

COMPANY REGISTRATION NUMBER 05551556

LILESTONE HOLDINGS LIMITED
GROUP FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1st JULY 2013 TO
31st DECEMBER 2013

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LILESTONE HOLDINGS LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

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LILESTONE HOLDINGS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

D T Metcalfe
J W Hay
T S Low
T J Low (Alternate Director)

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

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

The directors present their strategic report of Lilestone Holdings Limited for the period from 1st July 2013 to 31st December 2013.

Principal Activities and Business Review

The principal activity of the company during the period 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 object of establishing "Myla" as a leading international luxury ladies fashion brand. During the period, two of the directly operated stores were closed. In the meantime the existing wholesale, concession and ecommerce businesses will continue to operate as before.

The owners have already injected significant cash resources and will continue to do so to secure the long term future of the Group.

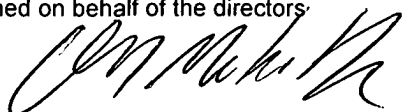
Financial Key Performance Indicators

	Period 1 st July to 31 Dec 13	Year to 30 June 13
Group Turnover (£)	2,136,036	4,326,681
(Decrease) in group turnover (Based upon annualised figures)	(1%)	(21%)
Gross profit margin (Excluding exceptional items)	58%	57%

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 investment from the shareholders. The re-launch of the brand is expected in the latter part of 2015 but it will still be some time before the Group is in profit. 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 stability of exchange rates between Sterling, Euros and US Dollars. This exposure is managed and monitored regularly.

Signed on behalf of the directors:



D T Metcalfe
Director

Approved by the directors on 5 December 2014

LILESTONE HOLDINGS LIMITED**DIRECTORS' REPORT****PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013**

The directors present their report and the financial statements of the group for the period from 1st July 2013 to 31st December 2013.

RESULTS AND DIVIDENDS

The loss for the period amounted to £4,321,575 (Year ended 30 June 2013: £2,825,086). The directors have not recommended a dividend.

DIRECTORS

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

D T Metcalfe
J W Hay
T S Low
T J Low (Alternate Director)

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 ultimate controlling parent company disclosed in note 24. 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 EVENT

On 1st July 2014 the company allotted and issued 3,000,000,040 Ordinary shares for a total consideration of £3,000,000.

On 1st July 2014 the company allotted and issued 3,200,000,000 Ordinary shares for a total consideration of £3,200,000.

On 1st July 2014 the company's issued share capital consisting of 15,417,274,000 ordinary shares of £0.001 each were consolidated and divided into 15,417,274 ordinary shares of £1 each.

On 27th November 2014, the company allotted and issued 4,000,000 ordinary shares of £1.00 each to its sole shareholder, JW Silk (BVI) Limited, for a total consideration of £4,000,000. These monies were used to subscribe for 4,000,000 ordinary shares of £1.00 each in Lilestone Limited on the same date.

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 auditor is unaware; and
- Each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

INDEPENDENT AUDITORS

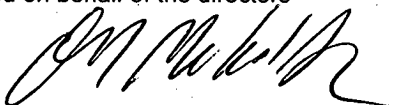
The auditors, PricewaterhouseCoopers LLP, were appointed as auditors in the year and have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the general meeting.

LILESTONE HOLDINGS LIMITED

DIRECTORS' REPORT

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

Signed on behalf of the directors

A handwritten signature in black ink, appearing to read 'D T Metcalfe', written in a cursive style.

D T Metcalfe
Director

Approved by the directors on 5 December 2014

LILESTONE HOLDINGS LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

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 period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group 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 UK 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 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 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 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
LILESTONE HOLDINGS LIMITED

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- Give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2013 and of the group's loss and cash flows for the period 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by Lilestone Holdings Limited, comprise:

- The group balance sheet and balance sheet as at 31 December 2013;
- The profit and loss account for the period then ended;
- The group cash flow statement for the period 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 their preparation 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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

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

Opinion on 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 period 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

LILESTONE HOLDINGS LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LILESTONE HOLDINGS LIMITED

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

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.
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.

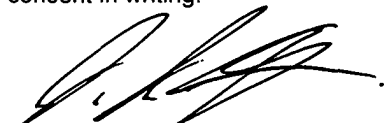
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement 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 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.



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

London, 5 December 2014

LILESTONE HOLDINGS LIMITED

GROUP PROFIT AND LOSS ACCOUNT

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

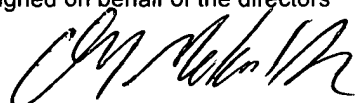
	Note	Period from 1 July 13 to 31 Dec 13 £	Year to 30 June 13 £
TURNOVER	2	2,136,036	4,326,681
Cost of sales		(1,947,255)	(1,849,971)
GROSS PROFIT		<u>188,781</u>	<u>2,476,710</u>
Concession commission and distribution costs		(502,637)	(1,005,273)
Administrative expenses		<u>(4,007,457)</u>	<u>(4,220,255)</u>
Operating loss before exceptional items		(2,762,696)	(2,748,818)
Exceptional items	3/4	(1,558,617)	-
OPERATING LOSS	3	<u>(4,321,313)</u>	<u>(2,748,818)</u>
Interest receivable and similar income	7	10	12,610
Interest payable and similar charges	8	(272)	(88,878)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(4,321,575)</u>	<u>(2,825,086)</u>
Tax on loss on ordinary activities	9	-	-
LOSS FOR THE FINANCIAL PERIOD/YEAR	10/23	<u>(4,321,575)</u>	<u>(2,825,086)</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 or prior financial years stated above and their historical cost equivalents.

Signed on behalf of the directors



D T Metcalfe
Director

Approved by the directors on 5 December 2014

The notes on pages 14 to 24 form part of these financial statements.

LILESTONE HOLDINGS LIMITED

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

	Note	Period from 1 July 13 to 31 Dec 13 £	Year to 30 June 13 £
Loss for the financial Period/Year	23	(4,321,575)	(2,825,086)
Exchange adjustment taken to reserves (translation of foreign investments)	23	1,377	12,478
Total recognised losses for the period/year		<u>(4,320,198)</u>	<u>(2,812,608)</u>

The notes on pages 14 to 24 form part of these financial statements.

LILESTONE HOLDINGS LIMITED

GROUP BALANCE SHEET

31st DECEMBER 2013

	Note	31 Dec 13 £	£	30 Jun 13 £	£
FIXED ASSETS					
Intangible assets	11		-	511,948	
Tangible assets	12		169,335	256,514	
			169,335	768,462	
CURRENT ASSETS					
Stocks	14	953,892		1,564,440	
Debtors	15	2,967,899		2,941,270	
Cash at bank and in hand		891,167		302,642	
		4,812,958		4,808,352	
CREDITORS: Amounts falling due within one year	16	(928,464)		(1,202,117)	
NET CURRENT ASSETS			3,884,494		3,606,235
TOTAL ASSETS LESS CURRENT LIABILITIES			4,053,829		4,374,697
CREDITORS: Amounts falling due after more than one year	17		(120)		(790)
NET ASSETS			4,053,709		4,373,907
CAPITAL AND RESERVES					
Called up share capital	21		9,217,274		5,217,274
Share premium account	22		19,435,174		19,435,174
Profit and loss account	22		(24,598,739)		(20,278,541)
TOTAL SHAREHOLDERS' FUNDS	23		4,053,709		4,373,907

These financial statements were approved by the directors and authorised for issue on 5 December 2014, and are signed on their behalf by:


D T Metcalfe
Director

Company Registration Number: 05551556

The notes on pages 14 to 24 form part of these financial statements.

LILESTONE HOLDINGS LIMITED

BALANCE SHEET

31st DECEMBER 2013

	Note	31 Dec 13 £	£	30 Jun 13 £	£
FIXED ASSETS					
Investments	13		15,872,772		11,679,267
CURRENT ASSETS					
Debtors	15	6		1,031	
Cash at bank and in hand		271		228,434	
			277		229,465
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>15,873,049</u>		<u>11,908,732</u>
CAPITAL AND RESERVES					
Called up share capital	21		9,217,274		5,217,274
Share premium account	22		19,435,174		19,435,174
Profit and loss account	22		(12,779,399)		(12,743,716)
TOTAL SHAREHOLDERS' DEFICIT			<u>15,873,049</u>		<u>11,908,732</u>

These financial statements were approved by the directors and authorised for issue on 5 December 2014., and are signed on their behalf by:



D T Metcalfe
Director

Company Registration Number: 05551556

The notes on pages 14 to 24 form part of these financial statements.

LILESTONE HOLDINGS LIMITED

GROUP CASH FLOW STATEMENT

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

	Period from 1 July 13 to 31 Dec 13 £	£	Year to 30 June 13 £	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(3,355,401)		(5,387,580)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	10		12,610	
Interest element of hire purchase	<u>(272)</u>		<u>(860)</u>	
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(262)		11,750
CAPITAL EXPENDITURE				
Payments to acquire intangible fixed assets	-		(178,027)	
Payments to acquire tangible fixed assets	<u>(53,615)</u>		<u>(236,557)</u>	
Receipts from sale of fixed assets	<u>(1)</u>		<u>-</u>	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(53,616)		(414,584)
CASH OUTFLOW BEFORE FINANCING		(3,409,279)		(5,790,414)
FINANCING				
Issue of equity share capital	4,000,000		5,159,626	
Net outflow from other short-term creditors	-		(3,002,000)	
Capital element of hire purchase	<u>(2,196)</u>		<u>(3,293)</u>	
Net inflow from other long-term creditors	<u>-</u>		<u>3,002,000</u>	
NET CASH INFLOW FROM FINANCING		3,997,804		5,156,333
INCREASE/(DECREASE) IN CASH		<u>588,525</u>		<u>(634,081)</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES				
		Period from 1 July 13 to 31 Dec 13 £		Year to 30 June 13 £
Operating loss		(4,321,313)		(2,748,818)
Amortisation		511,948		27,861
Depreciation		139,265		195,891
Loss on disposal of fixed assets		1,530		57,144
Decrease/(increase) in stocks		610,548		(400,390)
Increase in debtors		(26,629)		(1,980,770)
Decrease in creditors		<u>(270,750)</u>		<u>(538,498)</u>
Net cash outflow from operating activities		<u>(3,355,401)</u>		<u>(5,387,580)</u>

The notes on pages 14 to 24 form part of these financial statements.

LILESTONE HOLDINGS LIMITED

GROUP CASH FLOW STATEMENT

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	31 Dec 13		30 June 13	
	£	£	£	£
Increase/(decrease) in cash in the period/year	588,525		(634,081)	
Net outflow from other short-term creditors	-		3,002,000	
Cash outflow in respect of hire purchase	2,196		3,293	
		<u>590,721</u>		<u>2,371,212</u>
Change in net funds		590,721		2,371,212
Net funds at beginning of the period		297,344		(2,073,868)
Net funds at end of the period		<u>888,065</u>		<u>297,344</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jul 2013 £	Cash flows £	At 31 Dec 2013 £
Net cash:			
Cash in hand and at bank	302,642	588,525	891,167
Debt:			
Hire purchase agreements	(5,298)	2,196	(3,102)
Net funds	<u>297,344</u>	<u>590,721</u>	<u>888,065</u>

The notes on pages 14 to 24 form part of these financial statements.

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

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 period are set out below.

Basis of preparation

The group profit and loss account for the period ended 31st December 2013 shows a loss of £4,321,575 and the group balance sheet shows shareholders' funds of £4,053,709 at that date.

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.

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 period, exclusive of Value Added Tax. 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 have decided to write down the value to £nil.

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

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

Stocks

Stocks are 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

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

1. ACCOUNTING POLICIES *(continued)*

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of 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:

	Period from 1 July 13 to 31 Dec 13 £	Year to 30 June 13 £
United Kingdom	1,479,852	3,073,704
Overseas sales	656,184	1,252,977
	<u>2,136,036</u>	<u>4,326,681</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

3. OPERATING LOSS

Operating loss is stated after charging:

	Period from 1 July 13 to 31 Dec 13 £	Year to 30 June 13 £
Amortisation of intangible assets	–	27,861
Depreciation of owned fixed assets	138,098	193,348
Depreciation of assets held under hire purchase agreements	1,167	2,543
Loss on disposal of fixed assets	1,530	57,144
Auditor's remuneration		
- as auditor	29,690	15,450
Operating lease costs:		
- Other	96,261	369,339
Net loss on foreign currency translation	16,474	76,002
Exceptional stock provision and asset impairment	1,046,669	–
Exceptional amortisation charge	<u>511,948</u>	<u>–</u>

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

Further details in respect of the exceptional items are shown in note 4.

4. EXCEPTIONAL ITEMS

Included within cost of sales is an amount of £1,046,669 relating to an exceptional stock provision and asset impairment. This takes account of both old and slow moving stock which has been written down to the expected realisable value.

Included within administrative expenses is an exceptional amortisation charge of £511,948 relating to a full write down of the consolidated goodwill arising upon the investments in the subsidiary undertakings.

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

5. PARTICULARS OF EMPLOYEES

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

	Period from 1 July 13 to 31 Dec 13 No	Year to 30 June 13 No
Number of sales and administration staff	68	67
Number of management staff	2	3
	<u>70</u>	<u>70</u>

The aggregate payroll costs of the above were:

	Period from 1 July 13 to 31 Dec 13 £	Year to 30 June 13 £
Wages and salaries	1,092,280	2,115,189
Social security costs	103,588	225,948
	<u>1,195,868</u>	<u>2,341,137</u>

6. DIRECTORS' REMUNERATION

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

	Period from 1 July 13 to 31 Dec 13 £	Year to 30 June 13 £
Remuneration receivable	65,365	310,000

Remuneration of highest paid director:

	Period from 1 July 13 to 31 Dec 13 £	Year to 30 June 13 £
Total remuneration (excluding pension contributions)	65,365	310,000

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period from 1 July 13 to 31 Dec 13 £	Year to 30 June 13 £
Other similar income receivable	10	12,610

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 1 July 13 to 31 Dec 13 £	Year to 30 June 13 £
Finance charges	272	860
Other similar charges payable	-	88,018
	<u>272</u>	<u>88,878</u>

9. TAX ON LOSS ON ORDINARY ACTIVITIES**Factors affecting current tax charge**

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 20% (To 30 June 13 - 20%).

	Period from 1 July 13 to 31 Dec 13 £	Year to 30 June 13 £
Loss on ordinary activities before taxation	<u>(4,321,575)</u>	<u>(2,825,086)</u>
Loss on ordinary activities by rate of tax	(864,315)	(565,017)
Expenses not allowed for tax purposes	120,561	13,105
Depreciation in excess of capital allowances	(3,009)	23,274
Tax losses carried forward	746,763	528,638
Total current tax	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The group has available losses of approximately £23.2m (30th June 2013: £19.4m) 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 £35,683 (To 30 June 13 - £148,396).

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

11. INTANGIBLE FIXED ASSETS

Group	Goodwill £
COST	
At 1st July 2013 and 31st December 2013	<u>735,250</u>
ACCUMULATED AMORTISATION	
At 1st July 2013	223,302
Charge for the period	<u>511,948</u>
At 31st December 2013	<u>735,250</u>
NET BOOK VALUE	
At 31st December 2013	<u>-</u>
At 30th June 2013	<u>511,948</u>

The brought forward goodwill arising on consolidation has been reviewed and the directors have decided to write down the value to £nil. Further details of this exceptional amortisation charge are shown in note 4.

12. TANGIBLE FIXED ASSETS

Group	Fixtures & Fittings £	Equipment £	Total £
COST			
At 1st July 2013	665,191	346,200	1,011,391
Additions	26,018	27,597	53,615
Disposals	<u>(309,729)</u>	<u>(7,778)</u>	<u>(317,507)</u>
At 31st December 2013	<u>381,480</u>	<u>366,019</u>	<u>747,499</u>
ACCUMULATED DEPRECIATION			
At 1st July 2013	479,481	275,396	754,877
Charge for the period	60,480	78,785	139,265
On disposals	<u>(308,343)</u>	<u>(7,635)</u>	<u>(315,978)</u>
At 31st December 2013	<u>231,618</u>	<u>346,546</u>	<u>578,164</u>
NET BOOK VALUE			
At 31st December 2013	<u>149,862</u>	<u>19,473</u>	<u>169,335</u>
At 30th June 2013	<u>185,710</u>	<u>70,804</u>	<u>256,514</u>

Hire purchase agreements

Included within the net book value of £169,335 is £5,828 (To 30 June 13 - £6,995) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £1,167 (To 30 June 13 - £2,543).

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

13. INVESTMENTS

Company	Group companies £
COST	
At 1st July 2013	5,385,340
Additions	4,699,969
At 31st December 2013	<u>10,085,309</u>
LOANS	
At 1st July 2013	17,631,745
Net repayment in period	(506,464)
At 31st December 2013	<u>17,125,281</u>
AMOUNTS WRITTEN OFF	
At 1st July 2013 and 31st December 2013	<u>(11,337,818)</u>
NET BOOK VALUE	
At 31st December 2013	<u>15,872,772</u>
At 30th June 2013	<u>11,679,267</u>

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. STOCKS

	Group		Company	
	31 Dec 13	30 June 13	31 Dec 13	30 June 13
	£	£	£	£
Stock	<u>953,892</u>	<u>1,564,440</u>	<u>-</u>	<u>-</u>

The provision for old and obsolete stock has been increased by £1,004,569 to £1,144,600.

LILESTONE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

15. DEBTORS

	Group		Company	
	31 Dec 13	30 June 13	31 Dec 13	30 June 13
	£	£	£	£
Trade debtors	390,771	275,768	-	-
VAT recoverable	66,500	102,209	-	-
Other debtors	2,090,420	2,127,199	-	-
Prepayments and accrued income	420,208	436,094	6	1,031
	<u>2,967,899</u>	<u>2,941,270</u>	<u>6</u>	<u>1,031</u>

Other debtors includes an amount of £Nil (30th June 2013: £47,250) due after more than one year in respect of rent deposits secured to the order of various landlords for future rental obligations.

At the period end an amount of £2,000,000 (30th June 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 the period end an amount of £3,634 (30th June 2013: £90,064) was due to this supplier.

16. CREDITORS: Amounts falling due within one year

	Group		Company	
	31 Dec 13	30 June 13	31 Dec 13	30 June 13
	£	£	£	£
Trade creditors	359,127	535,237	-	-
Hire purchase agreements	2,982	4,508	-	-
Other creditors including taxation and social security:				
Other taxation and social security	65,109	286,791	-	-
Other creditors	73,590	76,093	-	-
Accruals and deferred income	427,656	299,488	-	-
	<u>928,464</u>	<u>1,202,117</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	31 Dec 13	30 June 13	31 Dec 13	30 June 13
	£	£	£	£
Hire purchase agreements	<u>120</u>	<u>790</u>	<u>-</u>	<u>-</u>

18. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	Group		Company	
	31 Dec 13	30 June 13	31 Dec 13	30 June 13
	£	£	£	£
Amounts payable within 1 year	2,982	4,508	-	-
Amounts payable between 2 to 5 years	120	790	-	-
	<u>3,102</u>	<u>5,298</u>	<u>-</u>	<u>-</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

19. COMMITMENTS UNDER OPERATING LEASES

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

Group	Land and buildings	
	31 Dec 13 £	30 June 13 £
Operating leases which expire:		
Within 1 year	-	52,500
Within 2 to 5 years	<u>129,000</u>	<u>132,750</u>
	<u>129,000</u>	<u>185,250</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 period the directors of the company purchased a total of £52,001 in goods and vouchers for Myla stock.

21. CALLED UP SHARE CAPITAL**Allotted, called up and fully paid:**

	31 Dec 13		30 Jun 13	
	No	£	No	£
Ordinary shares of £0.001 each	<u>9,217,273,960</u>	<u>9,217,274</u>	<u>5,217,273,960</u>	<u>5,217,274</u>

On 10th July 2013 the company allotted and issued 700,000,000 Ordinary shares at par for a total consideration of £700,000.

On 7th August 2013 the company allotted and issued 1,550,000,000 Ordinary shares at par for a total consideration of £1,550,000.

On 31st December 2013 the company allotted and issued 1,750,000,000 Ordinary shares at par for a total consideration of £1,750,000.

All issues were to provide working capital.

LILESTONE HOLDINGS LIMITED

MANAGEMENT INFORMATION

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

22. RESERVES

Group	Share premium account £	Profit and loss account £
Balance brought forward	19,435,174	(20,278,541)
Loss for the period	–	(4,321,575)
Currency translation reserve	–	1,377
Balance carried forward	<u>19,435,174</u>	<u>(24,598,739)</u>
Company	Share premium account £	Profit and loss account £
Balance brought forward	19,435,174	(12,743,716)
Loss for the period	–	(35,683)
Balance carried forward	<u>19,435,174</u>	<u>(12,779,399)</u>

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 Dec 13		30 Jun 13	
	£	£	£	£
Loss for the financial period		(4,321,575)		(2,825,086)
New equity share capital subscribed	4,000,000		5,177,512	
Premium on new share capital subscribed	–		3,107,991	
		<u>4,000,000</u>		<u>8,285,503</u>
Currency translation reserve		1,377		12,478
Net (reduction)/addition to shareholders' funds/(deficit)		(320,198)		5,472,895
Opening shareholders' funds/(deficit)		<u>4,373,907</u>		<u>(1,098,988)</u>
Closing shareholders' funds		<u>4,053,709</u>		<u>4,373,907</u>

24. ULTIMATE PARENT COMPANY

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.

25. POST BALANCE SHEET EVENTS

On 1st July 2014 the company allotted and issued 3,000,000,040 Ordinary shares for a total consideration of £3,000,000.

On 1st July 2014 the company allotted and issued 3,200,000,000 Ordinary shares for a total consideration of £3,200,000.

On 1st July 2014 the Company's issued share capital consisting of 15,417,274,000 Ordinary shares of £0.001 each were consolidated and divided into 15,417,274 ordinary shares of £1 each.

LILESTONE HOLDINGS LIMITED

MANAGEMENT INFORMATION

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

On 27th November 2014, the company allotted and issued 4,000,000 ordinary shares of £1.00 each to its sole shareholder, JW Silk (BVI) Limited, for total consideration of £4,000,000. These monies were used to subscribe for 4,000,000 ordinary shares of £1.00 each in Lilestone Limited on the same date.

**The following pages do not form part of the statutory financial statements
Which are the subject of the independent auditor's report on pages 6 to 7.**

LILESTONE HOLDINGS LIMITED
DETAILED GROUP PROFIT AND LOSS ACCOUNT
PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

	Period from 1 July 13 to 31 Dec 13		Year to 30 June 13	
	£	£	£	£
TURNOVER		2,136,036		4,326,681
COST OF SALES				
Purchases	(900,586)		(1,849,971)	
Exceptional stock write off	<u>(1,046,669)</u>		<u>-</u>	
		<u>(1,947,255)</u>		<u>(1,849,971)</u>
GROSS PROFIT		188,781		2,476,710
OVERHEADS				
Concession commission and distribution costs	(502,637)		(1,005,273)	
Administrative expenses	<u>(4,007,457)</u>		<u>(4,220,255)</u>	
		<u>(4,510,094)</u>		<u>(5,225,528)</u>
OPERATING LOSS		<u>(4,321,313)</u>		<u>(2,748,818)</u>
Other similar income		<u>10</u>		<u>12,610</u>
		<u>(4,321,303)</u>		<u>(2,736,208)</u>
Interest payable		<u>(272)</u>		<u>(88,878)</u>
LOSS ON ORDINARY ACTIVITIES		<u><u>(4,321,575)</u></u>		<u><u>(2,825,086)</u></u>

LILESTONE HOLDINGS LIMITED

NOTES TO THE DETAILED GROUP PROFIT AND LOSS ACCOUNT

PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

	Period from 1 July 13 to 31 Dec 13 £	£	Year to 30 June 13 £	£
ADMINISTRATIVE EXPENSES				
Personnel costs				
Directors salaries	65,365		310,000	
Wages and salaries	1,026,915		1,805,189	
Employers national insurance contributions	103,588		225,948	
		1,195,868		2,341,137
Establishment expenses				
Rent	96,261		369,339	
Rent, rates and water	10,496		38,940	
Rates and water	44,236		119,195	
Light and heat	4,575		11,081	
Insurance	14,559		29,495	
Repairs and maintenance	11,807		25,763	
		181,934		593,813
General expenses				
Travel and subsistence	68,361		78,560	
Telephone	12,849		20,250	
Computer expenses	73,682		167,528	
Coexistence agreement	58,333		-	
Hire of equipment	7,574		7,476	
Printing, stationery and postage	40,481		60,031	
Staff training	1,870		1,003	
Other staff related expenses	15		9,483	
Recruitment	73,794		28,453	
Sundry expenses	44,817		31,881	
Laundry and cleaning	5,003		11,976	
Loan write off	-		(331,035)	
Samples	51,370		64,102	
Advertising	418,878		338,862	
Entertaining	18,362		9,094	
Concession fees	17,348		24,132	
Legal and professional fees	974,252		197,953	
Consultancy fees	42,865		156,871	
Accountancy fees	13,982		25,006	
Auditors remuneration	29,690		15,450	
Exceptional amortisation charge	511,948		-	
Amortisation	-		27,861	
Depreciation	139,265		195,891	
Loss on disposal of fixed assets	1,530		57,144	
		2,606,269		1,197,972
Financial costs				
Bank charges	6,912		11,331	
Foreign currency gains/losses	16,474		76,002	
		23,386		87,333
		4,007,457		4,220,255
INTEREST RECEIVABLE AND SIMILAR INCOME				
Other similar income		10		12,610

LILESTONE HOLDINGS LIMITED**NOTES TO THE DETAILED GROUP PROFIT AND LOSS ACCOUNT****PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013**

	Period from 1 July 13 to 31 Dec 13 £	Year to 30 June 13 £
INTEREST PAYABLE		
Hire purchase and finance lease charges	272	860
Interest on other loans	-	88,018
	<u>272</u>	<u>88,878</u>

LILESTONE HOLDINGS LIMITED
DETAILED COMPANY PROFIT AND LOSS ACCOUNT
PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

	Period from 1 July 13 to 31 Dec 13 £	Year to 30 June 13 £
OVERHEADS		
Administrative expenses	<u>35,683</u>	<u>60,378</u>
OPERATING LOSS	<u>(35,683)</u>	<u>(60,378)</u>
Interest on other loans	-	<u>(88,018)</u>
LOSS ON ORDINARY ACTIVITIES	<u>(35,683)</u>	<u>(148,396)</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE DETAILED COMPANY PROFIT AND LOSS ACCOUNT
PERIOD FROM 1st JULY 2013 TO 31st DECEMBER 2013

	Period from 1 July 13 to 31 Dec 13		Year to 30 June 13	
	£	£	£	£
ADMINISTRATIVE EXPENSES				
Personnel costs				
Wages and salaries	30,877		260,000	
Employers national insurance contributions	<u>3,730</u>		<u>34,840</u>	
		34,607		294,840
Establishment expenses				
Insurance		1,029		92
General expenses				
Sundry expenses	-		(3)	
Loan write off	-		(241,035)	
Legal and professional fees	-		6,454	
Accountancy fees	-		(15,450)	
Auditors remuneration	-		15,450	
Loss on disposal of fixed assets	<u>-</u>		<u>3</u>	
		-		(234,581)
Financial costs				
Bank charges		47		27
		<u>35,683</u>		<u>60,378</u>