

COMPANY REGISTRATION NUMBER 07189003

SALTROCK SURFWEAR LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2013

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SALTROCK SURFWEAR LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

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SALTROCK SURFWEAR LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2013

The directors present their report and the financial statements of the company for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES AND 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 16 stores, online presence and third-party stores.

The Directors noted in the company's report and accounts last year that they were refocusing the business in order to return it to profit after incurring a significant loss in 2012. They are pleased to report a post-tax profit in 2013 of £133,941. Although this is a positive turnaround of c. £850k, it does not represent an acceptable return and the directors expect an improvement in margins and a substantial increase in profits in 2014.

Saltrock has seen substantial like for like sales growth in quarter one of 2014 which has also been reflected in much stronger gross and net profits. The combination of the refocus of the business, continued sales growth, improved margins and control of general expenses should see Saltrock show significantly improved profits for 2014.

The Directors remain positive that a firm base is being created for the future development of the company.

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 Beal

(Appointed 28 June 2013)

D Byrne

(Appointed 5 September 2013)

F H Goodwin

(Resigned 26 February 2013)

DIRECTORS' RESPONSIBILITIES

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

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

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

SALTROCK SURFWEAR LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2013

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.

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

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has 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.

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

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

Signed on behalf of the directors



J S BRENT

DIRECTOR

Approved by the directors on 20/5/2014

SALTROCK SURFWEAR LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SALTROCK SURFWEAR LIMITED

YEAR ENDED 31 DECEMBER 2013

We have audited the financial statements of Saltrock Surfwear Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 set out on pages 1 to 2, 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 annual 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; 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 2013

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.



BENJAMIN BIDNELL (Senior
Statutory Auditor)
For and on behalf of
SHIPLEYS LLP
Chartered Accountants
& Statutory Auditor

10 Orange Street
Haymarket
London
WC2H 7DQ

.....12 May 2014

SALTROCK SURFWEAR LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2013

	Note	2013 £	2012 £
TURNOVER		7,244,042	5,605,841
Cost of sales		(3,767,425)	(3,182,904)
GROSS PROFIT		3,476,617	2,422,937
Administrative expenses		(3,302,054)	(3,103,348)
OPERATING PROFIT/(LOSS)	2	174,563	(680,411)
Interest payable and similar charges		(40,622)	(40,908)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		133,941	(721,319)
Tax on profit/(loss) on ordinary activities		—	—
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		133,941	(721,319)

The notes on pages 7 to 13 form part of these financial statements.

SALTROCK SURFWEAR LIMITED

BALANCE SHEET

31 DECEMBER 2013

	Note	2013 £	2012 £
FIXED ASSETS			
Intangible assets	3	-	18,791
Tangible assets	4	209,942	173,728
		<u>209,942</u>	<u>192,519</u>
CURRENT ASSETS			
Stocks		1,116,036	493,587
Debtors	5	290,964	283,595
Cash at bank and in hand		280,454	201,061
		<u>1,687,454</u>	<u>978,243</u>
CREDITORS: Amounts falling due within one year	6	<u>(1,667,214)</u>	<u>(1,074,521)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>20,240</u>	<u>(96,278)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>230,182</u>	<u>96,241</u>
CREDITORS: Amounts falling due after more than one year	7	<u>(709,585)</u>	<u>(709,585)</u>
		<u>(479,403)</u>	<u>(613,344)</u>
CAPITAL AND RESERVES			
Called-up equity share capital	10	1,600	1,600
Other reserves	11	40,415	40,415
Profit and loss account	11	(521,418)	(655,359)
DEFICIT	11	<u>(479,403)</u>	<u>(613,344)</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

These accounts were approved by the directors and authorised for issue on 20/5/2014 and are signed on their behalf by:



J S BRENT
DIRECTOR

Company Registration Number: 07189003

The notes on pages 7 to 13 form part of these financial statements.

SALTROCK SURFWEAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Turnover

Turnover represents the fair value of consideration receivable, excluding Value Added Tax, in the ordinary course of business for goods supplied. Sales are recognised on the delivery of goods to the customer.

Amortisation

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

Goodwill - 33.3% straight line

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

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

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

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes appropriate attributable overheads and direct expenditure incurred in the normal course of business in bringing goods to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

SALTROCK SURFWEAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES *(continued)*

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Convertible loan notes

The component parts of compound instruments issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. On initial recognition the financial liability component is recorded at its fair value. At the date of issue, in the case of a convertible bond that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity and is not subsequently remeasured.

Issue costs are expensed to the profit and loss in the period to which they relate.

The finance costs of the financial liability are recognised over the term of the debt at a constant rate of the carrying amount.

2. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	2013	2012
	£	£
Directors' remuneration	137,842	141,208
Amortisation of intangible assets	18,791	75,160
Depreciation of owned fixed assets	42,773	48,292
Profit on disposal of fixed assets	<u>(646)</u>	<u>(296)</u>

SALTROCK SURFWEAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

3. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 January 2013 and 31 December 2013	<u>212,836</u>
AMORTISATION	
At 1 January 2013	194,045
Charge for the year	<u>18,791</u>
At 31 December 2013	<u>212,836</u>
NET BOOK VALUE	
At 31 December 2013	—
At 31 December 2012	<u>18,791</u>

4. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Equipment £	Total £
COST					
At 1 January 2013	5,080	236,851	10,500	5,116	257,547
Additions	—	78,541	2,600	—	81,141
Disposals	—	—	(5,000)	—	(5,000)
At					
31 December 2013	<u>5,080</u>	<u>315,392</u>	<u>8,100</u>	<u>5,116</u>	<u>333,688</u>
DEPRECIATION					
At 1 January 2013	2,977	74,122	4,958	1,762	83,819
Charge for the year	570	40,268	1,268	667	42,773
On disposals	—	—	(2,846)	—	(2,846)
At					
31 December 2013	<u>3,547</u>	<u>114,390</u>	<u>3,380</u>	<u>2,429</u>	<u>123,746</u>
NET BOOK VALUE					
At					
31 December 2013	<u>1,533</u>	<u>201,002</u>	<u>4,720</u>	<u>2,687</u>	<u>209,942</u>
At 31 December 2012	<u>2,103</u>	<u>162,729</u>	<u>5,542</u>	<u>3,354</u>	<u>173,728</u>

SALTROCK SURFWEAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

5. DEBTORS

	2013	2012
	£	£
Trade debtors	7,308	15,192
Corporation tax repayable	–	4,789
Other debtors	7,057	5,174
Prepayments and accrued income	276,599	258,440
	<u>290,964</u>	<u>283,595</u>

6. CREDITORS: Amounts falling due within one year

	2013	2012
	£	£
Overdrafts	77,132	34,306
Trade creditors	1,164,970	668,601
Other creditors including taxation and social security:		
Factoring account	21,228	22,150
PAYE and social security	90,220	84,104
VAT	131,442	106,689
Directors current accounts	–	35,000
Other creditors	34,133	33,306
Accruals and deferred income	148,089	90,365
	<u>1,667,214</u>	<u>1,074,521</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2013	2012
	£	£
Factoring account	<u>21,228</u>	<u>22,150</u>

7. CREDITORS: Amounts falling due after more than one year

	2013	2012
	£	£
Convertible loans	<u>709,585</u>	<u>709,585</u>

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

SALTROCK SURFWEAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

8. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2013 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2013 £	2012 £
Operating leases which expire:		
Within 1 year	270,306	235,386
Within 2 to 5 years	172,500	210,500
After more than 5 years	178,000	178,000
	<u>620,806</u>	<u>623,886</u>

9. RELATED PARTY TRANSACTIONS

Loan stock

The convertible loan stock of £750,000 (note 9) was held in the year to 31 December 2013 by the following related parties:

	31 Dec 13 £	31 Dec 12 £
Mr F H Goodwin and related parties	75,000	75,000
Mr A C Thomson	16,667	16,667
Mr R J Thomson	16,667	16,667
Mr C D Priscott	16,666	16,166
MR A J Bassett	125,000	125,000
Natatomisam Ltd	500,000	500,000
	-----	-----
	750,000	750,000
	=====	=====

The loan stock is secured over the assets of the company and is due for repayment on 31 March 2015, interest is payable at 5% per annum. Any stockholder with the agreement of all other stockholders may convert their stock into ordinary shares on the basis of one ordinary share for every £1 nominal value of stock at any time.

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

	31 Dec 13 £	31 Dec 12 £
Mr F H Goodwin and related parties	3,745	3,750
Mr A C Thomson	832	833
Mr R J Thomson	832	833
Mr C D Priscott	832	833
MR A J Bassett	6,241	6,250
Natatomisam Ltd	24,966	25,000
	-----	-----
	37,488	37,500
	=====	=====

SALTROCK SURFWEAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

9. RELATED PARTY TRANSACTIONS *(continued)*

Other transactions

Rent of £44,000 (2012: £38,250) was paid to FHG & SEH Goodwin Property during the year. Mr F H Goodwin, a director who resigned during the year, is a partner in FHG & SEH Goodwin Property. At 31 December 2013, £12,000 (2012: £7,200) was outstanding. Consultancy fees of £750 were paid to Mr F H Goodwin during the year (2012: £3,000).

During the year, a short term loan of £65,000 (2012: £35,000) was obtained from Natatomisam Ltd, the parent company. The balance outstanding as of the balance sheet date was £nil (2012: £35,000).

During the year, R J Thomson, a director made a short term loan of £3,300 to the company (2012: £nil). The balance outstanding as of the balance sheet was £nil (2012: £nil).

During the year, A Thomson, a director made a short term loan of £3,400 to the company (2012: £nil). The balance outstanding as of the balance sheet was £nil (2012: £nil).

During the year, C Priscott, a director made a short term loan of £2,000 to the company (2012: £nil). The balance outstanding as of the balance sheet was £nil (2012: £nil).

SALTROCK SURFWEAR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2013

10. SHARE CAPITAL

Allotted, called up and fully paid:

	2013		2012	
	No	£	No	£
Ordinary shares shares of £1 each	1,500	1,500	1,500	1,500
Management shares shares of £1 each	100	100	100	100
	<u>1,600</u>	<u>1,600</u>	<u>1,600</u>	<u>1,600</u>

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	Equity reserve	Profit and loss account	Total share-holder s' funds
	£	£	£	£
Balance brought forward	1,600	40,415	(655,359)	(613,344)
Profit for the year	–	–	133,941	133,941
Balance carried forward	<u>1,600</u>	<u>40,415</u>	<u>(521,418)</u>	<u>(479,403)</u>

12. ULTIMATE PARENT COMPANY

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