

COMPANY REGISTRATION NUMBER 05551556

**LILESTONE HOLDINGS LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED**  
**2nd OCTOBER 2010**



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

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**LILESTONE HOLDINGS LIMITED**  
**FINANCIAL STATEMENTS**  
**PERIOD ENDED 2nd OCTOBER 2010**

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**LILESTONE HOLDINGS LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

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**The board of directors**

C Allner  
S Llewellyn  
C Gabay

**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 ENDED 2nd OCTOBER 2010**

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The directors present their report and the financial statements of the group for the period ended 2nd October 2010

**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.

The directors are pleased that despite difficult economic and trading conditions group turnover increased by 3.3% to £5,864,322. The group are continuing to maintain 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 groups 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 of sustaining the position in the current period.

During the year the company allotted and issued 23,156,028 Ordinary shares which allowed the repayment of £1.9 million of Debenture Loans and raised £3.2 million of additional working capital for the group.

Subsequent to the year end the company has embarked on fresh rounds of fund raising, planning to raise a further £4 million. To date £2 million has been received. Once the total has been raised, shares will be issued at £0.21 per share.

**Financial Key Performance Indicators**

	2010	2009
Turnover (£)	5,864,322	5,674,650
Increase in turnover	3.3%	3.4%
Gross profit margin	63.0%	63.5%

**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 £3,330,426. The directors have not recommended a dividend.

**LILESTONE HOLDINGS LIMITED****THE DIRECTORS' REPORT *(continued)*****PERIOD ENDED 2nd OCTOBER 2010**

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**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	(Resigned 30th September 2010)
L Gestetner	(Resigned 25th March 2010)
Y Tsakins	(Resigned 30th April 2010)
T Bennett	(Resigned 30th November 2009)
R Arlington	(Served from 30th November 2009 to 20th July 2010)

**POLICY ON THE PAYMENT OF CREDITORS**

The group policy is to settle trade creditors in accordance with agreed payment terms. The average trade creditor days at 30th September 2010 is 69 days (2009 82 days).

## LILESTONE HOLDINGS LIMITED

### THE DIRECTORS' REPORT *(continued)*

PERIOD ENDED 2nd OCTOBER 2010

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#### 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on 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

C Allner  
Director



Approved by the directors on

30 June 2011

**LILESTONE HOLDINGS LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**  
**LILESTONE HOLDINGS LIMITED**  
**PERIOD ENDED 2nd OCTOBER 2010**

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We have audited the group and parent company financial statements ("the financial statements") of Lilestone Holdings Limited for the period ended 2nd October 2010 on pages 7 to 23. 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 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 directors, and the overall presentation of the financial statements.

**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 October 2010 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 ENDED 2nd OCTOBER 2010**

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**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

30 June 11



**LILESTONE HOLDINGS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**PERIOD ENDED 2nd OCTOBER 2010**

	Note	2010 £	2009 £
<b>GROUP TURNOVER</b>	<b>2</b>	<b>5,864,322</b>	<b>5,674,650</b>
Cost of sales		<u>2,170,977</u>	<u>2,069,077</u>
<b>GROSS PROFIT</b>		<b>3,693,345</b>	<b>3,605,573</b>
Distribution costs		<b>835,453</b>	<b>1,138,509</b>
Administrative expenses		<b>5,540,707</b>	<b>5,298,105</b>
<b>OPERATING LOSS</b>	<b>3</b>	<b>(2,682,815)</b>	<b>(2,831,041)</b>
Interest receivable	6	–	<b>4,057</b>
Interest payable and similar charges	7	<b>(176,601)</b>	<b>(114,079)</b>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(2,859,416)</b>	<b>(2,941,063)</b>
Tax on loss on ordinary activities	8	–	–
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>(2,859,416)</b>	<b>(2,941,063)</b>
Minority interests		<b>471,010</b>	<b>(53,869)</b>
<b>LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY</b>	<b>9</b>	<b>(3,330,426)</b>	<b>(2,887,194)</b>
<b>LOSS FOR THE FINANCIAL PERIOD</b>		<b><u>(3,330,426)</u></b>	<b><u>(2,887,194)</u></b>

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 23 form part of these financial statements

**LILESTONE HOLDINGS LIMITED**  
**GROUP BALANCE SHEET**  
**2nd OCTOBER 2010**

	Note	2010		2009	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	10		417,504		445,365
Tangible assets	11		605,540		874,091
			<u>1,023,044</u>		<u>1,319,456</u>
<b>CURRENT ASSETS</b>					
Stocks	13	939,980		806,616	
Debtors	14	1,033,999		812,370	
Cash at bank and in hand		85,760		314,462	
		<u>2,059,739</u>		<u>1,933,448</u>	
<b>CREDITORS. Amounts falling due within one year</b>	15	<u>2,075,295</u>		<u>2,613,578</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(15,556)</u>		<u>(680,130)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,007,488</u>		<u>639,326</u>
<b>CREDITORS Amounts falling due after more than one year</b>	16		-		1,910,000
			<u>1,007,488</u>		<u>(1,270,674)</u>
<b>MINORITY INTERESTS</b>			-		(471,010)
			<u>1,007,488</u>		<u>(799,664)</u>
<b>CAPITAL AND RESERVES</b>					
Called-up equity share capital	20		29,020		5,864
Share premium account	21		14,132,625		9,063,821
Profit and loss account	21		(13,154,157)		(9,869,349)
<b>SHAREHOLDERS' FUNDS/(DEFICIT)</b>	22		<u>1,007,488</u>		<u>(799,664)</u>

These financial statements were approved by the directors and authorised for issue on 30 June 11, and are signed on their behalf by

C Allner  
Director



## LILESTONE HOLDINGS LIMITED

## BALANCE SHEET

2nd OCTOBER 2010

	Note	2010		2009	
		£	£	£	£
<b>FIXED ASSETS</b>					
Investments	12		6,100,000		10,688,043
<b>CURRENT ASSETS</b>					
Debtors	14	360,000		90,000	
Cash at bank		<u>60,447</u>		<u>206,812</u>	
		420,447		296,812	
<b>CREDITORS Amounts falling due within one year</b>	15	<u>208,294</u>		<u>395,980</u>	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			212,153		(99,168)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>6,312,153</u>		<u>10,588,875</u>
<b>CREDITORS Amounts falling due after more than one year</b>	16		–		1,910,000
			<u>6,312,153</u>		<u>8,678,875</u>
<b>CAPITAL AND RESERVES</b>					
Called-up equity share capital	20		29,020		5,864
Share premium account	21		14,132,625		9,063,821
Profit and loss account	21		(7,849,492)		(390,810)
<b>SHAREHOLDERS' FUNDS</b>			<u>6,312,153</u>		<u>8,678,875</u>

These financial statements were approved by the directors and authorised for issue on 30 June 11, and are signed on their behalf by

C Allner  
Director



Company Registration Number 05551556

**LILESTONE HOLDINGS LIMITED**  
**GROUP CASH FLOW STATEMENT**  
**PERIOD ENDED 2nd OCTOBER 2010**

	2010		2009	
	£	£	£	£
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		(3,152,262)		(1,790,161)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
Interest received	-		4,057	
Interest paid	(176,601)		(114,079)	
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		(176,601)		(110,022)
<b>CAPITAL EXPENDITURE</b>				
Payments to acquire tangible fixed assets	(19,411)		(518,765)	
Receipts from sale of fixed assets	27,612		-	
<b>NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE</b>		8,201		(518,765)
<b>CASH OUTFLOW BEFORE FINANCING</b>		(3,320,662)		(2,418,948)
<b>FINANCING</b>				
Issue of equity share capital	23,156		-	
Share premium on issue of equity share capital	5,068,804		700,831	
Repayment of bank loans	-		(660)	
Net (outflow)/inflow from other long-term creditors	(1,910,000)		809,864	
<b>NET CASH INFLOW FROM FINANCING</b>		3,181,960		1,510,035
<b>DECREASE IN CASH</b>		(138,702)		(908,913)
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>				
		2010		2009
		£		£
Operating loss		(2,682,815)		(2,831,041)
Amortisation		27,861		27,861
Depreciation		246,342		184,926
Loss on disposal of fixed assets		14,008		-
(Increase)/decrease in stocks		(133,364)		273,287
(Increase)/decrease in debtors		(176,011)		120,555
(Decrease)/increase in creditors		(448,283)		410,453
Equity-settled share-based payments		-		23,798
Net cash outflow from operating activities		(3,152,262)		(1,790,161)

The notes on pages 12 to 23 form part of these financial statements

**LILESTONE HOLDINGS LIMITED**  
**GROUP CASH FLOW STATEMENT**  
**PERIOD ENDED 2nd OCTOBER 2010**

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2010		2009	
	£	£	£	£
Decrease in cash in the period	(138,702)		(908,913)	
Net cash outflow from bank loans	-		660	
Net cash outflow from/(inflow) from other long-term creditors	<u>1,910,000</u>		<u>(809,864)</u>	
		<u>1,771,298</u>		<u>(1,718,117)</u>
Change in net funds		<u>1,771,298</u>		<u>(1,718,117)</u>
Net debt at 1 October 2009		<u>(1,685,538)</u>		32,579
Net funds at 2 October 2010		<u>85,760</u>		<u>(1,685,538)</u>

**ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 Oct 2009 £	Cash flows £	At 2 Oct 2010 £
Net cash			
Cash in hand and at bank	314,462	(228,702)	85,760
Overdrafts	<u>(90,000)</u>	<u>90,000</u>	<u>-</u>
	<u>224,462</u>	<u>(138,702)</u>	<u>85,760</u>
Debt			
Debt due after 1 year	<u>(1,910,000)</u>	<u>1,910,000</u>	<u>-</u>
Net funds	<u>(1,685,538)</u>	<u>1,771,298</u>	<u>85,760</u>

The notes on pages 12 to 23 form part of these financial statements

**LILESTONE HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED 2nd OCTOBER 2010**

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**1. ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

**Basis of preparation**

The consolidated profit and loss account for the year shows a loss of £2,859,416 and the balance sheet shows positive net assets of £1,007,488

The group is currently in negotiations with HMRC over unpaid VAT and PAYE amounting to £76,205. An agreement has been reached with HMRC to clear the outstanding balance. The directors remain confident that the group will meet its commitment under this agreement and to settle all current VAT and PAYE on the due dates.

Subsequent to the year end the company has embarked on fresh rounds of fund raising, planning to raise a further £4 million. To date £2 million has been received. Once the total has been raised, shares will be issued at £0.21 per share.

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

The group's budgets, which are considered reasonable by the directors, indicate that the group should be able to operate within the level of its current working capital.

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 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 ENDED 2nd OCTOBER 2010**

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**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 ENDED 2nd OCTOBER 2010**

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**1 ACCOUNTING POLICIES (continued)****Share-based payments**

The group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest.

Fair value is measured using the Black Scholes Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

**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.

	2010	2009
	£	£
United Kingdom	4,944,013	4,347,557
Overseas sales	920,309	1,327,093
	<u>5,864,322</u>	<u>5,674,650</u>



**LILESTONE HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**PERIOD ENDED 2nd OCTOBER 2010**

**3 OPERATING LOSS**

Operating loss is stated after charging/(crediting)

	2010	2009
	£	£
Amortisation of intangible assets	27,861	27,150
Depreciation of owned fixed assets	246,342	184,414
Loss on disposal of fixed assets	14,008	-
Operating lease costs		
- Other	775,629	625,684
Net loss/(profit) on foreign currency translation	14,121	(64,435)
Auditor's remuneration - audit of the financial statements	35,270	19,792
Auditor's remuneration - other fees	<u>2,500</u>	<u>17,700</u>

Other operating lease costs are in respect of land and buildings

**Amounts in respect of Brebners**

	2010	2009
	£	£
Auditor's remuneration - audit of the financial statements	<u>25,360</u>	<u>-</u>
Auditor's remuneration - other fees		
- Taxation services	<u>2,500</u>	<u>-</u>

**Amounts in respect of Grant Thornton UK LLP**

	2010	2009
	£	£
Auditor's remuneration - audit of the financial statements	<u>9,910</u>	<u>19,792</u>
Auditor's remuneration - other fees		
- Audit fee paid to associate - audit of overseas subsidiary	-	8,700
- Taxation services	<u>-</u>	<u>9,000</u>
	<u>-</u>	<u>17,700</u>

**LILESTONE HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**4 PARTICULARS OF EMPLOYEES**

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

	2010	2009
	No	No
Number of sales and administration staff	94	91
Number of management staff	2	2
	<u>96</u>	<u>93</u>

The aggregate payroll costs of the above were

	2010	2009
	£	£
Wages and salaries	2,518,200	2,823,966
Social security costs	209,272	205,235
Equity-settled share-based payments	-	23,798
	<u>2,727,472</u>	<u>3,052,999</u>

**5 DIRECTORS' REMUNERATION**

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

	2010	2009
	£	£
Remuneration receivable	395,586	328,876
Compensation for loss of directorship	30,000	-
	<u>425,586</u>	<u>328,876</u>

The highest paid director received £215,419 (2009 £168,000) during the year

**6 INTEREST RECEIVABLE**

	2010	2009
	£	£
Bank interest receivable	<u>-</u>	<u>4,057</u>

**7 INTEREST PAYABLE AND SIMILAR CHARGES**

	2010	2009
	£	£
Interest payable on bank borrowing	778	3,045
Other similar charges payable	175,823	111,034
	<u>176,601</u>	<u>114,079</u>

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**8 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 28% (2009 - 28%)

	2010 £	2009 £
Loss on ordinary activities before taxation	<u>(2,859,416)</u>	<u>(2,941,063)</u>
Loss on ordinary activities by rate of tax	(800,637)	(823,498)
Expenses not allowed for tax purposes	72,276	86,981
Depreciation in excess of capital allowances	60,187	25,759
Tax losses carried forward	<u>668,174</u>	<u>710,758</u>
Total current tax	<u>-</u>	<u>-</u>

**9. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

The loss dealt with in the financial statements of the parent company was £(7,458,682) (2009 - £(115,545))

**10 INTANGIBLE FIXED ASSETS**

Group	Goodwill £
<b>COST</b>	
At 1st October 2009 and 2nd October 2010	<u>557,223</u>
<b>AMORTISATION</b>	
At 1st October 2009	111,858
Charge for the period	<u>27,861</u>
At 2nd October 2010	<u>139,719</u>
<b>NET BOOK VALUE</b>	
At 2nd October 2010	<u>417,504</u>
At 30th September 2009	<u>445,365</u>

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**11 TANGIBLE FIXED ASSETS**

Group	Fixtures & Fittings £	Equipment £	Total £
<b>COST</b>			
At 1st October 2009	1,137,634	327,866	1,465,500
Additions	15,523	3,888	19,411
Disposals	<u>(166,682)</u>	<u>–</u>	<u>(166,682)</u>
<b>At 2nd October 2010</b>	<b><u>986,475</u></b>	<b><u>331,754</u></b>	<b><u>1,318,229</u></b>
<b>DEPRECIATION</b>			
At 1st October 2009	480,199	111,210	591,409
Charge for the period	187,870	58,472	246,342
On disposals	<u>(125,062)</u>	<u>–</u>	<u>(125,062)</u>
<b>At 2nd October 2010</b>	<b><u>543,007</u></b>	<b><u>169,682</u></b>	<b><u>712,689</u></b>
<b>NET BOOK VALUE</b>			
<b>At 2nd October 2010</b>	<b><u>443,468</u></b>	<b><u>162,072</u></b>	<b><u>605,540</u></b>
At 30th September 2009	<u>657,435</u>	<u>216,656</u>	<u>874,091</u>

**12 INVESTMENTS**

Company	Group companies £
<b>COST</b>	
At 1st October 2009 and 2nd October 2010	<u>926,579</u>
<b>AMOUNTS WRITTEN OFF</b>	
Written off in period	<u>6,895,942</u>
At 2nd October 2010	<u>6,895,942</u>
<b>LOANS</b>	
At 1st October 2009	9,761,464
Advanced in period	<u>2,307,899</u>
At 2nd October 2010	<u>12,069,363</u>
<b>NET BOOK VALUE</b>	
<b>At 2nd October 2010</b>	<b><u>6,100,000</u></b>
At 30th September 2009	<u>10,688,043</u>

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	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
<b>Subsidiary undertakings</b>				
Lilestone Plc	England and Wales	Ordinary shares	98%	Retailer of lingerie and ladies lifestyle products
Myla Investments Limited *	Ireland	Ordinary shares	98%	Retailer of lingerie and ladies lifestyle products
Myla Inc *	USA	Ordinary shares	98%	Retailer of lingerie and ladies lifestyle products

\* = 100% subsidiary of Lilestone Plc

All the subsidiaries are included in the consolidated accounts

**Prior year adjustment**

The directors consider that the funds advanced to subsidiary undertakings are long term investments in the continued development of the MYLA brand rather than short term funding

Consequently the amount due to the company at 30th September 2009 has been reclassified as a long term investment. The comparatives have been restated with an increase in investments of £9,761,464 and a corresponding decrease in current assets of the same amount

This treatment has been adopted as the directors consider this more properly represents the position

**Provisions for impairment**

The directors have assessed the carrying value of the investments in subsidiary undertakings at 30th September 2010. A provision of £6,895,942 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 amount of the MYLA brand

**13 STOCKS**

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Stock	<u>939,980</u>	<u>806,616</u>	<u>-</u>	<u>-</u>

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**14 DEBTORS**

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	226,265	175,529	-	-
VAT recoverable	2,235	-	-	-
Other debtors	146,252	275,430	-	90,000
Prepayments and accrued income	659,247	361,411	360,000	-
	<u>1,033,999</u>	<u>812,370</u>	<u>360,000</u>	<u>90,000</u>

Other debtors includes an amount of £124,927 (2009 £156,842) due after more than one year in respect of rent deposits secured to the order of various landlords for future rental obligations

**15. CREDITORS Amounts falling due within one year**

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Overdrafts	-	90,000	-	90,000
Trade creditors	1,338,238	1,518,696	-	-
Other creditors including taxation and social security				
Other taxation and social security	163,808	437,953	-	-
Other creditors	150,021	5,570	10,000	-
Accruals and deferred income	423,228	561,359	198,294	305,980
	<u>2,075,295</u>	<u>2,613,578</u>	<u>208,294</u>	<u>395,980</u>

**16 CREDITORS Amounts falling due after more than one year**

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Other creditors including				
Debenture loans	-	1,910,000	-	1,910,000
	<u>-</u>	<u>1,910,000</u>	<u>-</u>	<u>1,910,000</u>

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**17 SHARE-BASED PAYMENTS**

## Equity-settled share-based payments

The company had a number of share option schemes that fell within the scope of FRS20. The options were granted with a fixed exercise price. There are no other conditions attached to the options. Options were valued using the Black-Scholes option pricing model. The expected volatility was based on an approximation thereto. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The company recognised total expenses of £Nil (2009 £23,798) related to equity-settled share-based payment transactions during the year. Within this balance £Nil (2009 £23,596) relates to a charge in respect of share options held by Brands etc LLP, an entity controlled by L Gestetner and D Gestetner who were directors of the company during the year.

The share options in existence at 1st October 2009 were

Grant Date	1/10/06	1/10/06	12/06/07	1/5/07	1/5/07	5/4/07
Number of options granted	150,000	40,000	300,000	192,188	47,500	93,546
Share price at date of grant	£2.00	£2.00	£2.00	£2.00	£2.00	£2.00
Exercise price	£0.66	£1.60	£0.00	£2.00	£2.00	£2.00
Vesting Date	4 years	2 years	immediately	immediately	2 years	3 years
Expected life	4 years	2 years	1 year	1 year	2 years	3 years
Expected volatility	5%	5%	5%	5%	5%	5%
Risk free interest rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Expected dividend yield	0%	0%	0%	0%	0%	0%
Fair value per option	£0.63	£0.09	£0.96	£0.00	£0.00	£0.01

During the year all of the above options were either exercised or waived as part of the fund raising in the year described in Note 20.

**18 COMMITMENTS UNDER OPERATING LEASES**

At 2nd October 2010 the group had annual commitments under non-cancellable operating leases as set out below:

Group	Land and buildings	
	2010 £	2009 £
Operating leases which expire		
Within 1 year	70,000	-
Within 2 to 5 years	313,000	313,000
After more than 5 years	170,632	44,519
	<u>553,632</u>	<u>357,519</u>

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**19 RELATED PARTY TRANSACTIONS****Control**

No entity is in a position of control or ultimate control

**Transactions with external parties**

During the year, the group incurred fees and expenses for consulting services of £215,419 (2009 £175,991) to Brands etc LLP, an entity controlled by L Gestetner and D Gestetner who were directors of the company during the year. Included in creditors falling due within one year is an amount of £47,419 (2009 £Nil)

During the year, the group 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 £33,000 (2009 £Nil)
- Octopus Investments Limited £15,000 (2009 £Nil)
- Duet Private Equity Limited £15,000 (2009 £Nil)
- Kadima Holdings Limited £9,000 (2009 £Nil)

Included in creditors falling due within one year are amounts as follows

- First Retail (UK) Corp £45,000 (2009 £12,000)
- Octopus Investments Limited £30,000 (2009 £15,000)
- Duet Private Equity Limited £40,500 (2009 £25,500)
- Kadima Holdings Limited £21,000 (2009 £12,000)

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

Included within debtors is an amount due to the company from Duet Private Equity Limited of £350,000 (2009 £Nil) in respect of share capital subscriptions

**Transactions within group**

The company has advanced £12,069,363 (2009 £9,761,464) to Lilestone Plc and its subsidiary undertakings. As described in Note 12 this is considered a long term investment, and together with the investment of £926,579 (2009 £926,579) this has been written down to £6,100,000 in the current year

**20 SHARE CAPITAL****Allotted, called up and fully paid:**

	2010		2009	
	No	£	No	£
29,020,028 Ordinary shares (2009 - 5,864,000) of £0.001 each	<u>29,020,028</u>	<u>29,020</u>	<u>5,864,000</u>	<u>5,864</u>

During the year the company allotted and issued 23,156,028 Ordinary shares of £0.001 each at an amount of either £0.28 or £0.21 per share in order to raise additional working capital for the group



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**21 RESERVES**

<b>Group</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>
Balance brought forward	9,063,821	(9,869,349)
Loss for the period	-	(3,330,426)
Exchange rate movement	-	45,618
Exercise of share options during the year		
New equity share capital subscribed	<u>5,068,804</u>	<u>-</u>
Balance carried forward	<u>14,132,625</u>	<u>(13,154,157)</u>
<b>Company</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>
Balance brought forward	9,063,821	(390,810)
Loss for the period	-	(7,458,682)
Exercise of share options during the year		
New equity share capital subscribed	<u>5,068,804</u>	<u>-</u>
Balance carried forward	<u>14,132,625</u>	<u>(7,849,492)</u>

**22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2010		2009	
	£	£	£	£
Loss for the financial period		(3,330,426)		(2,887,194)
New equity share capital subscribed	23,156		-	
Premium on new share capital subscribed	<u>5,068,804</u>		<u>700,831</u>	
		5,091,960		700,831
Exchange rate movement		45,618		84,599
Other movements		-		23,798
Net addition/(reduction) to shareholders' (deficit)/funds		<u>1,807,152</u>		<u>(2,077,966)</u>
Opening shareholders' (deficit)/funds		<u>(799,664)</u>		<u>1,278,302</u>
Closing shareholders' funds/(deficit)		<u>1,007,488</u>		<u>(799,664)</u>