

COMPANY REGISTRATION NUMBER: 07189003

Saltrock Surfwear Limited
Financial Statements
31 December 2015

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Saltrock Surfwear Limited

Strategic Report

Year ended 31 December 2015

Principal Activities and Fair Business Review

The principal activities of the Company during the year were the design, import and sale of branded leisure clothing and associated accessories through its 41 stores, online presence and third-party stores.

The business experienced significant growth in 2015. Turnover grew by 79% to £19.1m and gross profits by 46% to £7.5m.

Growth was achieved across the business:

- Like-for-like sales increased by over 26%;
- A net 19 new stores were opened, taking the Company's portfolio to 41;
- the Company invested in its 'bricks to clicks' strategy, supported by a new e-commerce platform and seeing sales from the Internet increase by over 200%.

2015 was also an important year for investing in the future of the Company's business-both infrastructure and people- thus reinforcing the platform for further growth. The Company invested in new stock management systems from our stores through to the warehouse, relocated the warehouse to accommodate not just its current needs but also forecast growth in the medium-term and materially enhanced its management team.

The combination of a lower gross margin and an increase in costs has, however, reduced Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) from £0.9m to £0.5m and the increased depreciation on the investment described above has further reduced net profits to £31k. This level of profitability is not acceptable to the Directors.

The Directors remain positive that a firm base has been created for the future profitable development of the Company. While, as has been widely reported by the Company's competitors, trading in the current year to date has been challenging, the Company has achieved an overall sales increase on 2015 of 10% (Jan – Aug) without opening any new stores and the Company's forecasts reflect the expectation of a recovery in profitability for 2016. E-commerce performance has seen a sales increase of 52% with momentum still growing, supportive of the Company's bricks to clicks strategy.

Principal Risks & Uncertainties

The Company operates in a highly competitive retail environment where there is an ongoing risk of losing customers to competitors.

Financial Risk Management

The company's operations expose it to limited financial risks that include credit risk

Credit Risk

Credit risk with clients is addressed through the appropriate verification procedures and the risk of financial loss is mitigated by the regular careful monitoring of trade debtors.

Employment Policy

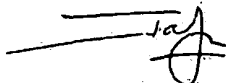
It is the company's policy to employ individuals with the necessary qualifications and experience and with full regard to the governing anti-discrimination laws. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities.

Saltrock Surfwear Limited

Strategic Report

Year ended 31 December 2015

This report was approved by the board of directors on 23rd September 2016 and signed on behalf of the board by:



J S Brent
Director

Registered office:
Saltrock House Velator
Braunton
Devon
England
EX33 2DX

Saltrock Surfwear Limited

Directors Report

Year ended 31 December 2015

The directors present their report and the financial statements of the company for the year ended 31 December 2015.

Directors

The directors who served the company during the year were as follows:

R J Thomson
A C Thomson
C D Priscott
J S Brent
R Beale
D Byrne

Directors responsibilities statement

The directors are responsible for preparing the directors report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

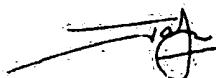
- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of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

Saltrock Surfwear Limited

Directors Report *(continued)*

Year ended 31 December 2015

This report was approved by the board of directors on ~~23rd September 2016~~ and signed on behalf of the board by:



J S Brent
Director

Registered office:
Saltrock House Velator
Braunton
Devon
England
EX33 2DX

Saltrock Surfwear Limited

Independent Auditor's Report to the Shareholders of Saltrock Surfwear Limited

Year ended 31 December 2015

We have audited the financial statements of Saltrock Surfwear Limited for the year ended 31 December 2015 which comprise the statement of income and retained earnings, statement of financial position, statement of cash flows 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 shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Saltrock Surfwear Limited

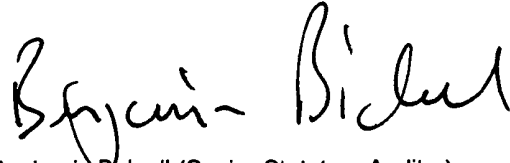
Independent Auditor's Report to the Shareholders of Saltrock Surfwear Limited *(continued)*

Year ended 31 December 2015

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; and



Benjamin Bidnell (Senior Statutory Auditor)

For and on behalf of
Shipleys LLP
Chartered accountant & statutory auditor

10 Orange Street
Haymarket
London
WC2H 7DQ

28/9/16

Saltrock Surfwear Limited
Statement of Income and Retained Earnings
Year ended 31 December 2015

	Note	2015 £	2014 £
Turnover	3	19,075,546	10,656,628
Cost of sales		(11,525,595)	(5,548,675)
Gross profit		<u>7,549,951</u>	<u>5,107,953</u>
Administrative expenses		(7,418,750)	(4,241,114)
Operating profit	4	<u>131,201</u>	<u>866,839</u>
Interest payable and similar charges	8	(100,691)	(41,774)
Profit on ordinary activities before taxation		<u>30,510</u>	<u>825,065</u>
Tax on profit on ordinary activities	9	—	(51,469)
Profit for the financial year and total comprehensive income		<u>30,510</u>	<u>773,596</u>
Retained earnings/(losses) at the start of the year		252,178	(521,418)
Retained earnings at the end of the year		<u>282,688</u>	<u>252,178</u>

All the activities of the company are from continuing operations.

The notes on pages 10-17 form part of these financial statements.


Saltrock Surfwear Limited

Statement of Financial Position

31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	11	1,831,976	521,655
Current assets			
Stocks	12	4,138,816	1,833,242
Debtors	13	933,852	336,088
Cash at bank and in hand	14	648,621	353,371
		<u>5,721,289</u>	<u>2,522,701</u>
Creditors: amounts falling due within one year	15	<u>(6,100,424)</u>	<u>(2,040,578)</u>
Net current (liabilities)/assets		<u>(379,135)</u>	<u>482,123</u>
Total assets less current liabilities		<u>1,452,841</u>	<u>1,003,778</u>
Creditors: amounts falling due after more than one year	16	<u>(1,017,713)</u>	<u>(599,160)</u>
Net assets		<u>435,128</u>	<u>404,618</u>
Capital and reserves			
Called up share capital	17	1,600	1,600
Other reserves	18	150,840	150,840
Profit and loss account	18	282,688	252,178
Shareholders funds		<u>435,128</u>	<u>404,618</u>

These financial statements were approved by the board of directors and authorised for issue on 23/9/16, and are signed on behalf of the board by:


J S Brent
Director

Company registration number: 07189003

The notes on pages 10-17 form part of these financial statements.

Saltrock Surfwear Limited

Statement of Cash Flows

Year ended 31 December 2015

	Note	2015 £	2014 £
Cash flows from operating activities			
Profit for the financial year		30,510	773,596
<i>Adjustments for:</i>			
Depreciation of tangible assets		336,145	72,637
Interest payable and similar charges		100,691	41,774
Tax on profit on ordinary activities		—	51,469
Accrued (income)/expenses		(116,291)	60,052
<i>Changes in:</i>			
Stocks		(2,305,574)	(717,206)
Trade and other debtors		(597,764)	(45,124)
Trade and other creditors		3,808,316	286,103
Cash generated from operations		1,256,033	523,301
Interest paid		(100,691)	(41,774)
Tax paid		(51,469)	—
Net cash from operating activities		<u>1,103,873</u>	<u>481,527</u>
Cash flows from investing activities			
Purchase of tangible assets		(1,646,466)	(384,350)
Net cash used in investing activities		<u>(1,646,466)</u>	<u>(384,350)</u>
Cash flows from financing activities			
Proceeds from borrowings		—	—
Payments of finance lease liabilities		723,557	—
Net cash from financing activities		<u>723,557</u>	<u>—</u>
Net increase in cash and cash equivalents		180,964	97,177
Cash and cash equivalents at beginning of year		300,499	203,322
Cash and cash equivalents at end of year		<u>481,463</u>	<u>300,499</u>

The notes on pages 10-17 form part of these financial statements.

Saltrock Surfwear Limited
Notes to the Financial Statements
Year ended 31 December 2015

1. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

2. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 21.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill - 33.30% straight line

Saltrock Surfwear Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

2. Accounting policies *(continued)*

Amortisation *(continued)*

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold Property	- 25% reducing balance
Plant & Machinery	- 25% reducing balance
Fixtures & Fittings	- 25% reducing balance
Motor Vehicles	- 25% reducing balance
Equipment	- 25% reducing balance

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Saltrock Surfwear Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Finance leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

3. Turnover

Turnover arises from:

	2015 £	2014 £
Sale of goods	<u>19,075,546</u>	<u>10,656,628</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

4. Operating profit

Operating profit or loss is stated after charging:

	2015 £	2014 £
Depreciation of tangible assets	<u>336,175</u>	<u>72,637</u>

5. Auditor's remuneration

	2015 £	2014 £
Fees payable for the audit of the financial statements	<u>11,000</u>	<u>11,000</u>

6. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2015 No	2014 No
Production staff	<u>373</u>	<u>210</u>

Saltrock Surfwear Limited
Notes to the Financial Statements *(continued)*
Year ended 31 December 2015

The aggregate payroll costs incurred during the year, relating to the above, were:

	2015	2014
	£	£
Wages and salaries	3,594,704	2,034,487
Social security costs	19,864	16,569
	<u>3,614,568</u>	<u>2,051,056</u>

7. Directors remuneration

The directors aggregate remuneration in respect of qualifying services was:

	2015	2014
	£	£
Remuneration	<u>215,064</u>	<u>205,598</u>

The highest paid director during the year received £91,000 (2014: £64,670)

8. Interest payable and similar charges

	2015	2014
	£	£
Interest on debenture loans	37,603	39,500
Interest on obligations under finance leases and hire purchase contracts	62,825	-
Other interest payable and similar charges	263	2,274
	<u>100,691</u>	<u>41,774</u>

9. Tax on profit on ordinary activities

Major components of tax expense

	2015	2014
	£	£
Current tax:		
UK current tax expense	-	51,469
Tax on profit on ordinary activities	<u>-</u>	<u>51,469</u>

An un-provided deferred tax liability of £71,633 which is in respect of capital allowances in excess of depreciation and future utilisation of tax losses has not been recognised within the financial statements.

10. Intangible assets

	Goodwill
	£
Cost	
At 1 Jan 2015 and 31 Dec 2015	<u>212,836</u>
Amortisation	
At 1 Jan 2015 and 31 Dec 2015	<u>212,836</u>
Carrying amount	
At 31 December 2015	<u>-</u>

Saltrock Surfwear Limited

Notes to the Financial Statements (continued)

Year ended 31 December 2015

11. Tangible assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Equipment £	Total £
Cost						
At 1 Jan 2015	41,933	5,646	619,111	23,700	27,648	718,038
Additions	556,430	—	1,083,836	6,200	—	1,646,466
At 31 Dec 2015	<u>598,363</u>	<u>5,646</u>	<u>1,702,947</u>	<u>29,900</u>	<u>27,648</u>	<u>2,364,504</u>
Depreciation						
At 1 Jan 2015	1,783	4,112	179,144	6,001	5,343	196,383
Charge for the year	89,847	467	236,726	5,172	3,933	336,145
At 31 Dec 2015	<u>91,630</u>	<u>4,579</u>	<u>415,870</u>	<u>11,173</u>	<u>9,276</u>	<u>532,528</u>
Carrying amount						
At 31 Dec 2015	<u>506,733</u>	<u>1,067</u>	<u>1,287,077</u>	<u>18,727</u>	<u>18,372</u>	<u>1,831,976</u>
At 31 Dec 2014	<u>40,150</u>	<u>1,534</u>	<u>439,967</u>	<u>17,699</u>	<u>22,305</u>	<u>521,655</u>

12. Stocks

	2015 £	2014 £
Finished goods and goods for resale	<u>4,138,816</u>	<u>1,833,242</u>

13. Debtors

	2015 £	2014 £
Trade debtors	147,719	18,733
Prepayments and accrued income	758,392	307,055
Other debtors	27,741	10,300
	<u>933,852</u>	<u>336,088</u>

14. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2015 £	2014 £
Cash at bank and in hand	<u>648,621</u>	<u>353,371</u>

Saltrock Surfwear Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

15. Creditors: amounts falling due within one year

	2015	2014
	£	£
Bank loans	167,158	52,872
Trade creditors	4,927,666	1,510,024
Accruals and deferred income	91,850	208,141
Corporation tax	–	51,469
Social security and other taxes	479,962	179,975
Obligations under finance leases and hire purchase contracts	305,004	–
Factoring account	66,621	7,373
Other creditors	62,163	30,724
	<u>6,100,424</u>	<u>2,040,578</u>

Liabilities of £66,621 (2014: £7,373) which are disclosed as creditors falling due within one year are secured by the company.

16. Creditors: amounts falling due after more than one year

	2015	2014
	£	£
Debenture loans	599,160	599,160
Obligations under finance leases and hire purchase contracts	418,553	–
	<u>1,017,713</u>	<u>599,160</u>

The convertible loan stock is secured over the assets of the company excluding book debts.

17. Called up share capital

Issued, called up and fully paid

	2015		2014	
	No	£	No	£
Ordinary shares of £1 each	1,500	1,500	1,500	1,500
Management shares of £1 each	100	100	100	100
	<u>1,600</u>	<u>1,600</u>	<u>1,600</u>	<u>1,600</u>

The difference share classes rank pari-passu with the exception that management share are non-voting.

18. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

Equity reserve - This reserve relates to the equity component of convertible loans.

Saltrock Surfwear Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

19. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
	£	£
Not later than 1 year	1,437,569	773,750
Later than 1 year and not later than 5 years	4,516,133	3,344,867
	<u>5,953,702</u>	<u>4,118,617</u>

20. Related Party Transactions

Loan Stock

The convertible loan stock of £750,000 was held in the year to 31 December 2015 by the following related parties:

	31 Dec 15	31 Dec 14
	£	£
Mr F H Goodwin and related parties	75,000	75,000
Mr A C Thomson	20,455	20,455
Mr R J Thomson	20,455	20,455
Mr C D Priscott	20,454	20,455
Natatomisam Ltd	613,636	613,636
	<u>750,000</u>	<u>750,000</u>

The 5% convertible loan stock was issued on 19 September 2014. The loan stock is secured over the assets of the company and is due for repayment on 31 March 2020, interest is payable at 5% per annum. Loan stock may, with the agreement of all other stockholders, be converted into ordinary shares on the basis of one ordinary share for every £1 nominal value of stock.

The following interest was paid in respect of the loan stock during the period:

	31 Dec 15	31 Dec 14
	£	£
Mr F H Goodwin and related parties	3,760	3,750
Mr A C Thomson	1,026	887
Mr R J Thomson	1,026	887
Mr C D Priscott	1,026	887
Mr A J Bassett	-	4,467
Natatomisam Ltd	30,766	26,619
	<u>37,604</u>	<u>37,500</u>

Other transactions

Rent of £46,667 (2014: £48,000) was paid to FHG & SEH Goodwin Property during the year, Mr F H Goodwin, a director who resigned during prior years, is a partner in FHG & SEH Goodwin Property.

Saltrock Surfwear Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2015

21. Controlling party

The parent undertaking is Natatomisam Limited. The ultimate controlling parties are James and Nicola Brent, who have equal ownership of the company.

22. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The company transitioned to FRS 102 on 1 January 2014.

No transitional adjustments were required in equity or profit or loss for the year.