

William Hollins & Company Limited

Report and Financial Statements

26 March 2005

Registered Number: 00151652



William Hollins & Company Limited

Registered No. 00151652

DIRECTORS

J G Harris
S M Watson

SECRETARY

T J Ansell

AUDITORS

Ernst & Young LLP
No. 1 Colmore Square
Birmingham
B4 6HQ

REGISTERED OFFICE

57 Broadwick Street
London
W1F 9QS

BANKERS

National Westminster Bank plc
11 Spring Gardens
Manchester
M60 2DB

William Hollins & Company Limited

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 26 March 2005.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £1,992,000 (15 months to 31 March 2004 – loss £7,847,000). The directors do not propose the payment of a final dividend. Dividends totalling £10,079,000 were paid during the period ended 31 March 2004 prior to the acquisition of the company by Harris Watson Investments Limited.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company's principal activities are the design and retailing of high quality women's fashion, and licensing the manufacture and sale of apparel and homewares under the Viyella brand.

Sales for the year were £29,662,000 (15 months ended 31 March 2004: £43,460,000). An operating loss of £1,742,000 was incurred in the year (15 months ended 31 March 2004: £7,736,000).

The results for the year are considered to be satisfactory and current trading results indicate that the company's strategy is being successful.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

J G Harris
S M Watson

The directors have no beneficial interests in the shares of the company. J G Harris and S M Watson are directors of the ultimate parent company, Harris Watson Holdings plc and their shareholdings are disclosed in that company's accounts.

EMPLOYMENT POLICIES

The company is committed to best practice employment policies and practice in all its activities. The company is continually reviewing and amending policy and practice to ensure compliance with legal requirements.

The company aims to communicate effectively with all employees to ensure that the business vision is clearly understood and implemented across the business.

DISABLED PERSONS

It is the company's policy to offer equal opportunity to disabled persons applying for vacancies and provide them with the same opportunities for employment, training, career development and promotion that are available to all employees within the limitation of their aptitude and abilities.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion.

PAYMENT OF SUPPLIERS

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At 26 March 2005, the company had an average of 91 days purchases outstanding in trade creditors (2004: 68 days).

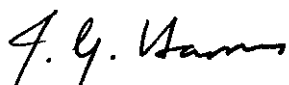
William Hollins & Company Limited

DIRECTORS' REPORT

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General Meeting.

On behalf of the Board



J G Harris
Director

Dated 5/5/2006

William Hollins & Company Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those accounts, the directors are required to:

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

The directors confirm that these accounts comply with these requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WILLIAM HOLLINS & COMPANY LIMITED

We have audited the company's financial statements for the year ended 26 March 2005, which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 26 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Birmingham

Date 8/1/06.

William Hollins & Company Limited

PROFIT AND LOSS ACCOUNT for the year ended 26 March 2005

		<i>Year Ended</i> 26 March 2005 £000	<i>15 months ended</i> 31 March 2004 £000
	<i>Notes</i>		
TURNOVER	2	29,662	43,460
Cost of sales		11,313	19,876
Gross Profit		<u>18,349</u>	<u>23,584</u>
Distribution costs		(15,709)	(25,794)
Administration expenses		(4,716)	(6,261)
Other operating income		334	735
OPERATING LOSS	3	<u>(1,742)</u>	<u>(7,736)</u>
Interest receivable and similar income	6	-	12
Interest payable and similar charges	7	(250)	(121)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,992)</u>	<u>(7,845)</u>
Tax on loss on ordinary activities	8	-	(2)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(1,992)</u>	<u>(7,847)</u>
Equity ordinary dividends paid		-	(10,079)
RETAINED LOSS TRANSFERRED TO RESERVES	17	<u><u>(1,992)</u></u>	<u><u>(17,926)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the loss attributable to shareholders of the company of £1,992,000 for the year ended 26 March 2005 and the loss of £7,847,000 for the fifteen months ended 31 March 2004.

William Hollins & Company Limited

BALANCE SHEET at 26 March 2005

	Notes	26 March 2005 £000	31 March 2004 £000
FIXED ASSETS			
Tangible assets	9	1,343	1,416
CURRENT ASSETS			
Stocks	10	3,978	5,643
Debtors	11	2,389	2,429
Cash at bank and in hand		96	112
		<u>6,463</u>	<u>8,184</u>
CREDITORS: amounts falling due within one year	12	7,550	6,944
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,087)</u>	<u>1,240</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>256</u>	<u>2,656</u>
CREDITORS: amounts falling due after more than one year	13	83	341
PROVISIONS FOR LIABILITIES AND CHARGES	15	151	301
NET ASSETS		<u><u>22</u></u>	<u><u>2,014</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	7,500	7,500
Profit and loss account	17	(7,478)	(5,486)
EQUITY SHAREHOLDER'S FUNDS	17	<u><u>22</u></u>	<u><u>2,014</u></u>

J. G. Harris

J G Harris
Director

Dated 5/5/2006

William Hollins & Company Limited

NOTES TO THE FINANCIAL STATEMENTS
at 26 March 2005

1. ACCOUNTING POLICIES

Fundamental accounting concept

The financial statements have been prepared on a going concern basis as the parent company has indicated that it will continue to support the company and will not recall the amounts advanced by the company until all other creditors have been met.

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

In accordance with Financial Reporting Standard 1 (Revised 1996), 'Cash Flow Statements', the company is exempt from the requirement to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Harris Watson Holdings plc and the company is included in consolidated financial statements.

Income recognition

Income relating to credit cards and licensing is accounted for on a receipts basis.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Short leasehold property	over period of lease
Fixtures and fittings	over 5 to 18 years
Electronic office equipment	over 4 years
Motor vehicles	over 5 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale:	purchase cost on a first in, first out basis
Work in progress and finished goods:	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

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 receive more, tax. The exception to this is that 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

William Hollins & Company Limited

NOTES TO THE FINANCIAL STATEMENTS
at 26 March 2005

1. ACCOUNTING POLICIES (CONTINUED)

Leases

Assets acquired under finance leases, which are leases where substantially all the risks and rewards of ownership have passed to the company, and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. TURNOVER

Turnover, which is stated net of value added tax, represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

All turnover was derived from the company's principal continuing activity.

	<i>Year ended</i> 26 March 2005 £000	<i>15 months ended</i> 31 March 2004 £000
United Kingdom	29,372	43,152
Europe	290	308
	<u>29,662</u>	<u>43,460</u>

3. OPERATING LOSS

This is stated after charging:

	<i>Year ended</i> 26 March 2005 £000	<i>15 months ended</i> 31 March 2004 £000
Depreciation of owned assets	654	848
Depreciation of assets held under finance leases and hire purchase agreements	22	16
Auditors' remuneration	14	27
Operating lease rentals - land and buildings	2,596	2,907
Operating lease rentals - plant and machinery	<u>264</u>	<u>34</u>

William Hollins & Company Limited

NOTES TO THE FINANCIAL STATEMENTS at 26 March 2005

4. DIRECTORS' EMOLUMENTS

The Directors received no emoluments for their services to the company in the current or prior period.

5. STAFF COSTS

	<i>Year ended 26 March 2005 £000</i>	<i>15 months ended 31 March 2004 £000</i>
Wages and salaries	7,268	10,154
Social Security costs	446	618
Other pension costs	<u>79</u>	<u>73</u>
	<u>7,793</u>	<u>10,845</u>

The monthly average number of employees during the period was as follows:

	<i>Year ended 26 March 2005 No.</i>	<i>15 months ended 31 March 2004 No.</i>
Management, selling and administration	<u>604</u>	<u>843</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>Year ended 26 March 2005 £000</i>	<i>15 months ended 31 March 2004 £000</i>
Credit card interest	-	281
Other interest	-	12
	<u>-</u>	<u>293</u>
Less: Credit card interest transferred to other operating income	-	(281)
	<u>-</u>	<u>12</u>

William Hollins & Company Limited

NOTES TO THE FINANCIAL STATEMENTS
at 26 March 2005

7. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year ended</i> 26 March 2005 £000	<i>15 months ended</i> 31 March 2004 £000
Bank interest	2	-
Invoice discounting	103	46
Interest on finance leases and hire purchase agreements	72	75
Other interest	<u>73</u>	<u>-</u>
	<u>250</u>	<u>121</u>

8. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) The taxation charge is made up as follows:

	<i>Year ended</i> 26 March 2005 £000	<i>15 months ended</i> 31 March 2004 £000
UK corporation tax	-	-
Overseas taxation	-	2
Total current tax	<u>-</u>	<u>2</u>
Deferred taxation	-	-
	<u>-</u>	<u>2</u>

(b) Factors affecting tax charge

The tax assessed on the loss on ordinary activities for the period to 31 March 2005 is higher (2004: higher) than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

	<i>Year ended</i> 26 March 2005 £000	<i>15 months ended</i> 31 March 2004 £000
Loss on ordinary activities before tax	<u>(1,992)</u>	<u>(7,845)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(598)	(2,354)
Overseas taxes not relieved in the UK	7	2
Expenses not deductible for tax purposes	127	152
Depreciation in excess of capital allowances	(146)	308
Surrender of tax losses for no payment	610	-
Tax losses carried forward	-	1,894
Total current tax (note 8(a))	<u>-</u>	<u>2</u>

William Hollins & Company Limited

NOTES TO THE FINANCIAL STATEMENTS at 26 March 2005

8. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

(c) Factors that may affect future tax charges

The company has unutilised tax losses of £6,243,000 (2004: £6,312,000). A deferred tax asset of £1,873,000 (2004: £1,894,000) has not been recognised in respect of these losses as it is uncertain that there will be sufficient relevant taxable profits in the foreseeable future.

(d) Deferred tax

The company has an unprovided deferred tax asset as follows:

	<i>Year ended</i> 26 March 2005 £000	<i>15 months ended</i> 31 March 2004 £000
Depreciation in excess of capital allowances	(716)	(744)
Other timing differences	(15)	(14)
Losses	(1,873)	(1,894)
	<u>(2,604)</u>	<u>(2,622)</u>

9. TANGIBLE FIXED ASSETS

	<i>Leasehold</i> <i>Property</i> £000	<i>Fixtures &</i> <i>Fittings</i> £000	<i>Total</i> £000
Cost:			
At 1 April 2004	539	8,555	9,094
Reclassification	-	17	17
Additions	27	585	612
Disposals	(16)	(1,099)	(1,115)
At 26 March 2005	<u>550</u>	<u>8,058</u>	<u>8,608</u>
Depreciation:			
At 1 April 2004	249	7,429	7,678
Reclassification	-	17	17
Charge for the period	40	636	676
Disposals	(16)	(1,090)	(1,106)
At 26 March 2005	<u>273</u>	<u>6,992</u>	<u>7,265</u>
Net book value:			
At 26 March 2005	<u>277</u>	<u>1,066</u>	<u>1,343</u>
At 31 March 2004	<u>290</u>	<u>1,126</u>	<u>1,416</u>

Included in Fixtures and Fittings are assets held under finance leases and hire purchase contracts with a net book value of £31,000 (2004: £52,000).

William Hollins & Company Limited

NOTES TO THE FINANCIAL STATEMENTS at 26 March 2005

10. STOCKS

	<i>26 March</i> 2005 £000	<i>31 March</i> 2004 £000
Raw materials and consumables	-	195
Finished goods and goods for resale	3,978	5,448
	<u>3,978</u>	<u>5,643</u>

The stock value is not materially different from replacement cost.

11. DEBTORS

	<i>26 March</i> 2005 £000	<i>31 March</i> 2004 £000
Trade debtors	485	719
Amounts owed by group undertakings	305	415
Other debtors	13	96
Prepayments and accrued income	1,586	1,199
	<u>2,389</u>	<u>2,429</u>

12. CREDITORS: amounts falling due within one year

	<i>26 March</i> 2005 £000	<i>31 March</i> 2004 £000
Bank loan (note 13)	71	65
Invoice discounting	419	913
Obligations under finance leases and hire purchase contracts (note 14)	187	153
Trade creditors	4,468	4,087
Other taxes and social security costs	975	391
Other creditors	11	132
Amounts owed to group undertakings	247	365
Accruals	1,172	838
	<u>7,550</u>	<u>6,944</u>

The company has invoice discounting facilities that are secured by fixed and floating charges over the company's assets.

William Hollins & Company Limited

NOTES TO THE FINANCIAL STATEMENTS at 26 March 2005

13. CREDITORS: amounts falling due after more than one year

	<i>26 March</i> 2005 £000	<i>31 March</i> 2004 £000
Bank loans	19	90
Obligations under finance leases and hire purchases contracts (note 14)	64	251
	<u>83</u>	<u>341</u>

The bank loans are secured by a charge over fixtures and fittings.

	<i>26 March</i> 2005 £000	<i>31 March</i> 2004 £000
Repayable within one year	71	65
Repayable between one and two years	19	71
Repayable between two and five years	-	19
	<u>90</u>	<u>155</u>

14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	<i>26 March</i> 2005 £000	<i>31 March</i> 2004 £000
Future minimum payments under finance leases are as follows:		
Within one year	187	153
In more than one year, but not more than five years	64	251
	<u>251</u>	<u>404</u>

15. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Redundancy and restructuring</i> £000
At 1 April 2004	301
Charged to profit and loss account	(150)
At 26 March 2005	<u>151</u>

William Hollins & Company Limited

NOTES TO THE FINANCIAL STATEMENTS at 26 March 2005

16. SHARE CAPITAL

	<i>26 March</i> 2005 £000	<i>31 March</i> 2004 £000
Authorised 773,750,000 Ordinary shares of 1p each	<u>7,738</u>	<u>7,738</u>
Allotted, called up and fully paid 750,000,000 Ordinary shares of 1p each	<u>7,500</u>	<u>7,500</u>

17. RECONCILIATION OF SHAREHOLDERS' FUNDS

	<i>Share capital</i> £000	<i>Profit and loss account</i> £000	<i>Total</i> £000
At 1 January 2003	7,500	12,440	19,940
Retained loss for the year	-	(17,926)	(17,926)
At 31 March 2004	<u>7,500</u>	<u>(5,486)</u>	<u>2,014</u>
Retained loss for the period	-	(1,992)	(1,992)
At 26 March 2005	<u>7,500</u>	<u>(7,478)</u>	<u>22</u>

18. FINANCIAL COMMITMENTS

At 26 March 2005 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>26 March</i> 2005 £000	<i>31 March</i> 2004 £000	<i>26 March</i> 2005 £000	<i>31 March</i> 2004 £000
Within one year	241	1	3	11
In two to five years	308	452	148	14
Over five years	2,009	1,838	-	-
	<u>2,558</u>	<u>2,291</u>	<u>151</u>	<u>25</u>

19. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at the year end, included in 'other creditors' are 2005 £10,779 (2004: £12,850).

William Hollins & Company Limited

NOTES TO THE FINANCIAL STATEMENTS
at 26 March 2005

20. RELATED PARTIES

As permitted by FRS 8 'Related Party Disclosures' the financial statements do not disclose transactions with the parent company and fellow subsidiaries where 90% of the voting rights are controlled within the group.

21. ULTIMATE PARENT UNDERTAKING

The company's immediate parent undertaking is Harris Watson Investments Limited.

In the directors' opinion, the company's ultimate parent undertaking and controlling party at 26 March 2005 is Harris Watson Holdings plc. Copies of its group financial statements which include the company are available from the company's registered office, 45 Waterlinks House, Richard Street, Birmingham, West Midlands, B7 4AA.