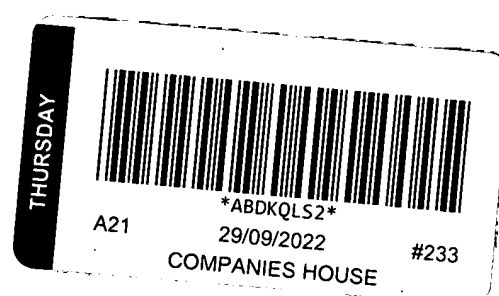


Lornamead UK Limited  
Annual report and financial statements  
Year ended 31 December 2021

Company number 01766292



# **Lornamead UK Limited**

## **Annual report and financial statements for the year ended 31 December 2021**

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### **Contents**

#### **Page:**

1	Directors and advisers for the year ended 31 December 2021
2	Strategic report for the year ended 31 December 2021
4	Directors' report for the year ended 31 December 2021
6	Independent auditors' report to the members of Lornamead UK Limited
9	Income statement for the year ended 31 December 2021
10	Statement of financial position as at 31 December 2021
11	Statement of changes in equity for the year ended 31 December 2021
12	Notes forming part of the financial statements for the year ended 31 December 2021

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### **Directors and advisers for the year ended 31 December 2021**

#### **Directors**

K C Yim

#### **Secretary**

Muckle Secretary Limited

#### **Registered office**

Aintree Avenue  
White Horse Business Park  
Trowbridge  
United Kingdom  
BA14 0XB

#### **Company number**

01766292

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
2 Glass Wharf  
Temple Quay  
Bristol  
BS2 0FR

# Lornamead UK Limited

## Strategic report for the year ended 31 December 2021

The directors present their Strategic report for the year ended 31 December 2021.

### Principal activities and future developments

The principal activities of the company are the distribution, marketing and sales in the United Kingdom and export of toiletries, cosmetics, private label, beauty and personal care products.

The company continues to explore potential growth in existing categories as well as emerging markets. It will continue to invest in new product development wherever appropriate.

### Results and dividends

The company's loss for the financial year ended 31 December 2021 is £288,000 (2020: profit of £1,165,000). The directors did not pay an interim dividend in 2021 (2020: £4,000,000) and do not recommend the payment of a final dividend (2020: £nil).

### Review of the business and future developments

The results for the year ended 31 December 2021 are summarised as follows:

	£'000
<b>Operating loss</b>	(17)
Finance income	5
<b>Loss before taxation</b>	(12)
Tax on loss	(276)
<b>Loss for the financial year</b>	(288)

Sales for the year ended 31 December 2021 are 24% lower than the previous year. Disruptions to global supply chains caused availability problems for some product lines, leading to some customers running out of stock. Furthermore, consumer demand fell as COVID panic buying of personal care products seen in 2020 reversed and retailers and consumers reduced their stock levels. Cost saving initiatives reduced administrative expenses by £123,000 versus 2020 levels, with further savings anticipated in 2022.

The strategy continues to be to maximise sales growth for the brands in the existing markets and carefully manage costs.

The Directors have reviewed the effect of Coronavirus on the business and taken appropriate actions to mitigate the impacts. Central Government support has been obtained including the furlough scheme and the VAT deferment scheme. Detailed risk assessments have been undertaken to minimise the risk of an outbreak in the business and financial forecasts have been revised to include the possible impact of the pandemic on the business. These continue to show that the business is able to remain a going concern.

The UK business does not operate directly in the Ukrainian or Russian markets and we are not aware of any significant affects to customers that will impact our business, but raw material supplies have been affected by the conflict and we continue to manage the situation. As with all businesses we are affected by increasing energy prices, but expect to pass those on to customers.

### Key Performance Indicators

The board drives business performance through the setting of clearly defined and measured key performance indicators (KPIs), taking appropriate action where required to enhance the financial results of the business.

The key areas of focus are:

- Net sales of key brands and how these compare to budget and prior year.
- Gross margins of brands' individual products and how these compare to budget and prior year.
- Spend on overheads and third party services, the absolute amounts, and how they compare to budget and prior year as expressed as percent of net sales.
- Stock in absolute and stock days cover, including trends.
- Debtors in absolute and debtor days, including trends.

# Lornamead UK Limited

## Strategic report for the year ended 31 December 2021 *(continued)*

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### Principal risks and uncertainties

The business operates in the highly competitive personal care industry. The company will continue to develop its brands by bringing new products to existing markets and by continuing to bring our existing brands into new markets. As the company has grown, it has reduced the risk to its overall earnings by any major competitive activity on any individual brand, or from a downturn in one of the major economies we trade in.

There remains uncertainty resulting from the Brexit decision and current status of exit negotiations, the impact of which is difficult to predict. The Directors have considered potentially significant issues that could affect the business including supply chain friction, tariffs and regulatory issues. They continue to monitor the situation and identify routes to mitigate any adverse impact.

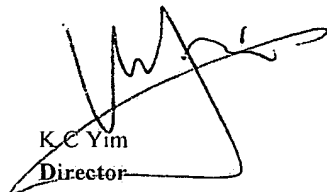
### Financial risk management

The company minimises exchange risk by sourcing most of its product from local suppliers. The exceptions to this rule are products that are made in the US and Europe for the UK market. The directors acknowledge this exposure, monitor it and adapt hedging strategies as appropriate.

Most of the company's credit risk is attributable to trade debtors. Most of its business is carried out with large blue chip retailers, but where it trades with smaller companies it does perform credit checks and monitor payments daily against contractual arrangements.

The company monitors cash flow as part of its day to day control procedures. The board considers cash flow projections on a monthly basis and ensures that appropriate facilities are available to be drawn upon as necessary.

The financial statements on pages 9 to 22 were approved by the Board of Directors on 9 September 2022 and signed on its behalf by



K.C. Yim  
Director

# **Lornamead UK Limited**

## **Directors' report for the year ended 31 December 2021**

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The directors present their Directors' report together with the audited financial statements for the year ended 31 December 2021.

### **General information**

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

### **Directors**

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

G J Raymond (resigned 30 September 2021)  
R A Sharpe (resigned 21 January 2022)  
K C Yim (appointed 30 September 2021)

The company maintains liability insurance for its directors and officers. By virtue of the articles of association, the company has also provided indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006, which was in place both during the financial year and at the date of approval of the financial statements.

### **Policy and practice on payment of creditors**

The company is a registered supporter of the Better Payment Practice Group's 'Better Payment Practice Code' to which it subscribes when dealing with all of its suppliers. Copies of the Better Payment Practice Group's code are available from the Department for Business, Innovation & Skills (BIS). Trade creditors at the year end represented 78 days (2020: 62 days) of purchases. It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

### **Results, dividends, future plans, KPIs and financial risk management**

Results, dividends, future plans, KPIs and financial risk management are covered in the Strategic report.

### **Charitable and political donations**

There have been no donations in 2021 (2020: £nil).

### **Going concern**

The director believes that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of its intermediate parent company Meiyume Holdings (BVI) Limited. The director has received confirmation that Meiyume Holdings (BVI) Limited intends to support the company for at least one year from the date of signing these financial statements.

### **Statement of directors' responsibilities**

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

# Lornamead UK Limited

## Directors' report for the year ended 31 December 2021 (continued)

### Statement of directors' responsibilities (Continued)

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

### Directors' confirmations

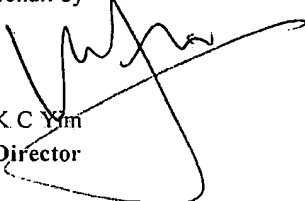
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent auditors

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

The financial statements on pages 9 to 22 were approved by the Board of Directors on 9 September 2022 and signed on its behalf by

  
K. C. Yim  
Director

# **Lornamead UK Limited**

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

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### **Report on the audit of the financial statements**

#### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2021; the Income statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

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

#### **Independence**

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

#### **Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Reporting on other information**

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

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

# **Lornamead UK Limited**

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

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### **Reporting on other information (continued)**

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

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

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

#### **Auditors' responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.



# **Lornamead UK Limited**

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

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### **Auditors' responsibilities for the audit of the financial statements (continued)**

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to financial reporting and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase revenue, and management bias in accounting estimates, in particular the inventory provisioning. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and testing journal entries posted with unusual account combinations, in particular any such journal entries posted to revenue;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular testing the inventory provisioning; and
- Reviewing minutes of meetings of those charged with governance.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Stephen Patey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Bristol  
9 September 2022

**Lornamead UK Limited**  
**Income statement**  
**for the year ended 31 December 2021**

	Note	2021 £'000	2020 £'000
<b>Turnover</b>	2	11,967	15,762
Cost of sales		(8,847)	(11,160)
<b>Gross profit</b>		3,120	4,602
Administrative expenses		(3,145)	(3,268)
Other operating income	5	8	93
<b>Operating (loss)/profit</b>	6	(17)	1,427
Finance income	7	5	7
<b>(Loss)/profit before taxation</b>		(12)	1,434
Tax on (loss)/profit	8	(276)	(269)
<b>(Loss)/profit for the financial year</b>		(288)	1,165

All items dealt with in arriving at operating (loss)/profit above relate to continuing operations.


The company has no other comprehensive income other than the (loss)/profit above and therefore no separate statement of comprehensive income has been presented.

# Lornamead UK Limited

## Statement of financial position as at 31 December 2021

	Note	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Intangible assets	9	-	-
Property, plant and equipment	10	-	-
		-	-
<b>Current assets</b>			
Inventories	11	1,848	1,994
Trade and other receivables	12	4,829	2,239
Cash and cash equivalents		256	2,900
		6,933	7,133
<b>Creditors: amounts falling due within one year</b>	13	(4,496)	(4,408)
<b>Net current assets</b>		2,437	2,725
<b>Total assets less current liabilities</b>		2,437	2,725
<b>Net assets</b>		2,437	2,725
<b>Capital and reserves</b>			
Called up share capital	15	-	-
Capital redemption reserve		980	980
Profit and loss account		1,457	1,745
<b>Total shareholders' funds</b>		2,437	2,725

The financial statements on pages 9 to 22 were approved by the Board of Directors on 9 September 2022 and signed on its behalf by

  
 K C Yim  
 Director  
 Lornamead UK Limited  
 Registered Number 01766292

## Lornamead UK Limited

### Statement of changes in equity for the year ended 31 December 2021

	Called-up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
<b>Balance as at 1 January 2020</b>	-	980	4,580	5,560
Profit for the financial year	-	-	1,165	1,165
<b>Total comprehensive income for the year</b>	-	-	1,165	1,165
Equity dividends paid	-	-	(4,000)	(4,000)
<b>Transaction recognised directly in equity</b>	-	-	(4,000)	(4,000)
<b>Balance as at 31 December 2020</b>	-	980	1,745	2,725
Loss for the financial year	-	-	(288)	(288)
<b>Total comprehensive expense for the year</b>	-	-	(288)	(288)
<b>Balance as at 31 December 2021</b>	-	980	1,457	2,437

# **Lornamead UK Limited**

## **Notes forming part of the financial statements for the year ended 31 December 2021**

### **1 Statement of accounting policies**

#### **Summary of significant accounting policies**

The principal accounting policies, which have been applied consistently throughout the year, unless otherwise stated, are set out below.

#### **Basis of preparation**

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101, 'Reduced Disclosure Framework'.

The financial statements have been prepared under the historical cost convention, on a going concern basis and in accordance with the Companies Act 2006, as applicable to companies adopting FRS101. The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial instruments: Disclosures'
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
  - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - (i) 10(d), (statement of cash flows)
  - (ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - (iii) 16 (statement of compliance with all IFRS),
- IAS 7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of the group.

#### **Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of its intermediate parent company Meiyume Holdings (BVI) Limited. The directors have received confirmation that Meiyume Holdings (BVI) Limited intends to support the company for at least one year from the date of signing these financial statements.

#### **New standards, amendments and IFRIC interpretations**

There are no amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the company's financial statements.

#### **Foreign currency translation**

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

# Lornamead UK Limited

## Notes forming part of the financial statements for the year ended 31 December 2021 *(continued)*

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### 1 Statement of accounting policies (continued)

#### **Property, plant and equipment**

Tangible assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on a straight line basis to write off the cost of tangible fixed assets less estimated residual value over their estimated useful lives as follows:

Plant and machinery	10 years
---------------------	----------

The expected useful lives of the assets to the business are reassessed periodically in the light of experience.

#### **Trademarks**

Trademarks are capitalised at cost and amortised over their estimated useful life of the licence. Amortisation is charged to administrative expenses.

The company assesses all intangible assets for impairment by comparing the carrying value of the asset against the higher of realisable value and value in use.

#### **Trade and other receivables**

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

#### **Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **Share capital**

Ordinary shares are classified as equity.

# Lornamead UK Limited

## Notes forming part of the financial statements for the year ended 31 December 2021 (*continued*)

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

#### **Current and deferred income tax**

The tax expense for the period comprises current tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities or as group relief to fellow subsidiary undertakings.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is intention to settle the balances on a net basis.

#### **Leases**

On adoption of IFRS 16, the company recognised right of use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

#### *Leased assets*

Leased assets are capitalised at the commencement date of the lease and comprise the initial lease liability amount, initial direct costs incurred when entering into the lease, less any lease incentives. Assets are depreciated over the shorter of the lease term or the useful life of the underlying asset. Subsequently, an impairment review is undertaken for any right of use asset that shows indicators of impairment and an impairment loss is recognised against any right of use assets that are impaired.

#### *Lease liabilities*

The lease liability is measured at the present value of the fixed and variable lease payments net of cash lease incentives that are not paid at the balance sheet date. Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining liability.

#### **Turnover recognition**

##### *Sales of goods*

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises turnover when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the company's activities. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

# Lornamead UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

## 1 Statement of accounting policies (continued)

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### **Employee Benefits**

#### ***Employee leave entitlements***

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave entitlements as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### ***Discretionary bonus***

The expected costs of discretionary bonus payments are recognised as a liability when the company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for discretionary bonus are expected to be settled within nine months of the year end date and are measured at the amounts expected to be paid when they are settled.

#### ***Post employment benefit obligation***

The company participates in a defined contribution scheme, the assets of which are held in separate trustee – administrated funds. The company's contributions to the defined contribution scheme are charged to the income statement in the year to which the contributions relate.

### **Critical accounting estimates and assumptions**

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

#### ***Inventory provisioning***

The company designs, manufactures and sells personal care products and is subject to changing consumer demands. As a result, it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

## 2 Turnover

Turnover and (loss)/profit before taxation are attributable to the principal activity of the company, being the distribution, marketing and sales of fragrance, toiletries, cosmetics, private label, beauty and personal care products.

	2021 £'000	2020 £'000
Analysis of turnover by destination is given below:		
United Kingdom	11,885	15,574
Rest of Europe	81	186
Rest of World	1	2
	<hr/>	<hr/>
	11,967	15,762
	<hr/>	<hr/>



# Lornamead UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 *(continued)*

## 3 Employee information

The company has one employee (2020: nil). Services provided to this company by 8 (2020: 12) employees of a fellow subsidiary undertaking are recharged and amounted to the £420,000 (2020: £784,000) as analysed below.

	2021 £'000	2020 £'000
Staff costs recharged to the company (including directors) consist of:		
Wages and salaries	463	678
Social security costs	49	82
Other pension costs	12	24
	<u>524</u>	<u>784</u>

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

	2021 Number	2020 Number
Selling and distribution	7	9
Management and administration	2	3
	<u>9</u>	<u>12</u>

## 4 Directors' emoluments

During the year ended 31 December 2021 none (2020: none) of the directors received emoluments in respect of services to the company.

## 5 Other operating income

	2021 £'000	2020 £'000
Royalty income	<u>8</u>	<u>93</u>

## 6 Operating (loss)/profit

	2021 £'000	2020 £'000
Operating (loss)/profit is stated after charging:		
Fees payable to the company's auditors for the audit of the company's annual financial statements	20	19
Services provided by the company's auditors		
– Fees payable for other services – tax compliance	<u>10</u>	<u>10</u>

## Lornamead UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

<b>7</b>	<b>Finance income</b>	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
	Interest receivable on intercompany loans	<u>5</u>	<u>7</u>
		<u>5</u>	<u>7</u>
<b>8</b>	<b>Tax on (loss)/profit</b>	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
	<i>UK Corporation tax at 19% (2020: 19%)</i>		
	Current tax on the (loss)/profit for the year	(1)	267
	Adjustments in respect of prior periods	<u>278</u>	<u>-</u>
	<b>Total current tax</b>	<u>277</u>	<u>267</u>
	Origination and reversal of timing differences	5	5
	Effect of changes in tax rates	<u>(6)</u>	<u>(3)</u>
	<b>Total deferred tax</b>	<u>(1)</u>	<u>2</u>
	<b>Total income tax expense on (loss)/profit</b>	<u>276</u>	<u>269</u>
The tax assessed for the year is higher (2020: lower) than the standard rate of corporation tax in the UK 19% (2020: 19%). The differences are explained below:			
		<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
	<b>(Loss)/profit before taxation</b>	<u>(12)</u>	<u>1,434</u>
	(Loss)/profit before taxation at the rate of corporation tax in the UK of 19% (2020: 19%)	(2)	272
	Effect of:		
	Adjustments in respect of prior periods	278	-
	Tax rate changes	<u>-</u>	<u>(3)</u>
	<b>Total income tax expense on (loss)/profit</b>	<u>276</u>	<u>269</u>

# Lornamead UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)

## 8 Tax on profit (continued)

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 3 March 2021. The proposal to increase the rate to 25% had been enacted at the balance sheet date, so its effects are included in these financial statements.

## 9 Intangible assets

	Trademarks £'000
<i>Cost</i>	
At 1 January 2021 and 31 December 2021	12,396
<i>Accumulated amortisation</i>	
At 1 January 2021 and 31 December 2021	12,396
<i>Net book value</i>	
At 31 December 2020 and 31 December 2021	-

## 10 Property, plant and equipment

	Plant and machinery £'000
<i>Cost</i>	
At 1 January 2021 and 31 December 2021	29
<i>Accumulated depreciation</i>	
At 1 January 2021 and 31 December 2021	29
<i>Net book value</i>	
At 31 December 2020 and 31 December 2021	-

## Lornamead UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 *(continued)*

### 11 Inventories

	2021 £'000	2020 £'000
Raw materials and consumables	2	3
Finished goods and goods for resale	1,846	1,991
	<u>1,848</u>	<u>1,994</u>

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

Amounts charged through cost of sales in relation to inventories amounted to £8,134,000 (2020: £8,423,000). In addition, £14,000 was credited through cost of sales in relation to movements on stock provision (2020: £66,000 credited).

### 12 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	204	490
Amounts owed by group undertakings	4,585	1,585
Other receivables	14	139
Deferred tax asset (note 14)	26	25
	<u>4,829</u>	<u>2,239</u>

Amounts owed by group undertakings include a loan of £741,675 (2020: £804,699) which is unsecured, repayable on demand (2020: repayable on demand) and on which interest is charged at 0.69% (2020: 0.69%). The remaining balance is unsecured, interest free and has no fixed repayment terms.

There are no provisions for impairment (2020: £nil).

During the year, the company continued to sell certain debts on a non-recourse basis. At 31 December 2021, the company derecognised those trade debtors where substantially all of the risk had been transferred to the bank. At the year end, these balances amounted to £1,748,000 (2020: £2,003,000).

# Lornamead UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 *(continued)*

## 13 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	1,134	1,901
Amounts owed to group undertakings	1,953	1,213
Amounts owed to related parties	8	10
Other creditors	200	236
Taxation and social security	269	590
Group relief payable	278	267
Accruals and deferred income	654	191
	4,496	4,408

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

## 14 Deferred taxation

The company has the following deferred taxation assets:

	2021 £'000	2020 £'000
At 1 January	25	27
Origination and reversal of timing differences	(5)	(5)
Effect of changes in tax rates	6	3
	26	25
<b>At 31 December</b>	<b>26</b>	<b>25</b>

The deferred tax asset calculated at 25% (31 December 2020: 19%) is set out below:

	2021 £'000	2020 £'000
Differences between capital allowances and depreciation	26	25

The deferred tax assets have been included in the financial statements as there is evidence that these assets will be recoverable through future profits. There are no unrecognised deferred tax assets or liabilities (2020: none).

## Lornamead UK Limited

Notes forming part of the financial statements  
for the year ended 31 December 2021 *(continued)*

### 15 Called up share capital

	2021	2020
	£	£
<i>Allotted, called up and fully paid</i>		
100 (2020: 100) Ordinary shares of £1 (2020: £1) each	100	100

### 16 Dividends paid

	2021	2020
	£'000	£'000
<b>Equity - ordinary</b>		
Interim paid £nil (2020: £4,000,000); £nil (2020: £40,000) per £1 ordinary share	-	4,000

### 17 Pensions

The company has one employee and also receives a recharge from Meiyume (UK) Limited, a fellow subsidiary undertaking, for the costs of employee services received. The total recharge included £12,000 (2020: £24,000) in relation to pension costs. Meiyume (UK) Limited operates a defined contribution pension scheme whose assets are held separately from those of the company in an independently administered fund.

### 18 Related party transactions

The company has taken advantage of the exemption allowed by IAS24 'Related Party Transactions' not to disclose any transactions or balances with wholly owned members of the group, headed by Meiyume Holdings (BVI) Limited, which are included within the consolidated financial statements of both those companies for the relevant periods.

	2021	2020
	Related party creditor £'000	Related party creditor £'000
At 1 January 2021	10	-
Cash paid	(257)	-
Other recharges	254	10
<b>At 31 December 2021</b>	<b>7</b>	<b>10</b>

### 19 Financial commitments and contingent liabilities

At 31 December 2021, the company had no financial commitments or contingent liabilities (2020: £nil).

## **Lornamead UK Limited**

**Notes forming part of the financial statements  
for the year ended 31 December 2021 (*continued*)**

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### **20 Ultimate parent undertaking and controlling party**

Lornamead Group Limited, a company incorporated in Great Britain and registered in England & Wales is the company's immediate parent undertaking.

The ultimate parent and controlling party is King Lun Holdings Limited, a company incorporated in the British Virgin Islands.

The largest and smallest group in which the results of the company are consolidated for the year ended 31 December 2021 is that headed by Meiyume Holdings (BVI) Limited, an intermediate holding company which is incorporated and registered in the British Virgin Islands. The consolidated financial statements of this company are available to the public from Aintree Avenue, White Horse Business Park, Trowbridge, BA14 0XB, United Kingdom.