

COMPANY REGISTRATION NUMBER 05551556

LILESTONE HOLDINGS LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014

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LILESTONE HOLDINGS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

CONTENTS	PAGES
Officers and professional advisers	1
Strategic report	2 to 3
Directors' report	4 to 5
Statement of directors' responsibilities	6
<i>Independent auditors' report to the members of the Board of Lilestone Holdings Limited</i>	7 to 8
Group Profit and loss account	9
Group Statement of total recognised gains and losses	10
Group balance sheet	11
Balance sheet	12
Group cash flow statement	13 to 14
Notes to the financial statements	15 to 24

LILESTONE HOLDINGS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Michael Chakardjian (appointed 1st September 2015)
Taek Szen Low
Taek Jho Low
Diana T Metcalfe (resigned on 1st September 2015)
James Westwood Hay (resigned on 17th December 2015)

Registered office

100 New Bridge Street
London
EC4V 6JA

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants
& Statutory Auditors
1 Embankment Place
London
WC2N 6RH

LILESTONE HOLDINGS LIMITED
STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2014

The directors present their strategic report of Lilestone Holdings Limited ("the company") together with its subsidiaries, the "group" for the year ended 31 December 2014. These financial statements are compared to the financial statements for the 6 months period from 1 July 2013 to 31 December 2013 as a result of the change in accounting period in the previous year.

Principal Activities and Business Review

The principal activity of the company during the year was that of a holding company. The principal activity of the subsidiaries is that of designing, wholesaling and retailing luxury ladies lingerie and accessories.

Following the change in ownership in June 2013, the group is going through a complete review of the business with the objective of establishing "Myla" as a leading international luxury lingerie fashion brand.

During the year, a number of initiatives were undertaken by the directors to lay down the basis of the future development of the brand. Some of these initiatives are stated below and as a result there has been a significant increase in the cost base as compared to the previous period. As part of the review, branding, market study and competitor analysis was undertaken by external professional agencies well known for their luxury expertise.

The directors decided to relocate the head office from a temporary short term location to an improved, modern professional office building to be consistent with the brand image. This significantly increased the establishment cost from £0.2million (31 Dec 2013) to £2.0million (31 Dec 2014).

To achieve the vision of the investors, a new leadership team was brought in from various luxury retailing and wholesaling backgrounds. This has increased the personnel cost from £1.2million to £4.3million (31 Dec 2014).

The directors have also agreed to implement a new ERP system throughout the company, including a new e-commerce platform. The implementation will "go live" in 2016. The directors have also agreed to open a new "flagship" store in London, in line with the new strategy. The results of the investment made during 2014 will be seen in the future years. A 5 year strategic business plan has been presented by the new management team to the directors for their consideration.

In the meantime, the existing retail, wholesale, concession and ecommerce businesses will continue to operate as normal.

Financial Key Performance Indicators

	Year to 31 Dec 14	Period from 1st July to 31 Dec 13
Group Turnover (£)	3,721,491	2,136,036
(Decrease) in group turnover (Based upon annualised figures)	(12%)	(1%)
Gross profit margin (Excluding exceptional items)	46.8%	58%

LILESTONE HOLDINGS LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2014

Principal Risks and Uncertainties

While the group is going through this period of significant change and building for the future it will be dependent on significant funding from the shareholders. The re-launch of the brand is expected in 2016 but it will still be some time before the group is in a profit position. In the meantime the group's income is dependent on the demand for its products. The garments are manufactured in both Europe and Asia and sold in both domestic and overseas markets. A second risk is therefore the fluctuation of exchange rates between Sterling, Euros and US Dollars. This exposure is managed and monitored regularly.

Signed on behalf of the board



Michael Chakardjian
Director

Approved by the directors on 15th February 2016

LILESTONE HOLDINGS LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2014

The directors present their report and the financial statements of the group for the year end 31 December 2014. These financial statements are compared to the financial statements for the 6 months period from 1 July 2013 to 31 December 2013 as a result of the change in accounting period in the previous year.

RESULTS AND DIVIDENDS

The loss for the financial year amounted to £10,532,882 (31 Dec 2013: £4,321,575). The directors do not recommend a dividend.

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Michael Chakardjian (appointed 1st September 2015)
Taek Szen Low
Taek Jho Low
Diana T Metcalfe (resigned on 1st September 2015)
James Westwood Hay (resigned on 17th December 2015)

GOING CONCERN

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the shareholders' parent undertakings. The directors have received confirmation that the shareholders' parent undertaking intend to support the company and group for at least one year after these financial statements are approved.

POST BALANCE SHEET EVENTS

The following post balance sheet events have taken place since the year end 31.12.2014, the financial impact will be reflected in following year.

- (i) Concession Closure of Harrods Concession on 17th January 2016
- (ii) Closure of Selfridges Concession on 13th March 2016
- (iii) Closure of Strasbourg & Lille Concession in Printemp 12th February 2016
- (iv) Capital injection from shareholders of £6,729,000 up to 31.12.2015, this will be converted to equity.

STATEMENT OF PROVISION OF INFORMATION TO AUDITORS

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

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

LILESTONE HOLDINGS LIMITED

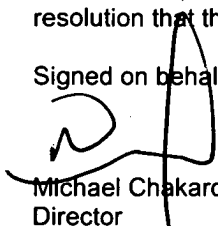
DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2014

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the general meeting.

Signed on behalf of the directors



Michael Chakardjian
Director

Approved by the directors on 15th February 2016

LILESTONE HOLDINGS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 DECEMBER 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LILESTONE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BOARD OF LILESTONE HOLDINGS LIMITED YEAR ENDED 31 DECEMBER 2014

Report on the financial statements

Our opinion

In our opinion, Lilestone Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the group's and company's ability to continue as a going concern. The group incurred a net loss of £10.5m during the year ended 31 December 2014 and the ability of the group and the company to continue as a going concern depends upon continuing support from shareholders' funding. This condition indicates the existence of a material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the group and parent company balance sheets as at 31 December 2014;
- the group statement of total recognised gains and losses for the year then ended;
- the group cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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
- the company financial statements are not in agreement with the accounting records and returns.

LILESTONE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BOARD OF LILESTONE HOLDINGS LIMITED YEAR ENDED 31 DECEMBER 2014

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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

15th February 2016

LILESTONE HOLDINGS LIMITED
GROUP PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2014

	Note	Year to 31 Dec 14 £	Period from 1 July 13 to 31 Dec 13 £
TURNOVER	2	3,721,491	2,136,036
Cost of sales		(1,979,688)	(1,947,255)
GROSS PROFIT		<u>1,741,803</u>	<u>188,781</u>
Concession commission and distribution costs		(922,033)	(502,637)
Administrative expenses		<u>(11,352,477)</u>	<u>(4,007,457)</u>
Operating loss before exceptional items	3	(10,532,707)	(2,762,696)
Exceptional items	4	(0)	(1,558,617)
OPERATING LOSS	3	(10,532,707)	(4,321,313)
Interest receivable and similar income	7	44	10
Interest payable and similar charges	8	(219)	(272)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(10,532,882)</u>	<u>(4,321,575)</u>
Tax on loss on ordinary activities	9	-	-
LOSS FOR THE FINANCIAL YEAR/PERIOD	10/22	<u>(10,532,882)</u>	<u>(4,321,575)</u>

All of the activities of the group are classed as continuing.

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account.

There is no material difference between the loss on ordinary activities before taxation and the loss for the current year or prior financial period stated above and their historical cost equivalents.

The notes on pages 15 to 24 form part of these financial statements.

LILESTONE HOLDINGS LIMITED
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 2014

	Note	Year to 31 Dec 14 £	Period from 1 July 13 to 31 Dec 13 £
Loss for the financial year/period	22	(10,532,882)	(4,321,575)
Exchange adjustment taken to reserves (translation of foreign investments)	22	(10,852)	1,377
Total recognised losses for the year/period		<u>(10,543,734)</u>	<u>(4,320,198)</u>

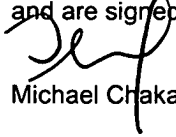
The notes on pages 15 to 24 form part of these financial statements.

LILESTONE HOLDINGS LIMITED

GROUP BALANCE SHEET 31 DECEMBER 2014

	Note	31 Dec 14		31 Dec 13	
		£	£	£	£
FIXED ASSETS					
Intangible assets	11		-		-
Tangible assets	12		389,453		169,335
			<u>389,453</u>		<u>169,335</u>
CURRENT ASSETS					
Inventory	14	563,382		953,892	
Debtors	15	3,020,741		2,967,899	
Cash at bank and in hand		1,999,407		891,167	
		<u>5,583,530</u>		<u>4,812,958</u>	
CREDITORS: Amounts falling due within one year	16	<u>(2,263,008)</u>		<u>(928,464)</u>	
NET CURRENT ASSETS			<u>3,320,522</u>		<u>3,884,494</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,709,975</u>		<u>4,053,829</u>
CREDITORS: Amounts falling due after more than one year	17		--		(120)
NET ASSETS			<u>3,709,975</u>		<u>4,053,709</u>
CAPITAL AND RESERVES					
Called up share capital	21		19,417,274		9,217,274
Share premium account	22		19,435,174		19,435,174
Profit and loss account	22		(35,142,473)		(24,598,739)
TOTAL SHAREHOLDERS' FUNDS	23		<u>3,709,975</u>		<u>4,053,709</u>

These financial statements were approved by the directors and authorised for issue on 15th February 2016, and are signed on their behalf by:


Michael Chakardjian

Director

Company Registration Number: 05551556

The notes on pages 15 to 24 form part of these financial statements.

LILESTONE HOLDINGS LIMITED

BALANCE SHEET

31 DECEMBER 2014

	Note	31 Dec 14 £	£	31 Dec 13 £	£
FIXED ASSETS					
Investments	13		26,072,786		15,872,772
CURRENT ASSETS					
Debtors	15		--		6
Cash at bank and in hand			211		271
			211		277
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>26,072,997</u>		<u>15,873,049</u>
CAPITAL AND RESERVES					
Called up share capital	21		19,417,274		9,217,274
Share premium account	22		19,435,174		19,435,174
Profit and loss account	22		(12,779,451)		(12,779,399)
TOTAL SHAREHOLDERS' FUNDS			<u>26,072,997</u>		<u>15,873,049</u>

These financial statements were approved by the directors and authorised for issue on 15th February 2016, and are signed on their behalf by:


Michael Chakardjian

Director

Company Registration Number: 05551556

The notes on pages 15 to 24 form part of these financial statements.

LILESTONE HOLDINGS LIMITED
GROUP CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2014

	Year to 31 Dec 14	£	Period from 1 July 13 to 31 Dec 13	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(8,695,445)		(3,355,401)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	44		10	
Interest element of hire purchase	(219)		(272)	
NET CASH (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(175)		(262)
CAPITAL EXPENDITURE				
Payments to acquire intangible fixed assets	-		-	
Payments to acquire tangible fixed assets	(393,158)		(53,615)	
Receipts from sale of fixed assets	-		(1)	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(393,158)		(53,616)
CASH OUTFLOW BEFORE FINANCING		(9,088,778)		(3,409,279)
FINANCING				
Issue of equity share capital	10,200,000		4,000,000	
Net outflow from other short-term creditors	-		-	
Capital element of hire purchase	(2,982)		(2,196)	
Net inflow from other long-term creditors	-		-	
NET CASH INFLOW FROM FINANCING		10,197,018		3,997,804
INCREASE IN CASH		1,108,240		588,525

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year to 31 Dec 14	£	Period from 1 July 13 to 31 Dec 13	£
Operating loss	(10,532,707)		(4,321,313)	
Amortisation	-		511,948	
Depreciation	173,040		139,265	
Loss on disposal of fixed assets	-		1,530	
Decrease in Inventory	390,510		610,548	
(Increase) in debtors	(52,842)		(26,629)	
Increase/(decrease) in creditors	1,337,406		(270,750)	
Currency translation reserve	(10,852)		-	
Net cash outflow from operating activities	(8,695,445)		(3,355,401)	

The notes on pages 15 to 24 form part of these financial statements.

LILESTONE HOLDINGS LIMITED
GROUP CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2014

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	31 Dec 14		31 Dec 13	
	£	£	£	£
Increase in cash in the year/period	1,108,240		588,525	
Net outflow from other short-term creditors	—		—	
Cash outflow in respect of hire purchase	<u>2,982</u>		<u>2,196</u>	
		<u>1,111,222</u>		<u>590,721</u>
Change in net funds		1,111,222		590,721
Net funds at beginning of the year/period		888,065		297,344
Net funds at end of the year/period		<u>1,999,287</u>		<u>888,065</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2014 £	Cash flows £	At 31 Dec 2014 £
Net cash:			
Cash in hand and at bank	<u>891,167</u>	<u>1,108,240</u>	<u>1,999,407</u>
Debt:			
Hire purchase agreements	<u>(3,102)</u>	<u>2,982</u>	<u>(120)</u>
Net funds	<u>888,065</u>	<u>1,111,222</u>	<u>1,999,287</u>

The notes on pages 15 to 24 form part of these financial statements.

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

Basis of accounting

The group financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

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

Basis of preparation

The group profit and loss account for the year ended 31 December 2014 shows a loss of £10,532,882 and the group balance sheet shows shareholders' funds of £3,709,975 against £4,053,709 last period, 6 months ended 31 December 2013.

The group has no bank facilities and meets its working capital requirements through agreed trade facilities with third party suppliers and statutory taxation payment terms and funds provided by the shareholders. The shareholders have confirmed that further funds are available to meet future working capital and expansion plans.

After making enquiries, and considering the circumstances described above, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the financial statements.

In the event that the support of its shareholders were not forthcoming, the directors would need to seek alternative funding such as selling the company's business to interested parties or forming a joint venture with strategic partners to help restructure the company. This represents a material uncertainty which may cast significant doubt on the group and company's ability to continue as a going concern. The financial statements do not include any adjustments that may result if the group was unable to continue as a going concern.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over twenty years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Turnover

The turnover shown in the profit and loss account represents amounts receivable for goods sold during the year, exclusive of Value Added Tax and at net of discounts and rebates. Retail turnover is recognised at the point of the sale. Wholesale and website turnover is recognised on the date of despatch.

Amortisation

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

Goodwill - Over twenty years

The brought forward goodwill arising on consolidation has been reviewed and the directors wrote down the value to £nil.

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES *(continued)*

Fixed assets

All fixed assets are initially recorded at cost.

Fixed Asset Investments

Fixed asset investments are shown at cost less accumulated impairment losses.

Depreciation

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

Fixtures & Fittings	-	Over two to five years
Equipment	-	Over two to five years

Inventory

Inventory is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost is determined on a first in, first out basis.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax in the future.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

The balance sheet of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The profit and loss accounts of overseas subsidiaries are translated at the average rate of exchange for the financial year. Any exchange gains and losses arising on the retranslation of opening net assets and arising as a result of differences between the average and the year-end exchange rates are shown in the Statement of Total Recognised Gains and Losses.

Financial instruments

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

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Exceptional items

The directors believe that in order to understand the underlying performance of the business, material and non-recurring items should be separately disclosed as exceptional items in the profit and loss account (note 3/4).

2. TURNOVER

The turnover and loss on ordinary activities before taxation are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	Year to 31 Dec 14 £	Period from 1 July 13 to 31 Dec 13 £
United Kingdom	2,350,145	1,479,852
Overseas sales	1,371,346	656,184
	<u>3,721,491</u>	<u>2,136,036</u>

LILESTONE HOLDINGS LIMITED

NOTES TO THE DETAILED COMPANY PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2014

3. OPERATING LOSS

Operating loss is stated after charging:

	Year to 31 Dec 14	Period from 1 July 13 to 31 Dec 13
	£	£
Depreciation of owned fixed assets	173,040	138,098
Depreciation of assets held under hire purchase agreements	-	1,167
Loss on disposal of fixed assets	-	1,530
Travel	257,874	68,361
IT & E-commerce	239,103	73,382
Product development	351,546	-
Samples & Fabrics	217,702	51,370
Branding & Marketing	2,208,163	418,878
Legal & Professional	514,317	974,252
Consultancy Fees	218,972	42,865
Auditor & Taxation Fees	27,000	29,690
Operating lease costs:		
- Other	1,289,029	96,261
Net loss on foreign currency translation	6,092	16,474
Other Direct expenses	1,589,500	387,313
Exceptional amortisation charge		511,948
	<u>7,092,338</u>	<u>2,811,589</u>

Other operating lease costs are in respect of land and buildings.

4. EXCEPTIONAL ITEMS

In the previous period (6 months ended 31 December 2013) there was an exceptional inventory provision of £1,046,669 charged to cost of sales relating to asset impairment and there is still a remaining balance of £794,987 as at 31 December 2014. The directors are of the opinion that there is sufficient inventory provision balance to cover inventory impairment, hence no additional provision has been provided. This takes account of both old and slow moving inventory which has been written down to the expected realisable value.

5. PARTICULARS OF EMPLOYEES

The average monthly number of staff by activity employed by the group during the financial year/period amounted to:

	Year to 31 Dec 14	Period from 1 July 13 to 31 Dec 13
	No	No
Number of sales and administration staff	66	68
Number of management staff	10	2
	<u>76</u>	<u>70</u>

The aggregate payroll costs of the above were:

	31 Dec 14	1 July 13 to 31 Dec 13
	£	£
Wages and salaries	3,829,190	1,092,280
Social security costs	430,949	103,588
	<u>4,260,139</u>	<u>1,195,868</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE DETAILED COMPANY PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2014

6. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

	Year to 31 Dec 14 £	Period from 1 July 13 to 31 Dec 13 £
Remuneration receivable	<u>368,881</u>	<u>65,365</u>

Remuneration of highest paid director:

	Year to 31 Dec 14 £	Period from 1 July 13 to 31 Dec 13 £
Total remuneration (excluding pension contributions)	<u>361,831</u>	<u>65,365</u>

On 31 December 2014 the CEO resigned, the exit package is included in the directors' remuneration.

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year to 31 Dec 14 £	Period from 1 July 13 to 31 Dec 13 £
Other similar income receivable	<u>44</u>	<u>10</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31 Dec 14 £	Period from 1 July 13 to 31 Dec 13 £
Finance charges	219	272
Other similar charges payable	-	-
	<u>219</u>	<u>272</u>

9. TAX ON LOSS ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year/period is 21.5% (2013: higher than the standard rate of corporation tax in the UK of 20%) (31 December 13: 20%).

	Year to 31 Dec 14 £	Period from 1 July 13 to 31 Dec 13 £
Loss on ordinary activities before taxation	<u>(10,532,882)</u>	<u>(4,321,575)</u>
Loss on ordinary activities by rate of tax	(2,264,570)	(864,315)
Expenses not allowed for tax purposes	23,011	120,561
Depreciation in excess of capital allowances	(47,344)	(3,009)
Tax losses carried forward	<u>2,288,902</u>	<u>746,763</u>
Total current tax	<u>-</u>	<u>-</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE DETAILED COMPANY PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2014

9. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Factors that may affect future tax charges

The group has available losses of approximately £25.5 million (31 Dec 2013: £23.2 million) to carry forward against future trading profits. No deferred tax asset has been provided due to the uncertainty of the timing of the recovery.

10. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the financial statements of the parent company was £52 (To 31 Dec 13 - £35,683).

11. INTANGIBLE ASSETS

Group	Goodwill £
COST	
At 31 December 2014	<u>735,250</u>
 ACCUMULATED AMORTISATION	
At 1 January 2014 and at 31 December 2014	<u>735,250</u>
 NET BOOK VALUE	
At 31 December 2014	-
At 31 December 2013	-

12. TANGIBLE ASSETS

Group	Fixtures & Fittings £	Equipment £	Total £
COST			
At 1 January 2014	381,480	366,019	747,499
Additions	365,871	27,287	393,158
Disposals	(106,748)	(322,549)	(429,297)
At 31 December 2014	<u>640,603</u>	<u>70,757</u>	<u>711,360</u>
 ACCUMULATED DEPRECIATION			
At 1 January 2014	231,618	346,546	578,164
Charge for the period	154,307	18,733	173,040
On disposals	(106,748)	(322,549)	(429,297)
At 31 December 2014	<u>279,177</u>	<u>42,730</u>	<u>321,907</u>
 NET BOOK VALUE			
At 31 December 2014	<u>361,426</u>	<u>28,027</u>	<u>389,453</u>
At 31 December 2013	<u>149,862</u>	<u>19,473</u>	<u>169,335</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE DETAILED COMPANY PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2014

Hire purchase agreements

In previous period ended 31 December 2013, within net book value of £169,335 was £5,828 relating to assets held under hire purchase agreements. These assets are now fully depreciated.

13. INVESTMENTS

Company	Group companies £
COST	
At 1 January 2014	10,085,309
Additions	10,200,000
At 31 December 2014	<u>20,285,309</u>
LOANS	
At 1 January 2014	17,125,281
Net payment in the year	14
At 31 December 2014	<u>17,125,295</u>
AMOUNTS WRITTEN OFF	
At 1 January 2014 and 31 December 2014	<u>(11,337,818)</u>
NET BOOK VALUE	
At 31 December 2014	<u>26,072,786</u>
At 31 December 2013	<u>15,872,772</u>

The directors believe that the carrying value of investments is supported by their underlying net assets

Subsidiary undertakings

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Lilestone Limited	England and Wales	Ordinary shares	100%	Retailer of lingerie and accessories
Myla Investments Limited	Ireland	Ordinary shares	100%	Retailer of lingerie and accessories
Myla Inc.	USA	Ordinary shares	100%	Dormant
Lilestone Overseas Limited	England and Wales	Ordinary shares	100%	Dormant

14. INVENTORY

LILESTONE HOLDINGS LIMITED

NOTES TO THE DETAILED COMPANY PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13
	£	£	£	£
Inventory	<u>563,382</u>	<u>953,892</u>	<u>-</u>	<u>-</u>

15. DEBTORS

	Group		Company	
	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13
	£	£	£	£
Trade debtors	182,264	390,771	-	-
VAT recoverable	185,707	66,500	-	-
Other debtors	2,217,200	2,090,420	-	-
Prepayments and accrued income	435,570	420,208	-	6
	<u>3,020,741</u>	<u>2,967,899</u>	<u>-</u>	<u>6</u>

At year end, an amount of £2,000,000 (31 Dec 2013: £2,000,000) was held in escrow, on behalf of the company, secured by a fixed charge in favour of a supplier in respect of future liabilities. At year end, an amount of £31,240 (31 Dec 2013: £3,634) was due to this supplier.

16. CREDITORS: Amounts falling due within one year

	Group		Company	
	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13
	£	£	£	£
Trade creditors	521,141	359,127	-	-
Hire purchase agreements	120	2,982	-	-
Other creditors including taxation and social security:				
Taxation and social security	98,245	65,109	-	-
Other creditors	74,198	73,590	-	-
Accruals and deferred income	1,569,304	427,656	-	-
	<u>2,263,008</u>	<u>928,464</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13
	£	£	£	£
Hire purchase agreements	-	120	-	-
	<u>-</u>	<u>120</u>	<u>-</u>	<u>-</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE DETAILED COMPANY PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2014

18. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	Group		Company	
	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13
	£	£	£	£
Amounts payable within 1 year	120	2,982	-	-
Amounts payable between 2 to 5 years	-	120	-	-
	<u>120</u>	<u>3,102</u>	<u>-</u>	<u>-</u>

19. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2014 the group had annual commitments under non-cancellable operating leases as set out below.

Group	Land and buildings	
	31 Dec 14	31 Dec 13
	£	£
Operating leases which expire:		
Within 1 year	-	-
Within 2 to 5 years	1,719,000	129,000
	<u>1,719,000</u>	<u>129,000</u>

20. RELATED PARTY TRANSACTIONS

Control

Control vests with the parent undertaking as shown in note 24 to the financial statements and ultimate control vests with Virtue Trustees (Switzerland) Ltd.

During the year the directors of the company purchased a total of £97,001 in goods and vouchers for Myla stock.

21. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid:

	31 Dec 14		31 Dec 13	
	No	£	No	£
Ordinary shares of £1 each (£0.001 each for 31 Dec 13)	<u>19,417,274</u>	<u>19,417,274</u>	<u>9,217,273,960</u>	<u>9,217,274</u>

On 12 February 2014 the company allotted and issued 3,000,000 Ordinary shares at par for a total consideration of £3,000,000.

On 22 April 2014 the company allotted and issued 3,200,000 Ordinary shares at par for a total consideration of £3,200,000.

On 4 November 2014 the company allotted and issued 1,000,000 Ordinary shares at par for a total consideration of £1,000,000.

On 14 November 2014 the company allotted and issued 3,000,000 Ordinary shares at par for a total consideration of £3,000,000.

LILESTONE HOLDINGS LIMITED
NOTES TO THE DETAILED COMPANY PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2014

On 1 July 2014, Directors passed a resolution that the nominal value of the shares be rationalised from £0.01 each in the issued share capital of the Company be consolidated and divided in ordinary share of £1 each, such shares having same rights and same restrictions as the existing ordinary shares of £0.01. Subsequent shares are issued on this basis. The number of shares for the previous period ended 31 December 2013 is stated as their original value of £0.001.

All issues were to provide working capital.

22. RESERVES

Group	Share premium account £	Profit and loss account £
Balance brought forward	19,435,174	(24,598,739)
Loss for the financial year	–	(10,532,882)
Currency translation reserve	–	(10,852)
Balance carried forward	<u>19,435,174</u>	<u>(35,142,473)</u>
Company	Share premium account £	Profit and loss account £
Balance brought forward	19,435,174	(12,779,399)
Loss for the year/period	–	(52)
Balance carried forward	<u>19,435,174</u>	<u>(12,779,451)</u>

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Dec 14		31 Dec 13	
	£	£	£	£
Loss for the financial year/period		(10,532,882)		(4,321,575)
New equity share capital subscribed	10,200,000		4,000,000	
Premium on new share capital subscribed	–		–	
	<u>10,200,000</u>		<u>4,000,000</u>	
Currency translation reserve		(10,852)		1,377
Net (reduction) to shareholders' funds		(343,734)		(320,198)
Opening shareholders' funds		<u>4,053,709</u>		<u>4,373,907</u>
Closing shareholders' funds		<u>3,709,975</u>		<u>4,053,709</u>

24. ULTIMATE PARENT COMPANY UNDERTAKING

JW Silk (BVI) Limited (a company incorporated in the British Virgin Islands) is the immediate parent undertaking and the directors consider Virtue Trustees (Switzerland) Ltd. to be the ultimate parent undertaking and controlling party.