William Hollins & Company Limited

Report and Financial Statements

29 March 2008

Registered Number 00151652

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
Barclays Bank PLC
15 Colmore Row
Birmingham
B3 2NW

The directors submit their report and accounts for the 52 weeks ended 29 March 2008

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

RESULTS AND DIVIDENDS

The main performance measures used by the company are sales, profits and cash generation

Sales were £27,819k, for the 52 weeks to 29th March 2008 compared to £26,073k for 52 weeks last year, an increase of 6 7%, of which 1 3% was contributed by like for like branches

Gross margin at 65% was 1% less than last year with a greater level of discounting necessary as market conditions deteriorated in the second half year

The additional gross profit generated of £745k was insufficient to absorb inflation in Distribution costs, including minimum wage rates, rents and power costs, and additional costs relating to new space opened during the year As a result operating loss for the year increased to £408k

Interest charges were reduced to £207k (2007 - £426k) producing a loss before tax for the year of £615k (2007 - £516k) A tax credit of £282k arose (2007 – charge £12k) resulting in a loss after tax of £333k (2007 - £528k) The directors do not propose the payment of a dividend

Net borrowings (being bank overdrafts, stock loan and invoice discounting less cash at bank) decreased to £2 2m at 31st March 2008 (2007- £2 3m)

Whilst the High Street retail market is particularly challenging at present, the company continues to invest in new freestanding shops in quality market towns as a platform for future growth

FINANCIAL RISK MANAGEMENT POLICY

The company's principal financial instruments comprise cash, cash equivalents and invoice discounting/stock loans The main purpose of these financial instruments is to raise finance for the company's operations The company has various other financial assets and liabilities, including trade debtors and creditors and amounts owed to and by Group undertakings that arise directly from its operations

The company enters into forward foreign currency contracts, whose purpose is to manage the foreign currency risks arising from the company's operations

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments of a speculative nature shall be undertaken

The principal risks associated with the company's financial assets and liabilities are set out below

• Interest rate risk

The company's principal borrowings (invoice discounting/stock loans) attract interest at variable interest rates Therefore financial liabilities, interest charges and cash flows can be affected by movements in interest rates The company's financial assets are not exposed to interest rate risk

• Price risk

There is no significant exposure to changes in the carrying value of financial instruments, assets and liabilities, except as a result of foreign currency exchange rate fluctuations, as described below.

FINANCIAL RISK MANAGEMENT POLICY (CONTINUED)

• Credıt rısk

The company has no materıal exposure to external credıt rısk

• Lıquıdıty rısk

The company aims to mıtigate lıquıdıty rısk by managıng cash generated by ıts operatıons The prıncıpal form of financıng ıs through ınvoıce dıscountıng/stock loan facılıtıes whıch are repayable on demand The company ıs party to a cross-guarantee of sımılar financıng facılıtıes for other group companıes

• Foreıgn currency rısk

The company has exposure to a number of foreıgn currencıes through ıts purchases, sales of products and receıpt of royalty ıncome Exposure ıs prıncıpally to US and Hong Kong dollars, Euros and Japanese yen The company takes out forward foreıgn currency contracts to mıtıgate thıs rısk, consıstent wıth the Group's polıcy of hedgıng agaınst known and hıghly probable exposures for a 6-12 month forward perıod

DIRECTORS AND THEIR INTERESTS

The dırectors who served durıng the year were as follows

J G Harrıs
S M Watson

The dırectors have no beneficıal ınterests ın the shares of the company

EMPLOYMENT POLICIES

The company ıs commıtted to best practıce employment polıcıes and practıce ın all ıts actıvıtıes The company ıs contınually revıewıng and amendıng polıcy and practıce to ensure complıance wıth legal requırements

The company aıms to communıcate effectıvely wıth all employees to ensure that the busıness vısıon ıs clearly understood and ımplemented across the busıness

DISABLED PERSONS

It ıs the company's polıcy to offer equal opportunıty to dısabled persons applyıng for vacancıes and provıde them wıth the same opportunıtıes for employment, traınıng, career development and promotıon that are avaılable to all employees wıthın the lımıtatıon of theır aptıtude and abılıtıes

Where exıstıng employees become dısabled, ıt ıs the company's polıcy wherever practıcable to provıde contınuıng employment under normal terms and condıtıons and to provıde traınıng, career development and promotıon

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Havıng made enquırıes of fellow dırectors and of the company's audıtors, each of the dırectors confirms that

- to the best of each dırector's knowledge and belıef, there ıs no ınformatıon relevant to the preparatıon of theır report of whıch the company's audıtors are unaware, and

- each dırector has taken all the steps a dırector mıght reasonably be expected to have taken to be aware of relevant audıt ınformatıon and to establısh that the company's audıtors are aware of that ınformatıon

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

Approved by the Board of Directors and signed by order of the Board

J G Harris

J G Harris
Director

18 August 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the annual report and financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

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

We have audited the company's financial statements for the 52 weeks ended 29 March 2008 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 20 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Director's Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Director's Report is consistent with the financial statements

In addition, we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 March 2008 and of the loss for the period then ended,

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Birmingham 20 August 2008

William Hollins & Company Limited

PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 29 March 2008

	Notes	2008 £000	2007 £000
TURNOVER	2	27,819	26,073
Cost of sales		(9,776)	(8,775)
Gross Profit		18,043	17,298
Distribution costs		(14,833)	(14,121)
Administration expenses		(4,182)	(3,967)
Other operating income		564	700
OPERATING LOSS	3	(408)	(90)
Interest payable and similar charges	6	(207)	(426)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(615)	(516)
Tax on loss on ordinary activities	7	282	(12)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR	14	(333)	(528)

All amounts relate to continuing activities

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 £333,000 for the 52 weeks ended 29 March 2008 and the loss of £528,000 for the 52 weeks ended 31 March 2007

BALANCE SHEET
at 29 March 2008

	Notes	*2008* *£000*	*2007* *£000*
FIXED ASSETS			
Tangible assets	8	785	977
CURRENT ASSETS			
Stocks	9	3,591	3,840
Debtors	10	2,950	2,133
Cash at bank and in hand		26	-
		6,567	5,973
CREDITORS amounts falling due within one year	11	7,712	8,135
NET CURRENT LIABILITIES		(1,145)	(2,162)
TOTAL ASSETS LESS CURRENT LIABILITIES		(360)	(1,185)
CREDITORS amounts falling after more than one year	12	(1,158)	-
NET LIABILITIES		(1,518)	(1,185)
CAPITAL AND RESERVES			
Called up share capital	13	7,500	7,500
Profit and loss account	14	(9,018)	(8,685)
EQUITY SHAREHOLDER'S FUNDS	14	(1,518)	(1,185)

The financial statements were approved by the Board and issued to the shareholders on 18 August 2008

J G Harris
Director

NOTES TO THE FINANCIAL STATEMENTS
at 29 March 2008

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 Waterlinks Investments Limited and the company is included in its consolidated financial statements

Income recognition
Income from sales is recognised at the point of sale Income relating to credit cards, commissions 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 pay less or to receive more, tax, with the following exception

- 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

1. ACCOUNTING POLICIES (CONTINUED)

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

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

	2008	*2007*
	£000	*£000*
United Kingdom	27,405	25,705
Europe	414	368
	27,819	26,073

3. OPERATING LOSS

	2008	*2007*
	£000	*£000*
This is stated after charging		
Depreciation of owned assets	354	406
Depreciation of assets held under finance leases and hire purchase agreements	-	9
Auditors' remuneration	17	14
Operating lease rentals - land and buildings	3,026	2,684
Operating lease rentals - plant and machinery	291	195

4. DIRECTORS' EMOLUMENTS

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

5. STAFF COSTS

	2008	*2007*
	£000	*£000*
Wages and salaries	6,369	6,583
Social Security costs	452	485
Other pension costs	65	70
	6,886	7,138

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

	2008	*2007*
	No	*No*
Management, selling and administration	360	357

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	*2007*
	£000	*£000*
Bank interest	1	4
Invoice discounting	178	123
Interest on finance leases and hire purchase agreements	-	2
Other interest	28	297
	207	426

7. TAX ON LOSS ON ORDINARY ACTIVITIES

(a) Taxation is made up as follows

	2008	*2007*
	£000	*£000*
UK corporation tax	-	12
Group relief	(282)	-
Double taxation relief	(14)	(12)
	(296)	-
Overseas withholding tax	14	12
Total current tax	(282)	12
Deferred taxation	-	-
	(282)	12

7. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

(b) Factors affecting tax charge
The tax assessed on the loss on ordinary activities for the year ended 29 March 2008 is higher (2007 higher) than the standard rate of corporation tax in the UK of 30% The differences are reconciled below

	2008 *£000*	*2007* *£000*
Loss on ordinary activities before tax	(615)	(516)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	(184)	(155)
Expenses not deductible for tax purposes	57	147
Depreciation in excess of capital allowances	(167)	21
Other timing differences	12	(1)
Overseas taxation	14	12
Double taxation relief	(14)	(12)
Total current tax (note 7(a))	(282)	12

(c) Factors that may affect future tax charges
The standard rate of UK corporation tax is reduced to 28% from 30% effective from 1 April 2008

The company has unutilised tax losses of £6,429,000 (2007 £6,429,000) A deferred tax asset of £1,800,000 (2007 £1,800,000) 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

	2008 *£000*	*2007* *£000*
Depreciation in excess of capital allowances	(475)	(595)
Other timing differences	(58)	(47)
Losses	(1,800)	(1,800)
	(2,333)	(2,442)

8. TANGIBLE FIXED ASSETS

	Leasehold Property	*Fixtures & Fittings*	*Total*
	£000	*£000*	*£000*
Cost			
At 1 April 2007	552	8,253	8,805
Additions	53	109	162
Disposals	-	(24)	(24)
At 29 March 2008	605	8,338	8,943
Depreciation			
At 1 April 2007	348	7,480	7,828
Charge for the period	36	318	354
Disposals	-	(24)	(24)
At 29 March 2008	384	7,774	8,158
Net book value			
At 29 March 2008	221	564	785
At 31 March 2007	204	773	977

Included in Fixtures and Fittings are assets held under finance leases and hire purchase contracts with a net book value of £nil (2007 nil) Depreciation of £nil (2007 £9,000) was charged on these assets during the year

9. STOCKS

	2008	*2007*
	£000	*£000*
Finished goods and goods for resale	3,591	3,840
	3,591	3,840

The stock value is not materially different from replacement cost

10. DEBTORS

	2008	2007
	£000	*£000*
Trade debtors	754	748
Amounts owed by group undertakings	8	194
Other debtors	169	106
Prepayments and accrued income	2,019	1,085
	2,950	2,133

11. CREDITORS: amounts falling due within one year

	2008	2007
	£000	*£000*
Bank overdraft	410	525
Invoice discounting	667	629
Stock loan	1,122	1,177
Trade creditors	3,706	3,051
Other taxes and social security costs	644	709
Amounts owed to group undertakings	-	603
Amounts due to related undertakings (note 17)	-	792
Other creditors and accruals	1,163	649
	7,712	8,135

The stock loan and invoice discounting facilities are secured by fixed and floating charges over the company's assets

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

	2008	2007
Amounts owed to group undertakings	*£000*	*£000*
Repayable between two and five years	1,158	-
	1,158	-

13. SHARE CAPITAL

	2008	2007
	£000	£000
Authorised		
773,750,000 Ordinary shares of 1p each	7,738	7,738
Allotted, called up and fully paid		
750,000,000 Ordinary shares of 1p each	7,500	7,500

14. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capıtal *£000*	*Profit and loss account* *£000*	*Total* *£000*
At 1 Apnl 2006	7,500	(8,157)	(657)
Retaıned loss for the penod	-	(528)	(528)
At 31 March 2007	7,500	(8,685)	(1,185)
Retaıned loss for the year	-	(333)	(333)
At 29 March 2008	7,500	(9,018)	(1,518)

15. FINANCIAL COMMITMENTS

a) Capıtal commıtments

Capıtal commıtments contracted for but not provıded ın the financıal statements amounted to £98,000 at 29 March 2008 (2007 £347,000)

b) Operatıng lease commitments

At 29 March 2008 the company had annual commıtments under non-cancellable operatıng leases as set out below

	Land and buıldıngs			*Other*
	2008	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*
Wıthın one year	164	169	2	5
In two to five years	1,207	1,176	348	215
Over five years	1,983	1,573	-	-
	3,354	2,918	350	220

16. PENSION COMMITMENTS

The company operates a defined contrıbutıon pensıon scheme for ıts employees The assets of the scheme are held separately from those of the company ın an ındependently admınıstered fund The unpaıd contrıbutıons outstandıng at the year end, ıncluded ın 'other credıtors' are £10,631 (2007 £12,549)

17. RELATED PARTIES

As permıtted by FRS 8 'Related Party Dısclosures' the financıal statements do not dısclose transactıons wıth the parent company and fellow subsıdıanes where 90% of the votıng nghts are controlled wıthın the group

Durıng the year, the company entered ınto transactıons wıth Harrıs Watson Holdıngs plc, the former ultımate parent undertakıng The company ıncurred management charges of £189,000 (2007 £180,000) and equıpment rental costs of £240,576 (2007 £266,025) In addıtıon, the company charged Harrıs Watson Holdıngs plc £nıl (2007 £25,953) ın respect of equıpment hıre durıng the year The balance outstandıng due to Harrıs Watson Holdıngs plc was £nıl at 29 March 2008 (2007 £792,407)

18. CONTINGENT LIABILITIES

The company is party to a cross-guarantee securing stock loan and invoice discounting facilities for certain members of the Waterlinks Investments Limited group

19. DERIVATIVES

The company has entered into forward foreign exchange contracts in the normal course of business in order to hedge against fluctuations in future exchange rates As at 31 March 2008, the sterling equivalent of total amounts outstanding on such contracts was £2,055,000

20. ULTIMATE PARENT UNDERTAKING

The only Group in which the results of the company are consolidated is that headed by Waterlinks Investments Limited

In the directors' opinion, the company's ultimate parent undertaking and controlling party at 29 March 2008 is Waterlinks Investments Limited Copies of its group financial statements which include the company are available from the company's registered office, Unit3 Ashted Lock, Dartmouth Middleway, Aston Science Park, Birmingham, West Midlands, B7 4AZ