

COMPANY REGISTRATION NUMBER 05551556

LILESTONE HOLDINGS LIMITED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
2nd JULY 2011

WEDNESDAY



L182H5P4

LD5

02/05/2012

#116

COMPANIES HOUSE

BREBNERS

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

LILESTONE HOLDINGS LIMITED
FINANCIAL STATEMENTS
PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

CONTENTS	PAGES
Officers and professional advisers	1
The directors' report	2 to 4
Independent auditor's report to the shareholders	5 to 6
Profit and loss account	7
Group balance sheet	8
Balance sheet	9
Group cash flow cash flow statement	10 to 11
Notes to the financial statements	12 to 21

LILESTONE HOLDINGS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

S Llewellyn
C Gabay
D T Metcalfe

Registered office

1-6 Clay Street
London
W1U 6DA

Auditor

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

LILESTONE HOLDINGS LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

The directors present their report and the financial statements of the group for the period from 3rd October 2010 to 2nd July 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

During the year the company allotted and issued 9,642,858 Ordinary shares which raised £2 million of additional working capital for the group.

Financial Key Performance Indicators

	2011	2010
Turnover (£)	3,949,733	5,864,322
Increase / (decrease) in turnover (based upon annualised figures)	(10.2%)	3.3%
Gross profit margin	58%	63%

Non-Financial Key Performance Indicators

The group seeks to ensure that responsible business practice is fully integrated into the management of all of its operations and into the culture of all parts of its business. It believes that the consistent adoption of responsible business practice is essential for operational excellence, which in turn, ensures the delivery of its core objectives of sustained real growth in profitability.

In a group this size the directors consider there are collectively numerous non-financial performance indicators but none individually are key.

RESULTS AND DIVIDENDS

The loss for the period amounted to £1,824,450. The directors have not recommended a dividend.

LILESTONE HOLDINGS LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The group uses various financial instruments including cash balances, trade debtors, trade creditors and funding from shareholders. The main purpose of these instruments is to raise finance for the group's operations. The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below.

The main risks arising from the group's financial instruments are currency risk, credit risk, interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies remain unchanged from previous years.

Currency risk

The nature of the group's operations expose it to foreign exchange risk. The group is required to purchase stock, and incur handling and storage costs denominated in Euros and US Dollars. No hedging of the group's foreign currency exposure is undertaken. The directors continually monitor exchange rates, and keep the exposure under review. Some sales are also made in Euros and US Dollars which helps to hedge the group's exposure.

Credit risk

The nature of the group's operations expose it to credit risk. Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. The group undertakes credit checks before agreeing credit limits although its trade debtors are predominantly amounts due from Blue Chip store concessions.

Liquidity risk

In respect of bank balances the group manages liquidity risks by maintaining a balance between the continuity of funding and flexibility through use of loans from shareholders.

In respect of trade creditors and finance lease agreements the group manages the liquidity risk by ensuring there are sufficient funds to meet payment as they fall due.

DIRECTORS

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

C Allner
S Llewellyn
C Gabay
D Gestetner
D T Metcalfe

D T Metcalfe was appointed as a director on 29th June 2011.

D Gestetner resigned as a director on 27th January 2011.

C Allner resigned as a director on 26th January 2012.

LILESTONE HOLDINGS LIMITED

THE DIRECTORS' REPORT *(continued)*

PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

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

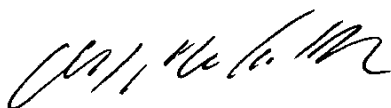
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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 26th March 2012

LILESTONE HOLDINGS LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
LILESTONE HOLDINGS LIMITED
PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

We have audited the group and parent company financial statements ("the financial statements") of Lilestone Holdings Limited for the period from 3rd October 2010 to 2nd July 2011 on pages 7 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 4, 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 , 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 2nd July 2011 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 OCTOBER 2010 TO 2nd JULY 2011

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
BREBNEERS
Chartered Accountants
& Statutory Auditor

The Quadrangle
180 Wardour Street
London
W1F 8LB

1st May 2012

LILESTONE HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

	Note	Period from 3 Oct 10 to 2 Jul 11 £	Year to 2 Oct 10 £
GROUP TURNOVER	2	3,949,733	5,864,322
Cost of sales		1,668,280	2,170,977
GROSS PROFIT		<u>2,281,453</u>	<u>3,693,345</u>
Distribution costs		619,435	835,453
Administrative expenses		3,485,184	5,540,707
OPERATING LOSS	3	<u>(1,823,166)</u>	<u>(2,682,815)</u>
Interest payable and similar charges	6	1,284	176,601
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,824,450)</u>	<u>(2,859,416)</u>
Tax on loss on ordinary activities	7	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(1,824,450)</u>	<u>(2,859,416)</u>
Minority interests		-	471,010
LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	8	<u>(1,824,450)</u>	<u>(3,330,426)</u>
LOSS FOR THE FINANCIAL PERIOD		<u>(1,824,450)</u>	<u>(3,330,426)</u>

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 12 to 21 form part of these financial statements

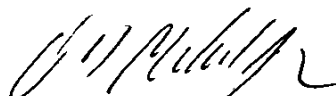
LILESTONE HOLDINGS LIMITED

GROUP BALANCE SHEET

2nd JULY 2011

	Note	2 Jul 11 £	£	2 Oct 10 £	£
FIXED ASSETS					
Intangible assets	9		389,643		417,504
Tangible assets	10		457,686		605,540
		
			847,329		1,023,044
CURRENT ASSETS					
Stocks	12	1,209,793		939,980	
Debtors	13	969,226		1,033,999	
Cash at bank and in hand		278,236		85,760	
		
		2,457,255		2,059,739	
CREDITORS: Amounts falling due within one year	14	2,046,116		2,075,295	
		
NET CURRENT ASSETS/(LIABILITIES)			411,139		(15,556)
		
TOTAL ASSETS LESS CURRENT LIABILITIES			1,258,488		1,007,488
CREDITORS: Amounts falling due after more than one year	15		5,815		-
		
			1,252,653		1,007,488
		
CAPITAL AND RESERVES					
Called-up equity share capital	19		38,663		29,020
Share premium account	20		16,147,982		14,132,625
Profit and loss account	20		(14,933,992)		(13,154,157)
		
SHAREHOLDERS' FUNDS	21		1,252,653		1,007,488
		

These financial statements were approved by the directors and authorised for issue on 26th March 2012, and are signed on their behalf by



D T Metcalfe
Director

LILESTONE HOLDINGS LIMITED

BALANCE SHEET

2nd JULY 2011

	Note	2 Jul 11 £	£	2 Oct 10 £	£
FIXED ASSETS					
Investments	11		6,100,000		6,100,000
CURRENT ASSETS					
Debtors	13	10,000		360,000	
Cash at bank		93,937		60,447	
		103,937		420,447	
CREDITORS Amounts falling due within one year	14	207,000		208,294	
NET CURRENT (LIABILITIES)/ASSETS			(103,063)		212,153
TOTAL ASSETS LESS CURRENT LIABILITIES			5,996,937		6,312,153
CAPITAL AND RESERVES					
Called-up equity share capital	19		38,663		29,020
Share premium account	20		16,147,982		14,132,625
Profit and loss account	20		(10,189,708)		(7,849,492)
SHAREHOLDERS' FUNDS			5,996,937		6,312,153

These financial statements were approved by the directors and authorised for issue on 26th March 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 OCTOBER 2010 TO 2nd JULY 2011

	Period from 3 Oct 10 to 2 Jul 11		Year to 2 Oct 10	
	£	£	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(1,811,460)		(3,152,262)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest paid	(10,898)		(176,601)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(10,898)		(176,601)
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets	(22,020)		(19,411)	
Receipts from sale of fixed assets	247		27,612	
NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE		(21,773)		8,201
CASH OUTFLOW BEFORE FINANCING		(1,844,131)		(3,320,662)
FINANCING				
Issue of equity share capital	9,643		23,156	
Share premium on issue of equity share capital	2,015,357		5,068,804	
Capital element of hire purchase	11,607		-	
Net outflow from other long-term creditors	-		(1,910,000)	
NET CASH INFLOW FROM FINANCING		2,036,607		3,181,960
INCREASE/(DECREASE) IN CASH		<u>192,476</u>		<u>(138,702)</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES				
		Period from 3 Oct 10 to 2 Jul 11		Year to 2 Oct 10
		£		£
Operating loss		(1,823,166)		(2,682,815)
Interest payable		9,614		-
Amortisation		27,861		27,861
Depreciation		169,874		246,342
(Profit)/Loss on disposal of fixed assets		(247)		14,008
Increase in stocks		(269,813)		(133,364)
Decrease/(increase) in debtors		109,388		(176,011)
Decrease in creditors		(34,971)		(448,283)
Net cash outflow from operating activities		<u>(1,811,460)</u>		<u>(3,152,262)</u>

The notes on pages 12 to 21 form part of these financial statements.

LILESTONE HOLDINGS LIMITED
GROUP CASH FLOW CASH FLOW STATEMENT
PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2 Jul 11		2 Oct 10	
	£	£	£	£
Increase/(decrease) in cash in the period	192,476		(138,702)	
Cash outflow in respect of hire purchase	(11,607)		-	
Net cash outflow from other long-term creditors	-		1,910,000	
		<u>180,869</u>		<u>1,771,298</u>
Change in net funds		180,869		1,771,298
Net funds at 3 October 2010		<u>85,760</u>		<u>(1,685,538)</u>
Net funds at 2 July 2011		<u>266,629</u>		<u>85,760</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 3 Oct 2010	Cash flows	At 2 Jul 2011
	£	£	£
Net cash			
Cash in hand and at bank	<u>85,760</u>	<u>192,476</u>	<u>278,236</u>
Debt			
Hire purchase agreements	-	<u>(11,607)</u>	<u>(11,607)</u>
Net funds	<u>85,760</u>	<u>180,869</u>	<u>266,629</u>

The notes on pages 12 to 21 form part of these financial statements.

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

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 year shows a loss of £1,824,450 and the balance sheet at 2nd July 2011 shows positive net assets of £1,252,653

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

The directors have taken steps to secure the future of the group by raising additional working capital through share issues, outsourcing spare capacity in the warehouse, closing unprofitable outlets, reviewing sales channels, and reductions in staff and administration expenses

In the six months to 31st December 2011 the management accounts report further losses of £1 million, and a further loss of £0.8 million is forecast for the six months to 30th June 2012. Currently the group is utilising a £1.1 million bridging loan, and it is anticipated that a further £1.4 million will be raised in early 2012

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

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. These uncertainties however create material uncertainty over future trading results and cash flows particularly in respect of

- (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

The directors have concluded that the combination of these circumstances represent a material uncertainty that casts doubt upon the group's ability to continue as a going concern and that therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business

Nevertheless, after making enquiries, and considering the uncertainties 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

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

1. ACCOUNTING POLICIES *(continued)*

Turnover

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

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 OCTOBER 2010 TO 2nd JULY 2011

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 Oct 10 to 2 Jul 11 £	Year to 2 Oct 10 £
United Kingdom	3,090,754	4,944,013
Overseas sales	<u>858,979</u>	<u>920,309</u>
	<u>3,949,733</u>	<u>5,864,322</u>

3. OPERATING LOSS

Operating loss is stated after charging/(crediting)

	Period from 3 Oct 10 to 2 Jul 11 £	Year to 2 Oct 10 £
Amortisation of intangible assets	27,861	27,861
Depreciation of owned fixed assets	169,234	246,342
Depreciation of assets held under hire purchase agreements	640	-
(Profit)/Loss on disposal of fixed assets	(247)	14,008
Auditor's remuneration		
- as auditor	25,638	35,270
Operating lease costs		
- Other	328,645	775,629
Net loss on foreign currency translation	<u>61,192</u>	<u>14,121</u>

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

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

4. PARTICULARS OF EMPLOYEES

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

	Period from 3 Oct 10 to 2 Jul 11 No	Year to 2 Oct 10 No
Number of sales and administration staff	82	94
Number of management staff	2	2
	<u>84</u>	<u>96</u>

The aggregate payroll costs of the above were

	Period from 3 Oct 10 to 2 Jul 11 £	Year to 2 Oct 10 £
Wages and salaries	1,663,161	2,518,200
Social security costs	146,285	209,272
	<u>1,809,446</u>	<u>2,727,472</u>

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration and other payments in respect of qualifying services were

	Period from 3 Oct 10 to 2 Jul 11 £	Year to 2 Oct 10 £
Remuneration receivable	68,250	395,586
Compensation for loss of directorship	-	30,000
	<u>68,250</u>	<u>425,586</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Period from 3 Oct 10 to 2 Jul 11 £	Year to 2 Oct 10 £
Interest payable on bank borrowing	1,284	778
Other similar charges payable	-	175,823
	<u>1,284</u>	<u>176,601</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

7 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 27.33% (2010 - 28%)

	Period from 3 Oct 10 to 2 Jul 11 £	Year to 2 Oct 10 £
Loss on ordinary activities before taxation	<u>(1,824,450)</u>	<u>(2,859,416)</u>
Loss on ordinary activities by rate of tax	(498,622)	(800,637)
Expenses not allowed for tax purposes	16,133	72,276
Depreciation in excess of capital allowances	39,354	60,187
Tax losses carried forward	<u>443,135</u>	<u>668,174</u>
Total current tax	<u>-</u>	<u>-</u>

8. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the financial statements of the parent company was £(2,340,216) (2010 - £(7,458,682))

9. INTANGIBLE FIXED ASSETS

Group	Goodwill £
COST	
At 3rd October 2010 and 2nd July 2011	<u>557,223</u>
AMORTISATION	
At 3rd October 2010	139,719
Charge for the period	<u>27,861</u>
At 2nd July 2011	<u>167,580</u>
NET BOOK VALUE	
At 2nd July 2011	<u>389,643</u>
At 2nd October 2010	<u>417,504</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

10 TANGIBLE FIXED ASSETS

Group	Fixtures & Fittings £	Equipment £	Total £
COST			
At 3rd October 2010	986,475	331,754	1,318,229
Additions	<u>11,719</u>	<u>10,301</u>	<u>22,020</u>
At 2nd July 2011	<u>998,194</u>	<u>342,055</u>	<u>1,340,249</u>
DEPRECIATION			
At 3rd October 2010	543,007	169,682	712,689
Charge for the period	<u>129,894</u>	<u>39,980</u>	<u>169,874</u>
At 2nd July 2011	<u>672,901</u>	<u>209,662</u>	<u>882,563</u>
NET BOOK VALUE			
At 2nd July 2011	<u>325,293</u>	<u>132,393</u>	<u>457,686</u>
At 2nd October 2010	<u>443,468</u>	<u>162,072</u>	<u>605,540</u>

Hire purchase agreements

Included within the net book value of £457,686 is £18,562 (2010 - £Nil) 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 £640 (2010 - £Nil).

11. INVESTMENTS

Company	Group companies £
COST	
At 3rd October 2010 and 2nd July 2011	<u>926,579</u>
AMOUNTS WRITTEN OFF	
At 3rd October 2010	6,895,942
Written off in period	<u>2,279,916</u>
At 2nd July 2011	<u>9,175,858</u>
LOANS	
At 3rd October 2010	12,069,363
Advanced in period	<u>2,279,916</u>
At 2nd July 2011	<u>14,349,279</u>
NET BOOK VALUE	
At 2nd July 2011	<u>6,100,000</u>
At 2nd October 2010	<u>6,100,000</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

	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 Ingene and ladies lifestyle products
Myla Investments Limited *	Ireland	Ordinary shares	98%	Retailer of Ingene and ladies lifestyle products
Myla Inc *	USA	Ordinary shares	98%	Retailer of Ingene and ladies lifestyle products

* = 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 2nd July 2011. A provision of £9,175,858 has been made in the company's 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.

12. STOCKS

	Group		Company	
	2 Jul 11	2 Oct 10	2 Jul 11	2 Oct 10
	£	£	£	£
Stock	<u>1,209,793</u>	<u>939,980</u>	<u>—</u>	<u>—</u>

13. DEBTORS

	Group		Company	
	2 Jul 11	2 Oct 10	2 Jul 11	2 Oct 10
	£	£	£	£
Trade debtors	350,297	226,265	—	—
VAT recoverable	—	2,235	—	—
Other debtors	183,694	146,252	10,000	—
Prepayments and accrued income	435,235	659,247	—	360,000
	<u>969,226</u>	<u>1,033,999</u>	<u>10,000</u>	<u>360,000</u>

Other debtors includes an amount of £144,790 (2010 £124,927) due after more than one year in respect of rent deposits secured to the order of various landlords for future rental obligations.

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

14 CREDITORS: Amounts falling due within one year

	Group		Company	
	2 Jul 11	2 Oct 10	2 Jul 11	2 Oct 10
	£	£	£	£
Trade creditors	1,357,639	1,338,238	-	-
Hire purchase agreements	5,792	-	-	-
Other creditors including taxation and social security				
Other taxation and social security	152,559	163,808	-	-
Other creditors	135,967	150,021	-	10,000
Accruals and deferred income	394,159	423,228	207,000	198,294
	<u>2,046,116</u>	<u>2,075,295</u>	<u>207,000</u>	<u>208,294</u>

15 CREDITORS Amounts falling due after more than one year

	Group		Company	
	2 Jul 11	2 Oct 10	2 Jul 11	2 Oct 10
	£	£	£	£
Hire purchase agreements	<u>5,815</u>	-	-	-

16. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows

	Group		Company	
	2 Jul 11	2 Oct 10	2 Jul 11	2 Oct 10
	£	£	£	£
Amounts payable within 1 year	5,792	-	-	-
Amounts payable between 2 to 5 years	5,815	-	-	-
	<u>11,607</u>	-	-	-

17 COMMITMENTS UNDER OPERATING LEASES

At 2nd July 2011 the group had annual commitments under non-cancellable operating leases as set out below

Group	Land and buildings	
	2 Jul 11	2 Oct 10
	£	£
Operating leases which expire		
Within 1 year	33,250	70,000
Within 2 to 5 years	223,000	313,000
After more than 5 years	197,750	170,632
	<u>454,000</u>	<u>553,632</u>

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

18. RELATED PARTY TRANSACTIONS**Control**

No entity is in a position of control or ultimate control

Transactions with third parties

During the period, the company incurred fees in respect of the services of directors nominated in accordance with the company's Articles of Association as follows

- First Retail (UK) Corp £Nil (2010 £33,000)
- Octopus Investments Limited £11,250 (2010 £15,000)
- Duet Capital SA £9,000 (2010 £15,000)
- Kadima Holdings Limited £Nil (2010 £9,000)

Included in creditors are the following amounts

- First Retail (UK) Corp £23,500 (2010 £23,500)
- Octopus Investments Limited £37,500 (2010 £30,000)
- Duet Capital SA £49,500 (2010 £40,500)
- Kadima Holdings Limited £42,500 (2010 £42,500)

These companies are considered to be related by virtue of directors in common

Included in trade creditors is an amount of £25,079 (2010 £20,617) owed to Octopus Investments Limited, a company that exerts significant influence over the group

Transactions within group

Lilestone Holdings Limited has advanced £14,349,279 (2010 £12,069,363) to Lilestone Limited and its subsidiary undertakings. As described in Note 11 this is considered a long term investment, and together with the investment of £926,579 (2010 £926,579) this has been written down to £6,100,000

19. SHARE CAPITAL**Allotted, called up and fully paid:**

	2 Jul 11		2 Oct 10	
	No	£	No	£
38,662,886 Ordinary shares (2010 - 29,020,028) of £0.001 each	<u>38,662,886</u>	<u>38,663</u>	<u>29,020,028</u>	<u>29,020</u>

During the year the company allotted and issued 9,642,858 Ordinary shares of £0.001 each at an amount of £0.21 per share in order to raise additional working capital for the group. An amount of £2,015,357 was credited to share premium account

LILESTONE HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
PERIOD FROM 3rd OCTOBER 2010 TO 2nd JULY 2011

20. RESERVES

Group	Share premium account £	Profit and loss account £
Balance brought forward	14,132,625	(13,154,157)
Loss for the period	–	(1,824,450)
Exchange rate movement	–	44,615
Exercise of share options during the year		
New equity share capital subscribed	<u>2,015,357</u>	–
Balance carried forward	<u>16,147,982</u>	<u>(14,933,992)</u>
Company	Share premium account £	Profit and loss account £
Balance brought forward	14,132,625	(7,849,492)
Loss for the period	–	(2,340,216)
Exercise of share options during the year		
New equity share capital subscribed	<u>2,015,357</u>	–
Balance carried forward	<u>16,147,982</u>	<u>(10,189,708)</u>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2 Jul 11		2 Oct 10	
	£	£	£	£
Loss for the financial period		(1,824,450)		(3,330,426)
New equity share capital subscribed	9,643		23,156	
Premium on new share capital subscribed	<u>2,015,357</u>		<u>5,068,804</u>	
		<u>2,025,000</u>		5,091,960
Exchange rate movement		44,615		45,618
Net addition to shareholders' funds/(deficit)		245,165		1,807,152
Opening shareholders' funds/(deficit)		<u>1,007,488</u>		<u>(799,664)</u>
Closing shareholders' funds		<u>1,252,653</u>		<u>1,007,488</u>