

COMPANY REGISTRATION NUMBER 05551556

LILESTONE HOLDINGS LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD FROM 3rd JULY 2011 TO
30th JUNE 2012



BREBNERS
Chartered Accountants & Statutory Auditor
The Quadrangle
180 Wardour Street
London
W1F 8LB

LILESTONE HOLDINGS LIMITED
FINANCIAL STATEMENTS
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

CONTENTS	PAGES
Officers and professional advisers	1
The directors' report	2 to 3
Independent auditor's report to the shareholders	4 to 5
Profit and loss account	6
Group balance sheet	7
Balance sheet	8
Group cash flow cash flow statement	9 to 10
Notes to the financial statements	11 to 21

LILESTONE HOLDINGS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

S Llewellyn
D T Metcalfe

Registered office

The Quadrangle, 2nd Floor
180 Wardour Street
London
W1F 8FY

Auditor

Brebners
Chartered Accountants
& Statutory Auditor
The Quadrangle
180 Wardour Street
London
W1F 8LB

LILESTONE HOLDINGS LIMITED
THE DIRECTORS' REPORT
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

The directors present their report and the financial statements of the group for the period from 3rd July 2011 to 30th June 2012

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 lingerie and ladies lifestyle products and accessories.

Despite difficult economic and trading conditions, the directors are pleased that the group maintained progress towards the goal of establishing Myla as a leading international luxury lingerie and ladies lifestyle brand.

The directors continue to refocus their activities to promote the group's profitable outlets, securing international stockists and to improve the group's website. In the current economic climate it is difficult to predict future trading activity although the directors are hopeful that a profit will be reported in the foreseeable future.

Financial Key Performance Indicators

	2012	2011
Turnover (£)	5,462,517	3,949,733
Increase / (decrease) in turnover (based upon annualised figures)	3.8%	(10.2%)
Gross profit margin	53%	58%

Post Balance Sheet Event

On 5th December 2012 the company allotted and issued 17,886,559 Ordinary shares for a total consideration of £3,215,878 in order to provide the company with additional working capital.

RESULTS AND DIVIDENDS

The loss for the period amounted to £2,531,941. The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the period were as follows:

S Llewellyn	
D T Metcalfe	
C Allner	(Resigned 26th January 2012)
C Gabay	(Resigned 8th May 2012)

LILESTONE HOLDINGS LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare 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 those 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

In so far as the directors are aware

- there is no relevant audit information of which the group's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed on behalf of the directors

D T Metcalfe
Director



Approved by the directors on 14th December 2012

LILESTONE HOLDINGS LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
LILESTONE HOLDINGS LIMITED
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

We have audited the group and parent company financial statements ("the financial statements") of Lilestone Holdings Limited for the period from 3rd July 2011 to 30th June 2012 on pages 6 to 21. 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).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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 parent 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 annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 30th June 2012 and of the group's loss 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.

EMPHASIS OF MATTER - GOING CONCERN

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern. These indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

LILESTONE HOLDINGS LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
LILESTONE HOLDINGS LIMITED *(continued)*
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



MARTIN WIDDOWSON (Senior
Statutory Auditor)
For and on behalf of
BREBNERS
Chartered Accountants
& Statutory Auditor

The Quadrangle
180 Wardour Street
London
W1F 8LB

14th December 2012

LILESTONE HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

	Note	Period from 3 Jul 11 to 30 Jun 12 £	Period from 3 Oct 10 to 2 Jul 11 £
GROUP TURNOVER	2	5,462,517	3,949,733
Cost of sales		2,558,812	1,668,280
GROSS PROFIT		2,903,705	2,281,453
Distribution costs		922,818	619,435
Administrative expenses		4,339,758	3,485,184
Other operating income	3	(2,100)	-
OPERATING LOSS	4	(2,356,771)	(1,823,166)
Interest receivable	7	2,377	-
Interest payable and similar charges	8	(177,547)	(1,284)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,531,941)	(1,824,450)
Tax on loss on ordinary activities	9	-	-
LOSS FOR THE FINANCIAL PERIOD	10	(2,531,941)	(1,824,450)

All of the activities of the group are classed as continuing

The group has no recognised gains or losses other than the results for the period as set out above

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

The notes on pages 11 to 21 form part of these financial statements

LILESTONE HOLDINGS LIMITED

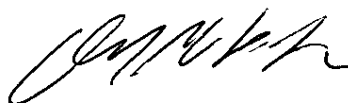
GROUP BALANCE SHEET

30th JUNE 2012

	Note	30 Jun 12 £	£	2 Jul 11 £	£
FIXED ASSETS					
Intangible assets	11		361,782		389,643
Tangible assets	12		<u>272,992</u>		<u>457,686</u>
			634,774		847,329
CURRENT ASSETS					
Stocks	14	1,164,050		1,209,793	
Debtors	15	960,500		969,226	
Cash at bank and in hand		<u>936,723</u>		<u>278,236</u>	
		3,061,273		2,457,255	
CREDITORS Amounts falling due within one year	16	<u>4,790,567</u>		<u>2,046,116</u>	
NET CURRENT (LIABILITIES)/ASSETS			(1,729,294)		411,139
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(1,094,520)</u>		<u>1,258,468</u>
CREDITORS Amounts falling due after more than one year	17		4,468		5,815
			<u>(1,098,988)</u>		<u>1,252,653</u>
CAPITAL AND RESERVES					
Called-up equity share capital	21		39,762		38,663
Share premium account	22		16,327,183		16,147,982
Profit and loss account	22		<u>(17,465,933)</u>		<u>(14,933,992)</u>
(DEFICIT)/SHAREHOLDERS' FUNDS	23		<u>(1,098,988)</u>		<u>1,252,653</u>

These financial statements were approved by the directors and authorised for issue on 14th December 2012, and are signed on their behalf by

D T Metcalfe
Director



The notes on pages 11 to 21 form part of these financial statements

LILESTONE HOLDINGS LIMITED

BALANCE SHEET

30th JUNE 2012

	Note	30 Jun 12 £	£	2 Jul 11 £	£
FIXED ASSETS					
Investments	13		6,100,000		6,100,000
CURRENT ASSETS					
Debtors	15		-		10,000
Cash at bank			<u>897,084</u>		<u>93,937</u>
			897,084		103,937
CREDITORS Amounts falling due within one year	16		<u>3,225,459</u>		<u>207,000</u>
NET CURRENT LIABILITIES			(2,328,375)		(103,063)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,771,625</u>		<u>5,996,937</u>
CAPITAL AND RESERVES					
Called-up equity share capital	21		39,762		38,663
Share premium account	22		16,327,183		16,147,982
Profit and loss account	22		(12,595,320)		(10,189,708)
SHAREHOLDERS' FUNDS			<u>3,771,625</u>		<u>5,996,937</u>

These financial statements were approved by the directors and authorised for issue on 14th December 2012, and are signed on their behalf by

D T Metcalfe
Director



Company Registration Number 05551556

LILESTONE HOLDINGS LIMITED
GROUP CASH FLOW CASH FLOW STATEMENT
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

	Period from 3 Jul 11 to 30 Jun 12 £	£	Period from 3 Oct 10 to 2 Jul 11 £	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(2,332,247)		(1,811,460)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	2,377		-	
Interest paid	(172,344)		(10,898)	
Interest element of hire purchase	(787)		-	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(170,754)		(10,898)
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets	(21,997)		(22,020)	
Receipts from sale of fixed assets	4,201		247	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(17,796)		(21,773)
CASH OUTFLOW BEFORE FINANCING		(2,520,797)		(1,844,131)
FINANCING				
Issue of equity share capital	1,099		9,643	
Share premium on issue of equity share capital	179,201		2,015,357	
Net inflow from other short-term creditors	3,002,000		-	
Capital element of hire purchase	(3,016)		11,607	
NET CASH INFLOW FROM FINANCING		3,179,284		2,036,607
INCREASE IN CASH		658,487		192,476
RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES				
	Period from 3 Jul 11 to 30 Jun 12 £		Period from 3 Oct 10 to 2 Jul 11 £	
Operating loss	(2,356,771)		(1,823,166)	
Interest payable	(4,416)		9,614	
Amortisation	27,861		27,861	
Depreciation	204,061		169,874	
Profit on disposal of fixed assets	(1,571)		(247)	
Decrease/(increase) in stocks	45,743		(269,813)	
Decrease in debtors	8,726		109,388	
Decrease in creditors	(255,880)		(34,971)	
Net cash outflow from operating activities	<u>(2,332,247)</u>		<u>(1,811,460)</u>	

The notes on pages 11 to 21 form part of these financial statements

LILESTONE HOLDINGS LIMITED
GROUP CASH FLOW CASH FLOW STATEMENT
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	30 Jun 12		2 Jul 11	
	£	£	£	£
Increase in cash in the period	658,487		192,476	
Net (inflow) from other short-term creditors	(3,002,000)		–	
Cash outflow in respect of hire purchase	<u>3,016</u>		<u>(11,607)</u>	
		<u>(2,340,497)</u>		<u>180,869</u>
Change in net funds		<u>(2,340,497)</u>		<u>180,869</u>
Net funds at 3 July 2011		<u>266,629</u>		<u>85,760</u>
Net funds at 30 June 2012		<u>(2,073,868)</u>		<u>266,629</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 3 Jul 2011 £	Cash flows £	At 30 Jun 2012 £
Net cash			
Cash in hand and at bank	<u>278,236</u>	<u>658,487</u>	<u>936,723</u>
Debt			
Debt due within 1 year	–	(3,002,000)	(3,002,000)
Hire purchase agreements	<u>(11,607)</u>	<u>3,016</u>	<u>(8,591)</u>
	<u>(11,607)</u>	<u>(2,998,984)</u>	<u>(3,010,591)</u>
Net funds	<u>266,629</u>	<u>(2,340,497)</u>	<u>(2,073,868)</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

1 ACCOUNTING POLICIES**Basis of accounting**

The financial statements have been prepared under the historical cost convention

Basis of preparation

The consolidated profit and loss account for the period shows a loss of £2,531,941 and the group balance sheet at 30th June 2012 shows a deficit of assets of £1,098,988 and a deficit of current assets of £1,729,294

However this includes an amount of £3,002,000 due to the convertible loan note holders as shown in note 16. The loan note holders have confirmed that they would continue to support the company and on 5th December 2012 exercised their conversion rights. The convertible loan notes and accrued interest of £213,878, totalling 3,215,878, was converted into Ordinary shares and share premium

The group has no bank facilities and its working capital requirements are provided by agreed trade facilities and funds provided by the shareholders

The directors have also taken steps to secure the future of the group by securing additional investment from existing shareholders and have obtained confirmation of continuing support in the foreseeable future whilst the brand is being established

The group's budgets, which are considered reasonable by the directors, indicate that the company should be able to operate within the level of its current working capital for a period of at least 12 months from the approval of these accounts

The directors believe that the measures undertaken as described above are sufficient such that the group's current balance sheet no longer shows a deficit position

Although the current economic environment is challenging in terms of sales volume and pricing the directors believe that the group is now well placed to meet its challenges. The directors conclude that the following uncertainties facing the company are as follows

- (a) the level of demand for the group's products,
- (b) the stability of the exchange rate between Sterling and Euros and US Dollars, and
- (c) the continued availability of finance in the foreseeable future

However, 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 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

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

1 ACCOUNTING POLICIES (continued)**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 20 years

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 five years
 Equipment - Over 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. A FIFO basis is used.

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.

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.

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

1 ACCOUNTING POLICIES (continued)**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.

2 TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below.

	Period from 3 Jul 11 to 30 Jun 12 £	Period from 3 Oct 10 to 2 Jul 11 £
United Kingdom	4,467,196	3,090,754
Overseas sales	995,321	858,979
	<u>5,462,517</u>	<u>3,949,733</u>

3 OTHER OPERATING INCOME

	Period from 3 Jul 11 to 30 Jun 12 £	Period from 3 Oct 10 to 2 Jul 11 £
Other operating income	<u>2,100</u>	<u>-</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

4 OPERATING LOSS

Operating loss is stated after charging/(crediting)

	Period from 3 Jul 11 to 30 Jun 12 £	Period from 3 Oct 10 to 2 Jul 11 £
Amortisation of intangible assets	27,861	27,861
Depreciation of owned fixed assets	201,873	169,554
Depreciation of assets held under hire purchase agreements	2,188	320
Profit on disposal of fixed assets	(1,571)	(247)
Auditor's remuneration		
- as auditor	15,450	25,638
Operating lease costs		
- Other	445,380	328,645
Net loss on foreign currency translation	<u>1,112</u>	<u>61,192</u>

Other operating lease costs are in respect of land and buildings

5 PARTICULARS OF EMPLOYEES

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

	Period from 3 Jul 11 to 30 Jun 12 No	Period from 3 Oct 10 to 2 Jul 11 No
Number of sales and administration staff	76	82
Number of management staff	3	3
	<u>79</u>	<u>85</u>

The aggregate payroll costs of the above were

	Period from 3 Jul 11 to 30 Jun 12 £	Period from 3 Oct 10 to 2 Jul 11 £
Wages and salaries	2,052,346	1,663,161
Social security costs	196,811	146,285
	<u>2,249,157</u>	<u>1,809,446</u>

6 DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

	Period from 3 Jul 11 to 30 Jun 12 £	Period from 3 Oct 10 to 2 Jul 11 £
Remuneration receivable	<u>205,000</u>	<u>68,250</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

6 DIRECTORS' REMUNERATION *(continued)*

Remuneration of highest paid director

	Period from 3 Jul 11 to 30 Jun 12 £	Period from 3 Oct 10 to 2 Jul 11 £
Total remuneration (excluding pension contributions)	<u>110,000</u>	<u>–</u>

7 INTEREST RECEIVABLE

	Period from 3 Jul 11 to 30 Jun 12 £	Period from 3 Oct 10 to 2 Jul 11 £
Bank interest receivable	<u>2,377</u>	<u>–</u>

8 INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 3 Jul 11 to 30 Jun 12 £	Period from 3 Oct 10 to 2 Jul 11 £
Interest payable on bank borrowing	–	1,284
Finance charges	787	–
Other similar charges payable	<u>176,760</u>	<u>–</u>
	<u>177,547</u>	<u>1,284</u>

9 TAXATION 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% (2011 - 27.33%)

	Period from 3 Jul 11 to 30 Jun 12 £	Period from 3 Oct 10 to 2 Jul 11 £
Loss on ordinary activities before taxation	<u>(2,531,941)</u>	<u>(1,824,450)</u>
Loss on ordinary activities by rate of tax	(506,388)	(498,622)
Expenses not allowed for tax purposes	8,269	16,133
Depreciation in excess of capital allowances	(807)	39,354
Tax losses carried forward	<u>498,926</u>	<u>443,135</u>
Total current tax	<u>–</u>	<u>–</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

9 TAXATION ON ORDINARY ACTIVITIES (continued)**Factors that may affect future tax charges**

The group has available losses of approximately £16.9m (2011 £14.6m) to carry forward against future 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 £(2,405,612) (2011 - £(2,340,216))

11 INTANGIBLE FIXED ASSETS

Group	Goodwill £
COST	
At 3rd July 2011 and 30th June 2012	<u>557,223</u>
AMORTISATION	
At 3rd July 2011	167,580
Charge for the period	<u>27,861</u>
At 30th June 2012	<u>195,441</u>
NET BOOK VALUE	
At 30th June 2012	<u>361,782</u>
At 2nd July 2011	<u>389,643</u>

12 TANGIBLE FIXED ASSETS

Group	Fixtures & Fittings £	Equipment £	Total £
COST			
At 3rd July 2011	998,195	342,055	1,340,250
Additions	7,602	14,395	21,997
Disposals	<u>(13,287)</u>	-	<u>(13,287)</u>
At 30th June 2012	<u>992,510</u>	<u>356,450</u>	<u>1,348,960</u>
DEPRECIATION			
At 3rd July 2011	672,902	209,662	882,564
Charge for the period	155,229	48,832	204,061
On disposals	<u>(10,657)</u>	-	<u>(10,657)</u>
At 30th June 2012	<u>817,474</u>	<u>258,494</u>	<u>1,075,968</u>
NET BOOK VALUE			
At 30th June 2012	<u>175,036</u>	<u>97,956</u>	<u>272,992</u>
At 2nd July 2011	<u>325,293</u>	<u>132,393</u>	<u>457,686</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

12 TANGIBLE FIXED ASSETS (continued)**Hire purchase agreements**

Included within the net book value of £272,992 is £10,303 (2011 - £9,281) 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 £2,188 (2011 - £320)

13 INVESTMENTS

Company	Group companies £
COST	
At 3rd July 2011 and 30th June 2012	<u>926,579</u>
AMOUNTS WRITTEN OFF	
At 3rd July 2011	9,175,858
Written off in period	<u>2,161,960</u>
At 30th June 2012	<u>11,337,818</u>
LOANS	
At 3rd July 2011	14,349,279
Advanced in period	<u>2,161,960</u>
At 30th June 2012	<u>16,511,239</u>
NET BOOK VALUE	
At 30th June 2012	<u>6,100,000</u>
At 2nd July 2011	<u>6,100,000</u>

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings				
Lilestone Limited	England and Wales	Ordinary shares	98%	Retailer of lingere and ladies lifestyle products
Myla Investments Limited *	Ireland	Ordinary shares	98%	Retailer of lingere and ladies lifestyle products
Myla Inc *	USA	Ordinary shares	98%	Dormant

* = 100% subsidiary of Lilestone Limited

All the subsidiaries are included in the consolidated accounts

Provisions for impairment

The directors have assessed the carrying value of the investments in subsidiary undertakings at 30th June 2012. A provision of £2,161,960 has been made in the current periods accounts to show the carrying value of the investment at £6,100,000 which the directors believe represents the recoverable economic value of the MYLA brand.

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

13 INVESTMENTS (continued)**14 STOCKS**

	Group		Company	
	30 Jun 12	2 Jul 11	30 Jun 12	2 Jul 11
	£	£	£	£
Stock	<u>1,164,050</u>	<u>1,209,793</u>	<u>–</u>	<u>–</u>

15 DEBTORS

	Group		Company	
	30 Jun 12	2 Jul 11	30 Jun 12	2 Jul 11
	£	£	£	£
Trade debtors	323,996	350,297	–	–
Other debtors	189,226	211,126	–	10,000
Prepayments and accrued income	<u>447,278</u>	<u>407,803</u>	<u>–</u>	<u>–</u>
	<u>960,500</u>	<u>969,226</u>	<u>–</u>	<u>10,000</u>

Other debtors includes an amount of £75,886 (2011 £144,790) due after more than one year in respect of rent deposits secured to the order of various landlords for future rental obligations

16 CREDITORS Amounts falling due within one year

	Group		Company	
	30 Jun 12	2 Jul 11	30 Jun 12	2 Jul 11
	£	£	£	£
Trade creditors	1,066,636	1,357,639	–	–
Hire purchase agreements	4,123	5,792	–	–
Other creditors including taxation and social security	117,582	152,559	–	–
Other taxation and social security	144,397	135,967	–	–
Convertible loan notes	<u>3,002,000</u>	–	<u>3,002,000</u>	–
Accruals and deferred income	<u>455,829</u>	<u>394,159</u>	<u>223,459</u>	<u>207,000</u>
	<u>4,790,567</u>	<u>2,046,116</u>	<u>3,225,459</u>	<u>207,000</u>

17 CREDITORS Amounts falling due after more than one year

	Group		Company	
	30 Jun 12	2 Jul 11	30 Jun 12	2 Jul 11
	£	£	£	£
Hire purchase agreements	<u>4,468</u>	<u>5,815</u>	<u>–</u>	<u>–</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

18. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	Group		Company	
	30 Jun 12	2 Jul 11	30 Jun 12	2 Jul 11
	£	£	£	£
Amounts payable within 1 year	4,123	5,792	-	-
Amounts payable between 2 to 5 years	4,468	5,815	-	-
	<u>8,591</u>	<u>11,607</u>	<u>-</u>	<u>-</u>

19. COMMITMENTS UNDER OPERATING LEASES

At 30th June 2012 the group had annual commitments under non-cancellable operating leases as set out below

Group	Land and buildings	
	30 Jun 12	2 Jul 11
	£	£
Operating leases which expire		
Within 1 year	91,000	33,250
Within 2 to 5 years	84,000	223,000
After more than 5 years	197,750	197,750
	<u>372,750</u>	<u>454,000</u>

Subsequent to the period end the company entered into a non-cancellable operating lease with an annual commitment of £60,000 over a period of 30 months

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

20 RELATED PARTY TRANSACTIONS**Control**

No entity is in a position of control or ultimate control

Transactions with third parties

During the period the group incurred fees for warehouse operations and other similar costs amounting to £24,176 (2011 £Nil) from Courtaulds Limited, a company related by common directors. At 30th June 2012 an amount of £28,828 (2011 £1,162) was due to Courtaulds Limited

During the period Duet Capital SA, a significant shareholder, advanced short term funding that was repaid during the period. Duet Capital SA also subscribed for convertible loan notes and at 30th June 2012 an amount of £502,000 (2011 £Nil) was due to that company. Interest due for the year amounted to £176,418 (2011 £Nil)

At 30th June 2012 an amount of £276,389 (2011 £250,266) was due to PD Garments, a company related by common directors. During the year the company purchased stock amounting to £634,830 (2011 £442,255) from this company

During the year, the company incurred fees in respect of the services of directors nominated by the following significant shareholders

- Duet Capital SA £Nil (2011 £49,000)

At 30th June 2012 the following amounts were due in respect of such services

- Duet Capital SA £49,500 (2011 £49,500)
- Kadima Holdings Limited £42,500 (2011 £42,00)

Transactions within Group

Lilestone Holdings Limited has advanced a cumulative amount of £16,511,239 (2011 £14,349,279) to Lilestone Limited. As described in Note 5 this is considered a long term investment, and together with the original cost of investment of £926,579 (2011 £926,579) has been written down to an estimated recoverable amount of £6,100,000

21 SHARE CAPITAL**Allotted, called up and fully paid**

	30 Jun 12		2 Jul 11	
	No	£	No	£
39,761,891 Ordinary shares (2011 - 38,662,886) of £0.001 each	<u>39,761,891</u>	<u>39,762</u>	<u>38,662,886</u>	<u>38,663</u>

During the period the company allotted and issued 1,099,005 Ordinary shares of £0.001 each at £0.1572 or £0.21 per share in order to raise additional working capital. An amount of £179,201 was credited to share premium account

Post Balance Sheet Event

On the 5th December 2012 the company allotted and issued 17,886,559 Ordinary shares for a total consideration of £3,215,878 at an average price of £0.1748 per share in order to provide additional working capital

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd JULY 2011 TO 30th JUNE 2012

22 RESERVES

Group	Share premium account £	Profit and loss account £
Balance brought forward	16,147,982	(14,933,992)
Loss for the period	-	(2,531,941)
Exercise of share options during the year		
New equity share capital subscribed	<u>179,201</u>	<u>-</u>
Balance carried forward	<u>16,327,183</u>	<u>(17,465,933)</u>
Company	Share premium account £	Profit and loss account £
Balance brought forward	16,147,982	(10,189,708)
Loss for the period	-	(2,405,612)
Exercise of share options during the year		
New equity share capital subscribed	<u>179,201</u>	<u>-</u>
Balance carried forward	<u>16,327,183</u>	<u>(12,595,320)</u>

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 Jun 12		2 Jul 11	
	£	£	£	£
Loss for the financial period		(2,531,941)		(1,824,450)
New equity share capital subscribed	1,099		9,643	
Premium on new share capital subscribed	<u>179,201</u>		<u>2,015,357</u>	
Exchange rate movement		<u>180,300</u>		2,025,000
		-		44,615
Net (reduction)/addition to shareholders' funds		<u>(2,351,641)</u>		245,165
Opening shareholders' funds		<u>1,252,653</u>		1,007,488
Closing shareholders' (deficit)/funds		<u>(1,098,988)</u>		<u>1,252,653</u>