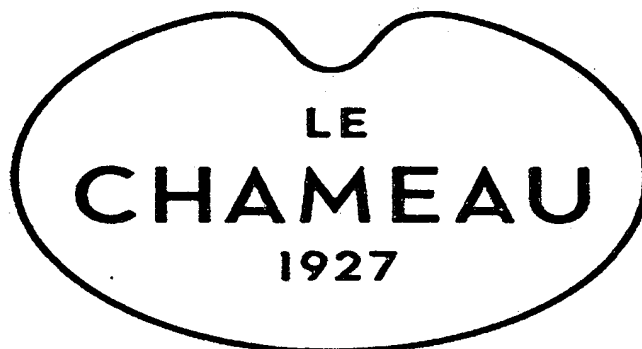




**Le Chateau Holdings Limited
Annual Report and Financial Statements**

For the Year Ended 31 December 2018

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Governance

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Principal activities

Le Chameau Holdings Limited ("LCHL" or the "Company") is a wholly owned subsidiary of Silvercloud Investments Limited ("SIL"). Its ultimate parent Company is Le Chameau Group plc ("LCG").

In 2012, the Company purchased the Le Chameau operating business by acquiring Le Chameau Holdings SAS and its subsidiaries ("Le Chameau" or the "Business"), the luxury boot making business. The principal activity of the Company is as a holding company for the Le Chameau business. As at 31 December 2018, Le Chameau is the Company's only operating investment.

Business Review

In 2018, the Le Chameau operating business achieved promising revenue growth of 8% and significantly increased the portion of its revenue derived from direct-to-customer ("D to C") channels, however, alongside the focus on D to C, Le Chameau has addressed the central strategic focus of investing for the future, consolidating its operating model and building its sales platforms, developing its product offering, better understanding the needs and wants of its most valuable markets, and refining its core proposition for best resonance with its target audiences.

Le Chameau has invested in its product offering in 2018, extending its technical leather boot range with the new Chameau Lite products, launching children's rubber boots and extending the accessories offering. The business also developed a sophisticated digital marketing strategy and during the year significantly expanded its social media presence. The most significant element of digital this growth has been the Business' partnership with Amazon UK and USA. Having only launched in Q3 2018, the revenue generated via Amazon has exceeded budget and areas of learnings have been identified and addressed during this period cementing further the potential for growth in this area during 2019.

During the year under review, the Le Chameau Group (the "Group") restructured its internal debt and capital (the "Capitalisation"), the outcome being a streamlining of debt held by the entities within the Group further readying the business for the year ahead. The Capitalisation resulted in the Company's immediate parent, SIL, assigning a loan receivable from the Company's immediate subsidiary, Le Chameau Holdings SAS ("LCH SAS"), in return for shares in the Company. Subsequently, the loan receivable by the Company from LCH SAS was converted into equity, with the Company receiving 432,233 shares in LCH SAS at a subscription price of €100 in exchange for the loan receivable as detailed in note 6.

As a consequence of the Capitalisation, most of the intra group debt payable by the Company's subsidiaries was capitalised and the Company's investment in its subsidiaries increased from a carrying value of £nil at 31 December 2017 to £38,739,823. At the year end, LCG undertook an annual valuation of the Le Chameau operating business and an impairment of £21,700,908 was recognised by the Company resulting in an Investment value of £17,038,915 at the balance sheet date. This decrease in valuation was due to the mild autumn experienced across Europe and a longer than expected lead time to realise the benefits of marketing initiatives which has resulted in slower than anticipated growth in 2018.

Principal risks and uncertainties

The Board of LCG has identified the principal risks impacting the Group and is committed to enhancing and evolving its risk management systems. These risks affect the valuation of the operating business and will therefore impact on the Company's investment.

Financial risk

The Group's assets, earnings and cash flows are exposed to a variety of financial risks. These risks include the availability of funds to meet the Group's operating and financing requirements and fluctuations in interest and foreign exchange rates operating across jurisdictions.

Operational risk

The Group faces a number of operational risks relating to the manufacture and sales of its rubber boots and other product lines. The Group is reliant on different systems, machinery, equipment, suppliers of raw materials, and people; and the impact of failure in any one element may have a knock-on effect on other elements of the production and sales process.

Operational interruptions resulting from accidents, system interruptions or damage to plant, machinery and equipment, or the failure of a supplier to deliver the quality or quantity of raw materials on time, may also adversely affect the Group's operations and financial performance.

To mitigate these risks, the Group has put in place preventative maintenance programmes, regular monitoring of operational performance, controlled processes over the management of raw materials, strong oversight of outside providers and comprehensive insurance.

There is heavy reliance on the factory in Morocco which is partially mitigated by the higher levels of finished goods stock.

Health, safety and environmental compliance are also considered key priorities in the Group's operations and are regularly monitored by the leadership team.

The group is working closely with the local administrative and environmental authorities in Normandy to ensure Le Chameau meets its environmental responsibilities following the closure of activity at the Pont D'Ouilly factory.

The IT platform at Le Chameau is integral to business operations and needs to be managed effectively for the business to grow. The Group has recruited a head of IT to secure the infrastructure and help the team utilise the full capabilities of the platform to the business's advantage.

Dependence on key personnel

Loss of key personnel may have an adverse effect on the business. It is vital that the business has capability and capacity to operate effectively and pursue opportunities for growth, and so Le Chameau has invested in new recruits and uses support from third parties as required to support new initiatives.

Changes to legislation and regulation

The Group is subject to local regulation and regulatory change which may impact its future performance. Local management is responsible for ensuring compliance with local regulations. Where appropriate, operational procedures are established to provide a compliance framework for each location. Management monitors regulatory and legal developments at a local and national level and participates in industry forums through membership of trading bodies. In particular, management is working on plans to mitigate the risks of likely Brexit scenarios.

The uncertainty over Brexit poses a number of risks to the Group. The potential to impact the economy through inflation, weaker sterling exchange rates, and lowering consumer confidence, may lead to lower consumer demand for luxury products, trade reluctance to purchase and hold stocks, particularly in new product lines such as apparel and leather boots, and increased pressure for discounting in the trade to stimulate demand. In the case of a no-deal Brexit, there is a risk of customs bottlenecks delaying the transport of rubber boots and fully manufactured goods through or from Europe leading to lost sales as well as a risk on duties on product imported in to the UK. A no-deal Brexit also presents the risk of duties applied to the export of our products from the UK to the EU which would increase costs.

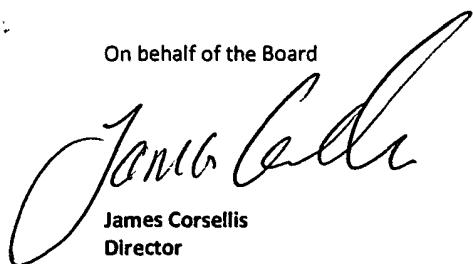
Although regulatory change in the luxury goods industry occurs relatively slowly, the Group must ensure that it adequately addresses the impact of any change in tax position of the Group's companies and other cross-border regulation amendments that may be relevant to the nature of the Group's operations.

Outlook

Le Chameau has great potential to build on its heritage as a premium manufacturer of rubber boots to become a leader in premium country lifestyle clothing, boots and accessories. There are few brands in this market with the history, reputation and devoted following that Le Chameau enjoys. The executive team has ambitious plans for the future and plans carefully, in close coordination with its shareholders, to meet exciting growth targets and the challenge of competitor activity while taking account of the pace of change in its traditional markets, its financial and human resources.

Looking forward to 2019, using the team capabilities and valuable market research, Le Chameau aims to utilise the development of the brand to expand their presence in the premium country lifestyle segment. The Group will launch their apparel range alongside a second leather boot range increasing customer opportunities to wear Le Chameau, enhance our retail presence, offer a multi-season product range, as well as a broader D to C proposition.

On behalf of the Board

A handwritten signature in dark ink, appearing to read 'James Corsellis'.

James Corsellis
Director
24 June 2019

**Results and dividends**

The Company made a loss of £21,741,206, including an impairment of £21,700,908, for the financial year ended 31 December 2018 (2017: loss of £16,608,673) which was transferred to reserves. The directors are unable to recommend a dividend for the year ended 31 December 2018 or the prior year.

Directors

Mark Brangstrup Watts and James Corsellis served as directors during the year and up to the date of the signing of the financial statements.

Directors' interests

There were no contracts or share schemes existing with the Company during or at the end of the year in which any Director is, or was, materially interested in which are, or were, significant in relation to the business of the Company. Directors' interests in the wider group are disclosed in the annual financial statements of LCG available from LCG's registered office at 11 Buckingham Street, London, WC2N 6DF.

Charitable donations and political contributions

The Company made no charitable or political donations during the year.

Contracts of significance

No significant contracts were entered into in the year under review.

Going concern

The Company is in a net current liability position of £183,971 (2017: £27,008). The cash balance of the Company was £898 as at 31 December 2018 (2017: £888), however the Directors are comfortable that creditors and accruals which amount to £25,589 at year end (2018: £17,254) will be paid on behalf of the Company by related parties. The Company has received a letter of support from its ultimate parent, LCG, confirming it will support the Company to meet its liabilities when they fall due for the next 12 months from the date of this report. LCG has received a letter of support from its majority shareholder, Marwyn Value Investors LP ("MVI"), confirming that it is MVI's current intention to continue to support the business for the twelve months from the date of these financial statements in order to continue to fund the execution of the business plan. Based on these factors, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing 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.

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.



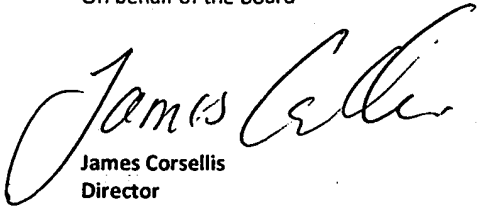
Independent auditors and disclosure of information to auditors

In accordance with Companies Act 2006, all Directors in office as at the date of this report have confirmed:

- As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware: and
- The Directors have taken all the steps that he 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.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

On behalf of the Board


James Corsellis
Director
24 June 2019



Independent auditors' report to the members of Le Chateau Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Le Chateau Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 2018; the Statement of Comprehensive Income, 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

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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.

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2018 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 set out on page 3, 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.

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. 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 received 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.



Emily Greybrook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

25 June 2019

LE CHAMEAU HOLDINGS LIMITED
Statement of Comprehensive Income
For the year ended 31 December 2018



		For the year ended 31 December 2018	For the year ended 31 December 2017
	Notes	£	£
Foreign exchange (losses)/gains		(170)	35
Operating expenses	4	(40,128)	(27,875)
Impairment of investment	6	(21,700,908)	(16,580,833)
Operating loss		<u>(21,741,206)</u>	<u>(16,608,673)</u>
Loss before taxation		<u>(21,741,206)</u>	<u>(16,608,673)</u>
Income tax expense	5	-	-
Loss and total comprehensive loss for the financial year		<u>(21,741,206)</u>	<u>(16,608,673)</u>

The notes on pages 10 to 15 form an integral part of these financial statements.

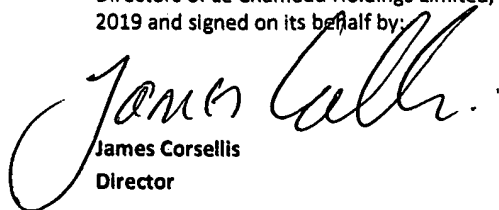
All amounts relate to continuing operations.

LE CHAMEAU HOLDINGS LIMITED
Statement of Financial Position
As at 31 December 2018



		31 December 2018	31 December 2017
		£	£
	Notes		
ASSETS			
Non-current assets			
Investment	6	17,038,915	-
Total non-current assets		17,038,915	-
Current assets			
Cash and cash equivalents		898	888
Trade and other receivables	7	-	2,100
Total current assets		898	2,988
Total assets		17,039,813	2,988
EQUITY AND LIABILITIES			
Equity			
Called up share capital	9	552,040	165,808
Share premium	9	38,236,926	-
Accumulated losses		(21,934,022)	(192,816)
Total equity		16,854,944	(27,008)
Current liabilities			
Trade and other payables	8	25,589	17,254
Amounts due to related parties	2	159,280	12,742
Total liabilities		184,869	29,996
Total equity and liabilities		17,039,813	2,988

The notes on pages 10 to 15 form an integral part of the financial statements. The financial statements were approved by the Board of Directors of Le Chateau Holdings Limited, a private limited Company incorporated in England with registered number 08201708, on 24 June 2019 and signed on its behalf by:


James Corsellis
Director

LE CHAMEAU HOLDINGS LIMITED
Statement of Changes in Equity
For the year to 31 December 2018



		Called up share capital	Share Premium	Retained earnings/ (Accumulated losses)	Total equity
		£	£	£	£
	Notes				
Balance at 1 January 2017		16,580,833	-	832	16,581,665
Loss for the financial year		-	-	(16,608,673)	(16,608,673)
Capital reduction	9	(16,415,025)	-	16,415,025	-
Balance at 31 December 2017		165,808	-	(192,816)	(27,008)
Loss for the financial year		-	-	(21,741,206)	(21,741,206)
Capitalisation	9	386,232	38,236,926	-	38,623,158
Balance at 31 December 2018		552,040	38,236,926	(21,934,022)	16,854,944

The notes on pages 10 to 15 form an integral part of the financial statements.

1. Reporting entity

Le Chateau Holdings Limited ("LCHL" or the "Company") is a private Company limited by shares incorporated and domiciled in England, United Kingdom. The address of the registered office is 11 Buckingham Street, London, WC2N 6DF. The Company is a wholly owned subsidiary of Silvercloud Investments Limited ("SIL"). The Company's ultimate parent Company is Le Chateau Group plc ("LCG"). The Company is solely invested in the Le Chateau operating group.

2. Accounting Policies

(a) Basis of preparation

The financial statements represent the year ended 31 December 2018 and are presented as required by the Companies Act 2006 as applicable to companies using FRS 101 and have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements are prepared on a going concern basis and under the historical cost convention.

The Company's ultimate parent is LCG, and the Company is included in the consolidated financial statements of LCG. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The address of the ultimate parent's registered office is 11 Buckingham Street, London, WC2N 6DF. These financial statements are separate financial statements. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The requirements of IFRS 7 Financial Instruments: Disclosures;
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures (key management compensation);
- The requirements in IAS 24 Related party disclosures to disclose related party transactions entered into between two or more members of a group; and
- IAS 7 Statement of cash flows.

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of LCG into which the Company is consolidated.

(b) Critical accounting estimates and judgements

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Carrying value of investments

LCG conducts a valuation using a fair value basis, being the price that would be received to sell the business in an orderly transaction between market participants at the measurement date. LCG employs multiple valuation techniques to derive an enterprise value range of which the mid point is taken and then adjusted for cash. Given the nature and facts of the Le Chateau business, the appropriate valuation models used to derive the enterprise value range include multiples (listed and transactions) and a discounted cash flow model. The discounted cash flow model is appropriate where short term earnings and revenue may not provide the best estimate of longer term value, the multiple technique on the other hand draws on heavily on observable market-based measures of risk and return and is appropriate for a business with an identifiable stream of continuing earnings or revenue that is considered to be maintainable.

The basis for the multiple valuation techniques is forecast budgets which have been approved by management and reflect the past performance of the cash generating unit, the expected growth of each area of the business and target margins. For the discounted cash flow a discount rate of 10% has been applied and a terminal growth rate of 2% has been applied to cash flows beyond 2022, which is consistent with the long-term average growth rate for the products and the luxury goods industry. When determining the valuation under the multiples models LCG used a broader comparable company list, as there are no exclusive luxury Wellington Boot manufacturers, including technical footwear, sport/outdoor wear, and premium/luxury goods industries. The implied multiples for these companies, adjusted for size, risk profile and growth prospects, provides an indication of how potential acquirers or public shareholders may value the underlying business.

During the year, the Company's immediate parent, SIL, assigned a loan receivable by SIL from the Company's immediate subsidiary, Le Chateau Holdings SAS ("LCH SAS"), in return for shares in the Company. Subsequently, the loan receivable by the Company from LCH SAS was converted into equity, with the Company receiving 432,233 shares in LCH SAS at a subscription price of €100 in exchange for £38,739,823, being the value of the loan receivable. Accordingly, the loan receivable was reclassified to equity. Using the valuation as detailed above, the investment in LCH SAS was then impaired to a value derived from the valuation process of £17,038,915, resulting in an impairment of £21,700,908.

Key judgements

The key assumptions for the value in use calculations are those regarding discount rates, growth rates and projected cash flows.

2. Accounting Policies (continued)

(c) New standards, amendments and IFRIC interpretations

The accounting policies adopted in the presentation of the financial statements reflect the adoption of the following amendments for annual periods beginning on or after 1 January 2018, none of which had a material effect on the Company except IFRS 9 Financial Instruments ("IFRS 9") as described below.

Standard	Effective Date
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9: Financial Instruments	1 January 2018
IFRS 15: Revenue from Contracts with Customers	1 January 2018
IFRIC 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IAS 40: Transfers of Investment Property	1 January 2018

IFRS 9

The Company has initially adopted IFRS 9 Financial Instruments ("IFRS 9") from 1 January 2018. The Company has elected not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39").

IFRS 9 set outs requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39.

Under IFRS 9, credit loss determination will need to be made for intercompany balances which are repayable on demand, with expected credit losses based on the assumption that repayment of the loan is demanded at the reporting date. This has no impact on the results or the statement of financial position. There is no change to the 2017 financial statements as a result of the adoption of IFRS 9, the company uses a valuation model to determine whether an impairment needs to be recognised against intercompany receivable balances and the valuation model is based on the fair value of the business at the year end. As such the impairments recognised are based on the recoverability of the loan balances at the reporting date.

The accounting for the Company's financial liabilities remains the same as it was under IAS 39.

Standards, amendments and interpretations issued but not yet effective:

Below is a list of standards/interpretations that have been issued and are not effective for periods starting on 1 January 2018, but will be effective for later periods and have not been adopted early. Based on the Company's current circumstances the Directors do not anticipate that their adoption in future periods will have a material impact on the financial statements of the Company.

Standard	Effective Date
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019*
Amendments to IFRS 3 Business Combinations	1 January 2020*
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020*
IFRS 17 Insurance Contracts	1 January 2021*

* subject to EU endorsement

(d) Current taxation

The main rate of corporation tax during the year was 19%. The government announced a further reduction to the corporation tax main rate for the year starting 1 April 2020, setting the rate at 17%.

(e) Investments in subsidiary undertakings

Investments in subsidiaries are held at cost less accumulated impairment losses.

(f) Functional and presentation currency

The Company's financial statements are presented in pounds sterling, which is the Company's functional and presentational currency.

2. Accounting Policies (continued)

Transactions in foreign currencies are translated into pounds sterling at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into pounds sterling at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the Statement of Comprehensive Income.

(g) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI Criterion").

Financial assets are initially measured at their fair value plus, for those financial assets not at fair value through profit or loss, transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, being the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For the purposes of subsequent measurement, all of the Company's financial assets are classified as financial assets at amortised cost. Financial assets at amortised cost comprise of assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI Criterion. This category includes the Company's trade and other receivables and cash and cash equivalents. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Company has not classified any assets as being financial assets at FVOCI or FVPL.

Derecognition

A financial asset is primarily derecognised and removed from the consolidated statement of financial position when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities comprise of trade and other payables and amounts due to related parties.

2. Accounting Policies (continued)

Subsequent measurement

The Company's payables are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis to realise the assets and settle the liabilities simultaneously.

(h) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances only.

(i) Going Concern

The Company is in a net current liability position of £183,971 (2017: £27,008). The cash balance of the Company was £898 as at 31 December 2018 (2017: £888), however the Directors are comfortable that creditors and accruals which amount to £25,589 at year end (2018: £17,254) will be paid on behalf of the Company by related parties. The Company has received a letter of support from its ultimate parent, LCG, confirming it will support the Company to meet its liabilities when they fall due for the next 12 months from the date of this report. LCG has received a letter of support from its majority shareholder, Marwyn Value Investors LP ("MVI"), confirming that it is MVI's current intention to continue to support the business for the twelve months from the date of these financial statements in order to continue to fund the execution of the business plan. Based on these factors, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

3. Directors and employees

Except for the Directors, the Company had no employees during the year (2017: none). In accordance with their service agreements, the Directors do not receive a fee for their services.

4. Operating expenses

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Administrative expenses	15,484	10,109
Professional fees	24,644	17,766
	<u>40,128</u>	<u>27,875</u>

Included within Administrative expenses is the audit fee of £13,300 (2017: £10,000) as well as an additional £2,130 billed in relation to the 2017 audit. There are no non-audit fees payable.

5. Income tax expense

	Year ended 31 December 2018	Year ended 31 December 2017
	£	£
Loss before taxation	(21,741,206)	(16,608,673)
Loss before taxation multiplied by standard rate in the UK of 19% (2017: 19.25%)	(4,130,829)	(3,197,170)
Tax effects of unutilised current year expenses carried forward	4,130,829	3,197,170
Tax on loss for the year	<u>-</u>	<u>-</u>

The main rate of corporation tax during the year was 19% (2017: 19.25%). No tax for the Company is due for the current year, as the Company has made a taxable loss. No deferred tax assets have been recognised as the timing and occurrence of profits for future recovery of tax assets is uncertain. The Company had an estimated £67,937 of tax losses carried forward as at 31 December 2018 (2017: £27,855).

6. Investment

	2018	2017
	£	£
Subsidiary undertaking		
Opening balance as at 1 January	-	16,580,833
Capitalisation	38,739,823	-
Impairment	(21,700,908)	(16,580,833)
Closing balance as at 31 December	17,038,915	-

During the year, the Company's immediate parent, SIL, assigned a loan receivable by SIL from the Company's immediate subsidiary, Le Chateau Holdings SAS ("LCH SAS"), in return for shares in the Company. Subsequently, the loan receivable by the Company from LCH SAS was converted into equity, with the Company receiving 432,233 shares in LCH SAS at a subscription price of €100 in exchange for £38,739,823, being the value of the loan receivable. Accordingly, the loan receivable was reclassified to equity. The investment in LCH SAS was then impaired to a value derived from the valuation process of £17,038,915, resulting in an impairment of £21,700,908.

The direct and indirect subsidiary undertakings as at 31 December 2018 are as follows:

Company	Registered Office	Subsidiary	Proportion of ownership interest	Nature of business
Le Chateau Holdings SAS	115 Rue Cardinet, 75017 Paris, France	Direct	100%	Holding Company
Le Chateau SAS	115 Rue Cardinet, 75017 Paris, France	Indirect	100%	Luxury goods manufacturer and seller
Sté Caoutchoutiere des Zenatas	86, Parc Industriel CFCIM – Bouskoura, Morocco	Indirect	100%	Luxury goods manufacturer
Le Chateau Inc.	251 Little Falls Drive, Wilmington, New Castle DE 19808, USA	Indirect	100%	Luxury goods seller
Le Chateau UK Limited	13 - 14 Old Bond Street, London, W1S 4PP, United Kingdom	Indirect	100%	Luxury goods seller

7. Trade and other receivables

	2018	2017
	£	£
Prepayments	-	2,100
	-	2,100

8. Trade and other payables

	2018	2017
	£	£
Trade payables	9,589	8,754
Accruals	16,000	8,500
	25,589	17,254

9. Called up share capital

	2018			2017		
	Number	Nominal value	Share premium	Number	Nominal value	Share premium
		£	£		£	£
At 1 January	16,580,833	165,808	-	16,580,833	16,580,833	-
Capital reduction	-	-	-	-	(16,415,025)	-
Capitalisation	38,623,158	386,232	38,236,926	-	-	-
At 31 December	55,203,991	552,040	38,236,926	16,580,833	165,808	-

The Company was incorporated on 4 September 2012 with a share capital of two ordinary shares of £2.00. This was increased on 6 November 2012 with the allotment of a further 6,760,608 ordinary shares of £1.00 each. During 2015, a further 9,820,223 ordinary shares of £1.00 each were allotted.

At a General Meeting of the Company held on 20 July 2017, a special resolution was passed to reduce the capital of the Company by the sum of £16,415,024.67, affected by a reduction of the nominal value of each of the 16,580,833 ordinary shares in the capital of the Company from £1.00 per ordinary share to £0.01 per ordinary share. The reserve arising from this reduction of capital was treated as a realised profit and therefore resulted in a reduction of accumulated losses of £16,415,025.

The Company entered into a loan assignment agreement dated 14 December 2018 with SIL whereby a £38,623,158 loan receivable, from the Company's immediate subsidiary Le Chateau Holdings SAS, (the "Loan Receivable") was assigned to the Company in exchange for 38,623,158 ordinary shares of £0.01 each at a subscription price of £1 per share, resulting in share premium of £38,236,926. Effective on 31 December 2018, the Loan Receivable was converted into equity (the "Capitalisation") as detailed in note 6.

10. Related parties

Mark Brangstrup Watts and James Corsellis are ultimate beneficial owners of Axio Capital Solutions Limited which provides Company secretarial, administrative and accounting services to the Company. During the year, Axio Capital Solutions Limited charged £16,823 (2017: £10,498) in respect of services supplied to the Company, and was owed an amount of £4,468 (2017: £4,854) at the balance sheet date.

11. Ultimate parent undertaking

The parent undertaking is SIL and the ultimate parent undertaking is LCG. Marwyn Value Investors LP owns the majority interest in LCG.

12. Post balance sheet events

There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.