

Registered number: 02849221

**LANAI LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 OCTOBER 2018**



## **LANAI LIMITED**

### **COMPANY INFORMATION**

<b>Directors</b>	Gregory William Healy (appointed 26 April 2019) Thomas Benoit Chambolle (resigned 26 April 2019) David William Tanner (appointed 26 April 2019)
<b>Company secretary</b>	Julien Bertol
<b>Registered number</b>	02849221
<b>Registered office</b>	Z Block Unit 2003, 2nd Floor 91 Brick Lane The Old Truman Brewery London E1 6QL
<b>Independent auditor</b>	Constantin Statutory Auditor 25 Hosier Lane London EC1A 9LQ
<b>Bankers</b>	BNP Paribas HSBC Bank plc

## **LANAI LIMITED**

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## **LANAI LIMITED**

### **GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 OCTOBER 2018**

#### **Introduction**

This Strategic report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed.

The Strategic report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Directors in preparing this Strategic report, have complied with section 414C of the Companies Act 2006.

#### **Business review**

The subsidiary Molokai Limited closed all of its retail shops in 2015 due to the difficult trading environment. Lanai Limited will continue its wholesale operations as usual.

The Group profit for the year, after taxation, amounted to £106,756 (2017- £218,341). Group net assets were £154,458. This is made up of £3,800,678 of net assets of Lanai Limited and net liabilities of £3,593,851 of the subsidiary undertaking, Molokai Limited which has ceased trading. As part of the worldwide Boardriders group, the whole Group is well placed to improve profitability in the future.

#### **Principal risks and uncertainties**

##### **Market risks**

The Group is subject to various market risks, principally the threat from competitors and the varying strength of the retail economy in the United Kingdom. The Company is supported by the Boardriders Group, and a discussion on the risks and uncertainties facing the Group as a whole is provided in the Group's annual report, which can be obtained from Boardriders Inc, 15202 Graham Street, Huntington Beach, California 92649, USA.

##### **Financial risks**

The Director has considered the principal financial risks facing the Group to be as follows:

##### Credit risk

The Group's principal financial assets are cash and trade receivables. The Group's credit risk is primarily attributable to its trade receivables.

The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

##### Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Companies rely on group funding.

## LANAI LIMITED

### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2018

#### Financial key performance indicators

The Director monitors the activities and performance of the Group on a regular basis. The Director uses both financial and non-financial indicators based on budget versus actual and prior years to assess the performance of the Group. The financial indicators set out below were used during the year to 31 October 2018 and will continue to be used by the Director to assess performance over the year to 31 October 2019.

#### Turnover

Monitoring sales against budget and prior years and by product mix. Group turnover increased by 8.4% compared to the previous year, where there was an decrease of 13.9%.

#### Gross profit as a percentage of sales

The gross profit margin increased from 10.5% to 14.4%. There were two significant changes to the customer base in 2017, which has contributed to the increase this year.

The first being a restructuring of one of the biggest customer accounts which resulted in a reduction in orderbook by approximately 35-40%, which resulted in a significant decrease in the Group gross profit margin in 2017 compared to 2016. This has subsequently been resolved and re-corrected for the current season and the company has returned to significant growth.

The second considerable difference was a significant increase in orderbook, which is a trend that management are confident they can continue to grow.

Wholesale sector in the UK remains positive and relatively robust. Management have worked extremely hard to stabilise the business and foster relationships with better dealers which will not only maintain the current fundamental revenue base, but also elevate the brands into those key aspirational retailers.

This report was approved by the board on *30th of July 2019* and signed on its behalf.

**Gregory William Healy**  
Director



## **LANAI LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2018**

The director present his report and the financial statements for the year ended 31 October 2018.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Group and of the profit or loss or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements 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 Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £106,756 (2017 - £218,341).

The results for the year are set out on page 8.

#### **Director**

The director who served during the year was:

Pierre Agnes (resigned 19 April 2018)  
Thomas Benoit Chambolle (resigned 26 April 2019)

#### **Future developments**

In 2015, the Group closed all of the unprofitable retail shops (in relation to Molokai Limited), and will continue with its wholesale operations, looking for suitable premises for future trading expansion once the retail economy improves.

#### **Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

**LANAI LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 OCTOBER 2018**

**Subsequent events**

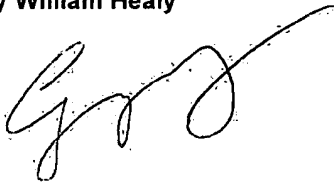
There have been no significant events affecting the Group since the year end.

**Auditor**

The auditor, Constantin, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *30<sup>th</sup> of July 2013* and signed on its behalf.

**Gregory William Healy**  
Director

A handwritten signature in black ink, appearing to read 'G. Healy', written over the printed name and title.

## LANAI LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANAI LIMITED

#### Opinion

In our opinion the financial statements of Lanai Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group and parent company's affairs as at 31 October 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the company statement of financial position;
- the consolidated statement of changes in equity;
- the company statement of changes in equity;
- the statement of accounting policies; and
- the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 group'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 these matters.



## **LANAI LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANAI LIMITED**

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

#### **Responsibilities of directors**

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, and for such internal control as the directors 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 group'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 group or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's 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 auditor's 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: the following address : [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Report on other legal and regulatory requirements**

##### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## LANAI LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANAI LIMITED

#### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

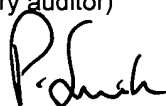
We have nothing to report in respect of these matters.

#### Use of our report

This report is made solely to the group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith FCA (Senior statutory auditor)

For and on behalf of Constantin



Chartered Accountants and Statutory Auditor

25 Hosier Lane  
London  
EC1A 9LQ

Date:

30 JUL 2019

LANAI LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 OCTOBER 2018

	Note	Continuing operations 2018 £	Discontinued operations 2018 £	Total 2018 £	Continuing operations 2017 £	Discontinued operations 2017 £	Total 2017 £
Turnover	3	19,701,986	-	19,701,986	18,182,042	-	18,182,042
Cost of sales		(16,864,043)	-	(16,864,043)	(16,259,562)	-	(16,259,562)
<b>Gross profit</b>		<b>2,837,943</b>	<b>-</b>	<b>2,837,943</b>	<b>1,922,480</b>	<b>-</b>	<b>1,922,480</b>
Distribution costs		(1,845,556)	-	(1,845,556)	(1,715,493)	-	(1,715,493)
Administrative expenses		(662,310)	(11,331)	(673,641)	127,469	(13,103)	114,366
Other operating income	4	1,246	-	1,246	112	3,804	3,916
<b>Operating profit</b>	5	<b>331,323</b>	<b>(11,331)</b>	<b>319,992</b>	<b>334,568</b>	<b>(9,299)</b>	<b>325,269</b>
Interest receivable and similar income	7	64,514	-	64,514	138,029	-	138,029
Interest payable and similar expenses	8	47,342	152,875	200,217	36,914	119,299	156,213
<b>Profit before taxation</b>		<b>348,495</b>	<b>(164,206)</b>	<b>184,289</b>	<b>435,683</b>	<b>(128,598)</b>	<b>307,085</b>
Tax on profit	9	(77,533)	-	(77,533)	(88,744)	-	(88,744)
<b>Profit for the financial year</b>		<b>270,962</b>	<b>(164,206)</b>	<b>106,756</b>	<b>346,939</b>	<b>(128,598)</b>	<b>218,341</b>
<b>Profit for the year attributable to:</b>							
Owners of the parent Company		106,756	-	106,756	218,341	-	218,341
		<b>106,756</b>	<b>-</b>	<b>106,756</b>	<b>218,341</b>	<b>-</b>	<b>218,341</b>

There was no other comprehensive income for 2018 (2017: £NIL).

The notes on pages 12 to 26 form part of these financial statements.

**LANAI LIMITED**  
**REGISTERED NUMBER: 02849221**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 OCTOBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	12	141,964	181,015
		<u>141,964</u>	<u>181,015</u>
<b>Current assets</b>			
Debtors	14	64,518,111	54,416,154
Cash at bank and in hand	15	173,855	149,079
		<u>64,691,966</u>	<u>54,565,233</u>
Creditors: amounts falling due within one year	16	(64,627,106)	(54,581,246)
<b>Net current assets/(liabilities)</b>		<u>64,860</u>	<u>(16,013)</u>
<b>Total assets less current liabilities</b>		<u>206,824</u>	<u>165,002</u>
<b>Provisions for liabilities</b>			
Other provisions	19	(52,366)	(117,300)
		<u>(52,366)</u>	<u>(117,300)</u>
<b>Net assets</b>		<u><u>154,458</u></u>	<u><u>47,702</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	2	2
Profit and loss account	21	154,456	47,700
<b>Equity attributable to owners of the parent Company</b>		<u>154,458</u>	<u>47,702</u>
		<u><u>154,458</u></u>	<u><u>47,702</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

*30th of July 2019*

**Gregory William Healy**  
Director

The notes on pages 12 to 26 form part of these financial statements.



LANAI LIMITED  
REGISTERED NUMBER: 02849221

COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 31 OCTOBER 2018

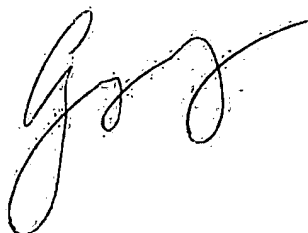
	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	12	141,964	181,015
Investments	13	2	2
		<u>141,966</u>	<u>181,017</u>
<b>Current assets</b>			
Debtors	14	64,500,951	54,453,295
Cash at bank and in hand	15	163,004	139,458
		<u>64,663,955</u>	<u>54,592,753</u>
Creditors: amounts falling due within one year	16	(61,005,243)	(51,241,386)
<b>Net current assets</b>		<u>3,658,712</u>	<u>3,351,367</u>
<b>Total assets less current liabilities</b>		<u>3,800,678</u>	<u>3,532,384</u>
<b>Net assets</b>		<u><u>3,800,678</u></u>	<u><u>3,532,384</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	2	2
Profit and loss account	21	3,800,676	3,532,382
		<u>3,800,678</u>	<u>3,532,384</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

50<sup>th</sup> of July 2019

Gregory William Healy  
Director

The notes on pages 12 to 26 form part of these financial statements.



**LANAI LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 OCTOBER 2018**

	<b>Called-up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 November 2016</b>	<b>2</b>	<b>(170,641)</b>	<b>(170,639)</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	218,341	218,341
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	218,341	218,341
<b>Total transactions with owners</b>	-	-	-
<b>At 1 November 2017</b>	<b>2</b>	<b>47,700</b>	<b>47,702</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	106,756	106,756
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	106,756	106,756
<b>Total transactions with owners</b>	-	-	-
<b>At 31 October 2018</b>	<b>2</b>	<b>154,456</b>	<b>154,458</b>

The notes on pages 12 to 26 form part of these financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 OCTOBER 2018**

	<b>Called-up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>At 1 November 2016</b>	<b>2</b>	<b>3,196,781</b>	<b>3,196,783</b>
Profit for the year	-	335,601	335,601
<b>At 1 November 2017</b>	<b>2</b>	<b>3,532,382</b>	<b>3,532,384</b>
Profit for the year	-	268,294	268,294
<b>At 31 October 2018</b>	<b>2</b>	<b>3,800,676</b>	<b>3,800,678</b>

The notes on pages 12 to 26 form part of these financial statements.

## LANAI LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

#### 1. General information

Lanai Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. Registration number 02849221. The principal activities of the Group during the year were the distribution and retail of the Quiksilver, Roxy and DC brands of leisure clothing and related apparel in the United Kingdom. It is a wholly owned subsidiary of Na Pali Europe SARL, and owns 100% of Molokai Limited, its subsidiary. The address of the registered office is Z Block Unit 2003, 2nd Floor, 91 Brick Lane, The Old Truman Brewery, London, E1 6QL.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. No significant judgments or estimates have had to be made by management in preparing these financial statements.

##### 2.2 Cash Flow Statement

The Company has taken exemption from preparing a cash flow statement, as the Company is a subsidiary undertaking where 90% or more of the voting rights are controlled within the group and consolidated financial statements in which those subsidiary undertakings are included are publicly available.

##### 2.3 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

##### 2.4 Financial reporting standard 102 - reduced disclosure exemptions

The group and company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

This information is included in the consolidated financial statements of Na Pali Europe SARL, incorporated in France. A copy of that Company's financial statements is available from Na Pali SAS, Z I de Jalday, B P 119, 64501 Saint Jean De Luz Cedex, France.

## LANAI LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

#### 2. Accounting policies (continued)

##### 2.5 Going concern

The Company meets its day to day working capital requirements through available cash and Intercompany balances. The current market conditions create uncertainty particularly over the level of demand for the Group's products and services.

The Director has reviewed the going concern status of the Group by considering the cash and borrowing position of the Group as at 31 October 2018, its anticipated level of trading activity and the continued availability of the Group's existing Intercompany facilities.

Having regard to the above and having received confirmation regarding continued support from the Group's intermediate parent, Na Pali SAS, and after making enquiries, the Director has a reasonable expectation that Lanai Limited has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

The subsidiary Company Molokai Limited is being wound down in an orderly closure, and ceased trading in 2015. These financial statements disclose the split between continuing and discontinuing operations within the group, with prior year figures reinstated as the appropriate continuing and discontinuing split for presentation purposes.

##### 2.6 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

###### Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### 2.7 Intangible assets

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and Loss Account over its estimated useful life of 10 years.

##### 2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2018**

**2. Accounting policies (continued)**

**2.8 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	- 10 years (the lease term)
Fixtures and fittings	- 2 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

**2.9 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.10 Financial instruments**

The Group has chosen to adopt Section 11 of FRS 102 in respect of financial instruments. The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable and amounts owed to related parties.

**i) Financial assets**

Basic financial assets, represented by trade receivables, amounts owed by group undertakings and cash and bank balances, are initially recognised at transaction price and unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**ii) Financial liabilities**

Basic financial liabilities, including trade and other creditors, and amounts owed to group companies, are initially recognised at transaction price, unless the arrangement constitutes a financial transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2018**

**2. Accounting policies (continued)**

**2.10 Financial instruments (continued)**

due within one year. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**2.11 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

Monetary figures in these financial statements have been rounded to the nearest Pound.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within 'other operating income'.

**2.12 Operating leases: the Group as lessee**

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.13 Interest income**

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2018**

**2. Accounting policies (continued)**

**2.14 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

**2.15 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**LANAI LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2018**

**3. Turnover**

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Wholesale operations	16,329,530	14,932,887
Retail operations	3,372,457	3,249,155
	<u>19,701,987</u>	<u>18,182,042</u>

All turnover arose within the United Kingdom.

**4. Other operating income**

	2018 £	2017 £
Other operating income	1,246	3,916
	<u>1,246</u>	<u>3,916</u>

**5. Operating profit**

The operating profit is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	43,907	52,605
Audit fees	17,949	20,959
Exchange (gain)/loss	436,766	(675,530)
Other operating lease rentals	-	1,037
	<u></u>	<u></u>

**6. Staff numbers and costs**

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	396,224	362,716
Social security costs	56,650	49,832
	<u>452,874</u>	<u>412,548</u>

LANAI LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2018

**Staff numbers and costs (continued)**

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No	2017 No
Representatives	10	11
	<u>10</u>	<u>11</u>

**7. Interest receivable and similar income**

	2018 £	2017 £
On loans to group undertakings	64,514	138,029
	<u>64,514</u>	<u>138,029</u>

**8. Interest payable and similar expenses**

	2018 £	2017 £
Other loan interest payable	47,342	36,914
Loans from group undertakings	152,875	119,299
	<u>200,217</u>	<u>156,213</u>

**9. Taxation**

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	67,850	88,744
<b>Total current tax</b>	<u>67,850</u>	<u>88,744</u>
Origination and reversal of timing differences	9,683	-
<b>Total deferred tax</b>	<u>9,683</u>	<u>-</u>
<b>Taxation on profit on ordinary activities</b>	<u>77,533</u>	<u>88,744</u>

# LANAI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

### 9. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.41%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<b>184,289</b>	307,085
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.41%)	<b>35,015</b>	59,605
<b>Effects of:</b>		
Fixed asset differences	-	8,484
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	<b>1,679</b>	4,571
Adjustments to tax charge in respect of prior periods	-	1,618
Unrecognised deferred tax movement	<b>40,839</b>	14,466
<b>Total tax charge for the year</b>	<b>77,533</b>	88,744

### 10. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £268,294 (2017- £335,601).

**LANAI LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2018**

**11. Intangible assets**

**Group and Company**

	<b>Trademarks £</b>
<b>Cost</b>	
At 1 November 2017	1,292,000
At 31 October 2018	<u>1,292,000</u>
<b>Amortisation</b>	
At 1 November 2017	1,292,000
At 31 October 2018	<u>1,292,000</u>
<b>Net book value</b>	
At 31 October 2018	<u><u>-</u></u>
At 31 October 2017	<u><u>-</u></u>

All of the Group's intangible fixed assets are held in the Parent Company.

The purchased goodwill brought forward arose on the Company's acquisition of the United Kingdom distribution rights for DC Shoes during the year ended 31 October 2005.

LANAI LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2018

12. Tangible fixed assets

Group and Company

	Long-term leasehold property £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>			
At 1 November 2017	20,000	701,730	721,730
Additions	-	4,856	4,856
	<hr/>	<hr/>	<hr/>
At 31 October 2018	20,000	706,586	726,586
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 November 2017	20,000	520,715	540,715
Charge for the year on owned assets	-	43,907	43,907
	<hr/>	<hr/>	<hr/>
At 31 October 2018	20,000	564,622	584,622
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 October 2018	-	141,964	141,964
	<hr/>	<hr/>	<hr/>
At 31 October 2017	-	181,015	181,015
	<hr/>	<hr/>	<hr/>



# LANAI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

### 13. Fixed asset investments

#### Company

	Investments in subsidiary companies £
<b>Cost</b>	
At 1 November 2017	2
At 31 October 2018	2
<b>Net book value</b>	
At 31 October 2018	2
At 31 October 2017	2

The Company owns 100% of the share capital of Molokai Limited. The company is incorporated in England and Wales, and the registered office address is Z Block Unit 2003, 2nd Floor, 91 Brick Lane, The Old Truman Brewery, London, E1 6QL. Molokai ceased trading on 8 February 2015. Molokai Limited has been included in the consolidated financial statements of Lanai Limited.

### 14. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
<b>Due after more than one year</b>				
Deferred tax asset	32,301	41,912	32,301	41,912
<b>Due within one year</b>				
Trade debtors	4,539,529	3,464,693	4,539,531	3,464,692
Amounts owed by group undertakings	59,418,271	50,385,386	59,418,271	50,437,899
Other debtors	476,126	453,245	473,381	452,622
Prepayments and accrued income	51,884	70,918	37,467	56,170
	<u>64,518,111</u>	<u>54,416,154</u>	<u>64,500,951</u>	<u>54,453,295</u>

Group and Company other debtors includes £405,997 (2017 - £340,125) in respect of the guarantee given under the debt factoring agreement with Eurofactor (see note 16).

Amounts owed by group undertaking are interest free repayable on demand.

**LANAI LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2018**

**15. Cash**

	<b>Group 2018 £</b>	<i>Group 2017 £</i>	<b>Company 2018 £</b>	<i>Company 2017 £</i>
Cash at bank and in hand	<b>173,855</b>	<i>149,079</i>	<b>163,004</b>	<i>139,458</i>
	<b>173,855</b>	<i>149,079</i>	<b>163,004</b>	<i>139,458</i>

**16. Creditors: Amounts falling due within one year**

	<b>Group 2018 £</b>	<i>Group 2017 £</i>	<b>Company 2018 £</b>	<i>Company 2017 £</i>
Trade creditors	<b>95,831</b>	<i>134,574</i>	<b>90,394</b>	<i>131,886</i>
Amounts owed to group undertakings	<b>60,972,774</b>	<i>51,411,765</i>	<b>57,360,895</b>	<i>48,080,058</i>
Corporation tax	<b>20,212</b>	<i>87,126</i>	<b>20,212</b>	<i>87,126</i>
Other taxation and social security	<b>300,815</b>	<i>187,984</i>	<b>300,815</b>	<i>187,984</i>
Other creditors	<b>3,041,007</b>	<i>2,635,064</i>	<b>3,041,007</b>	<i>2,635,064</i>
Accruals and deferred income	<b>196,467</b>	<i>124,733</i>	<b>191,920</b>	<i>119,268</i>
	<b>64,627,106</b>	<i>54,581,246</i>	<b>61,005,243</b>	<i>51,241,386</i>

In conjunction with certain European fellow subsidiary undertakings, the Company entered into a debt factoring agreement with Eurofactor during 2013. The amount due under this agreement is included within other creditors and amounts to £3,041,007 (2017 - £2,635,064). The Company has joint and several liability for the total amount due from the other fellow subsidiary undertakings within an aggregate cap of €20 million. At 31 October 2018, the potential amount due under this guarantee was €20 million (2017 - €20 million).

Amounts owed to group undertaking are interest free repayable on demand.

LANAI LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2018

17. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
<b>Financial assets</b>				
Financial assets that are debt instruments measured at amortised cost	<u>64,604,576</u>	<u>54,375,861</u>	<u>64,594,184</u>	<u>54,418,129</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<u>(64,109,611)</u>	<u>(54,181,404)</u>	<u>(60,492,294)</u>	<u>(50,847,007)</u>

Financial assets that are debt instruments measured at amortised cost comprise of cash at bank, trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise of trade creditors, amounts owed to group undertakings and other creditors.

18. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	41,912	41,912
Charged to profit or loss	(9,611)	-
<b>At end of year</b>	<u>32,301</u>	<u>41,912</u>

The deferred tax asset is made up as follows:

	Group & company 2018 £	Group & company 2017 £
Accelerated capital allowances	32,301	41,912
	<u>32,301</u>	<u>41,912</u>

# LANAI LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

### 19. Other provisions

#### Group

	Provision for exit costs £
At 1 November 2017	117,300
Utilised in year	(64,934)
<b>At 31 October 2018</b>	<b>52,366</b>

The provision is made in respect of the closure of the subsidiary undertaking, Molokai Limited, a discontinued operation.

### 20. Share capital

	2018 £	2017 £
<b>Allotted, called-up and fully paid</b>		
2 Ordinary shares of £1 each	2	2

All shares rank pari passu in all respects.

### 21. Reserves

#### Profit and loss account

The profit and loss account comprises of profit and losses that have accumulated year on year since the Group and Company began trading.

### 22. Operating Lease Commitments

At 31 October 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Within one year	273,314	404,685	202,389	158,850
Between one and five years	566,000	758,964	514,920	654,825
	<b>839,314</b>	<b>1,163,649</b>	<b>717,309</b>	<b>813,675</b>

## **LANAI LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018**

#### **23. Related party transactions**

The Company has taken advantage of the exemption, permitted by Financial Reporting Standard 102 section 33, from the requirement to disclose related party transactions with the holding Company and any of its fellow subsidiary undertakings. The Director has carried out a review and is satisfied that there are no other material related party transactions requiring disclosure under the standard.

#### **24. Controlling party**

The immediate holding company and controlling party is Na Pali Europe SARL, incorporated in France, and the ultimate holding company and controlling entity is Boardriders Inc., incorporated in the State of Delaware, USA. Consolidated financial statements of Lanai Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. Copies of Boardriders Inc financial statements can be obtained from Boardriders Inc, 15202 Graham Street, Huntington Beach, California 92649, USA.

The financial statements of Lanai Limited and its subsidiaries are consolidated into the financial statements of Lanai Limited's immediate parent company, Na Pali Europe SARL, incorporated in France. A copy of that Company's financial statements is available from Na Pali SAS, Z I de Jalday, B P 119, 64501 Saint Jean De Luz Cedex, France. Na Pali Europe SARL is the smallest group that includes the Company's results.