilised in year	147	-	635	782
Released unused	-	-	(676)	(676)
Undertaking acquired	420	-	-	420
At 26 September 2015	669	1,610	624	2,903

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

There is an unrecognised deferred tax asset of £1,495,852 (2014 - £977,490) in the Group in respect of trading losses carried forward. These have not been recognised due to uncertainty of future trading profits.

The overseas taxation reflects amounts being claimed by tax authorities that are currently progressing through a legal dispute process. The directors are contesting the amount with the authorities and have established a provision for the amount being claimed by the tax authorities as part of the fair value adjustments on acquisition. The position has not changed substantially since that date.



# Lytham HoldCo Limited

## Notes forming part of the financial statements for the year ended 26 September 2015 (continued)

### 20 Share capital

	2015 £'000	2014 £'000
<i>Allotted, called up and fully paid</i>		
13,043,584 "A" ordinary shares* of £0.01 each	131	10
2,003,421 "B" ordinary shares of £0.01 each	20	3
411,648 "B1" ordinary shares of £0.01 each	4	-
1,324,335,872 "Preference shares" of £0.01 each	13,243	-
	<u>13,398</u>	<u>13</u>

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.

During the year the company issued 12,043,584 "A ordinary shares", 1,749,503 "B ordinary shares", 411,648 "B1 ordinary shares" and 1,324,335,872 "Preference shares", all at a value of £0.01 per share.

The preference shares do not have a fixed date for repayment and dividends and principal repayments are made entirely at the discretion of the directors. As the preference shares do not contain a contractual obligation to transfer cash these have been recorded as equity.

\* included within "A" ordinary shares are 12,043,584 shares which were unpaid at the year end date.

### 21 Reserves

#### Group

	Profit and loss account £'000
At 28 September 2014	(24,334)
Profit for the year	14
Exchange loss on consolidation	(864)
	<u>(25,184)</u>
At 26 September 2015	<u>(25,184)</u>

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 (*continued*)

## 22 Reconciliation of movements in shareholders' (deficit)/funds

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Profit/(loss) for the year	14	(6,441)	-	-
Exchange loss on consolidation	(864)	(596)	-	-
Issue of shares	13,385	-	13,385	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net additions to/(deductions from) shareholders' (deficit)/funds	12,535	(7,037)	13,385	-
Opening shareholders' (deficit)/funds	(24,321)	(17,284)	13	13
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Closing shareholders' (deficit)/funds	(11,786)	(24,321)	13,398	13
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 (*continued*)

## 23 Acquisitions

### *Acquisition of Fabryka Dywanow Agnella SA*

On 31 July 2015 the Company acquired a controlling interest in Fabryka Dywanow Agnella SA.

In calculating the goodwill arising on acquisition, the fair value of the net assets of Fabryka Dywanow Agnella SA have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table:

	Book value £'000	Fair Value £'000	Fair value £'000
Fixed assets			
Tangible	14,499	-	14,499
Non core assets (disposed of post acquisition)	8,012	-	8,012
Intangible	447	(164)	283
	<u>22,958</u>	<u>(164)</u>	<u>22,794</u>
Current assets			
Stocks	4,567	(337)	4,230
Debtors	1,395	(106)	1,289
Cash at bank and in hand	100	-	100
	<u>29,020</u>	<u>(607)</u>	<u>28,413</u>
Total assets			
Creditors			
Trade and other creditors	5,076	-	5,076
Bank loans and overdrafts	5,949	-	5,949
Obligations under finance lease and hire purchase contracts	940	-	940
Deferred tax	420	-	420
Due after one year:			
Obligations under finance lease and hire purchase contracts	2,011	-	2,011
	<u>14,396</u>	<u>-</u>	<u>14,396</u>
Total creditors			
Net assets	<u>14,624</u>	<u>(607)</u>	<u>14,017</u>

The fair value adjustments for stocks and debtors reflect provisions against these balances considered necessary by the Group directors. The fair value adjustment for intangible assets reflects the elimination of intangible assets in accordance with UK GAAP.

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 (*continued*)

## 23 Acquisitions (*continued*)

	£'000
Cash consideration	9,783
Non cash consideration	8,012
Direct costs of acquisition	1,358
	<hr/>
	19,153
Net assets acquired	14,017
	<hr/>
Goodwill arising on acquisition	5,136
	<hr/>

### Cash flows

The net outflow of cash arising from the acquisition of Fabryka Dywanow Agnella SA was as follows:

	£'000
Cash consideration, as above	9,783
Cash acquired	(100)
	<hr/>
Net outflow of cash	9,683
	<hr/>

Non cash consideration relates to certain assets which were transferred to the previous shareholders of the Company immediately following acquisition at £nil consideration.

Direct costs of acquisition relate to legal and professional fees incurred during the acquisition.

### Trading results since acquisition

	2015 £'000
Turnover	2,404
Cost of sales	(1,853)
	<hr/>
Gross profit	551
Administrative expenses	(462)
	<hr/>
	89
	<hr/>

The turnover of Fabryka Dywanow Agnella SA from 1 January 2015 to the date of acquisition was £11,162,489 with an underlying profit of £265,112.

The profit after tax of Fabryka Dywanow Agnella SA for the year ended 31 December 2014 was £600,026.

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 (*continued*)

## 24 Commitments under operating leases

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

	Land and buildings 2015 £'000	Other 2015 £'000	Land and buildings 2014 £'000	Other 2014 £'000
Operating leases which expire:				
Within one year	20	-	1	36
In two to five years	372	188	253	-
After five years	42	23	-	99
	<u>434</u>	<u>211</u>	<u>254</u>	<u>135</u>

## 25 Related party disclosures

The Group incurred management charges of £250,000 (2014 - £250,000) during the period from Carlyle Investment Management L.L.C.

## 26 Ultimate parent company and parent undertaking of larger group

The directors consider that the ultimate owner of the Company is Carlyle Strategic Partners II Luxembourg SARL.

## 27 Restatement of comparatives

The Directors have reclassified certain items of income and expenditure relating to 2014 to reflect the trading nature of these items. These reclassifications had no impact on profit (loss) before taxation or net assets.

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 (*continued*)

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

	2015 £'000	2014 £'000
Operating profit/(loss)	5,840	(1,589)
Amortisation of intangible fixed assets	(720)	(984)
Impairment of fixed assets	-	1,398
Depreciation of tangible fixed assets	2,637	2,415
Profit on sale of tangible fixed assets	(529)	(921)
Decrease in provisions	(41)	(559)
Decrease/(increase) in stocks	2,443	(1,345)
(Increase)/decrease in debtors	(2,029)	829
Increase in creditors	4,571	991
Exchange adjustments	(1,395)	(115)
	<hr/>	<hr/>
Net cash inflow from operating activities	10,777	120
	<hr/>	<hr/>

## 29 Reconciliation of net cash flow to movement in net debt

	2015 £'000	2014 £'000
Increase/(decrease) in cash	1,562	(842)
Cash inflow/(outflow) from changes in debt	9,475	(3,749)
	<hr/>	<hr/>
Movement in net debt resulting from cash flows	11,037	(4,591)
Debt acquired on acquisition	(8,900)	-
Interest on shareholder PIK loan notes	(4,294)	(4,425)
	<hr/>	<hr/>
Movement in net debt	(2,157)	(9,016)
Opening net debt	(47,490)	(38,474)
	<hr/>	<hr/>
Closing net debt	(49,647)	(47,490)
	<hr/>	<hr/>

# Lytham HoldCo Limited

Notes forming part of the financial statements  
for the year ended 26 September 2015 (*continued*)

## 30 Analysis of net debt

	At 28 September 2014 £'000	Cash flow £'000	Acquisitions/ disposals £'000	Other non- cash items £'000	At 26 September 2015 £'000
Cash at bank and in hand	7,394	1,562	-	-	8,956
Debt due within one year	(4,980)	197	-	-	(4,783)
Debt due after one year	(49,904)	9,177	(5,949)	(4,294)	(50,970)
Finance leases	-	101	(2,951)	-	(2,850)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total debt	(54,884)	9,475	(8,900)	(4,294)	(58,603)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	(47,490)	11,037	(8,900)	(4,294)	(49,647)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>