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Cath Kidston Limited

Report and Financial Statements

Year Ended

29 March 2009

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Cath Kidston Limited

Annual report and financial statements for the year ended 29 March 2009

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Directors

P Higgins
Miss C I A Kidston
Mrs J Sendell
P Norris
Y Meshoulam
P Spinks
J Ghinn

Secretary and registered office

J Ghinn, 2nd Floor, Frestonia, 125-135 Freston Road, London, W10 6TH.

Company number

2808583

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.

Cath Kidston Limited

Report of the directors for the year ended 29 March 2009

The directors present their report together with the audited financial statements for the year ended 29 March 2009.

Results

Profit before taxation amounted to £4,635,445 (2008: £2,875,115). An interim dividend in the year of £4.21 per share (2008: £nil) was paid in the year. The directors do not recommend payment of a final dividend (2008: £nil).

Principal activities

The principal activity of the company was that of designer, wholesaler and retailer of fabrics, home furnishing products and fashion accessories.

Review of the business

The financial results for year ended 29 March 2009 show a high level of growth and increased profitability. The profit and loss account set out on page 7 shows turnover for the year of £31,293,844 (2008: £19,247,924) and operating profit for the year of £4,601,847 (2008: £2,814,452).

Turnover has increased by 62.6%, as a result of a continued programme of successful new store openings (8 stores opened during the financial year in the UK and the company also opened its first 2 stores in Ireland), combined with a strong performance from the core portfolio which achieved consistent growth year on year. This is in addition to strong mail order and web growth and wholesale sales that have more than doubled since last year.

The performance of sales benefited from the result of better stock availability, brand awareness, product appeal and increased store availability.

Operating profit increased by 63.5% on the previous year. This impressive result was achieved by the increase in turnover and maintaining and controlling the costs at all levels. Gross margins improved slightly to 64.5% (2008: 64.4%) following improved margins through the website channel, due to lower discounting, partially offset by an increased mix of lower margin wholesale sales.

The company continues to generate cash: net cash inflow before investing activities and dividends was £2.5m (2008: £3.6m). It also continues to be free of debt: cash balance at the end of the year was £2.5m (2008: £3.7m). This level of cash generation is sufficient to finance the company's immediate growth plans, pay dividends, and meet the seasonal working capital needs of the business without needing to borrow funds.

The management team has been strengthened with the appointment of a Commercial Director and the recruitment of experienced managers to head up clothing design, warehousing, IT and marketing. A new Finance Director was appointed in May 2009 following the resignation of Stephen King.

Overseas subsidiary

The company's subsidiary business Cath Kidston USA Inc, which ceased trading in June 2008, was officially dissolved on 30th January 2009.

Future developments

The company continues to seek opportunities to increase the size of the retail portfolio; grow mail order and web sales, utilising its new magazine to capture new customers, increase average order values and encourage repeat visits; and to develop and increase the wholesale customer base, which includes the companies' successful international activities and will see further stores opening.

Cath Kidston Limited

Report of the directors for the year ended 29 March 2009 (Continued)

Principal risks and uncertainties

The company has a number of financial risks due to the existence of financial instruments, primarily foreign currency, trade creditors, trade debtors and liquidity

The company has exposure to translation and transaction foreign exchange risk due to its stores in Ireland and its purchasing of goods and raw materials in currencies other than sterling. The company monitors its exposure and takes out forward contracts to fix future exchange rates.

The company monitors cash flow as part of its day-to-day control procedures. The Board considers cash flow projections on a quarterly basis and ensures appropriate investment decisions are made in light of these projections.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed through regular reviews of aged debtor balances and limiting the level of credit given to customers according to payment history / credit agency reports

The current economic environment is affecting consumer confidence and will potentially impact on our trading partners, dependant on their levels of indebtedness. The Board continues to review these relationships and monitor trading patterns for early indicators of any increased difficulties.

Financial risk management objectives and policies

We are committed to making further improvements to the customer proposition to ensure a solid performance and be ready to take advantage of opportunities as the markets improve. We have absolute confidence in the strength of our brand and will continue to develop and invest to maximise our performance in the UK and internationally.

Employment policy

The company is committed to providing Equal Opportunities to all its employees from recruitment and selection, through training and development, appraisal and promotion, to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. All decisions relating to employment practices will be objective, free from bias and based solely upon work criteria and individual merit.

Disabled persons

Every effort is made to ensure that people with disabilities should have full and fair consideration for all vacancies bearing in mind their aptitude. In the event of members of staff becoming disabled we endeavour to retain them in the workforce and ensure that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

Within the bounds of commercial confidentiality, information is disseminated to all members of staff about matters that affect the progress of the company and are of interest and concern to them as employees.

Cath Kidston Limited

Report of the directors for the year ended 29 March 2009 (Continued)

Policy on payment of suppliers

It is the company's policy to agree payment terms as part of any formal contract with a supplier and to make every endeavour to abide by the agreed terms. Where a purchase is not covered by a formal contract and no agreement is reached in advance of raising an order, the policy is that any valid invoice will be paid in full. Average payment days were 29 (2008: 49)

Key Performance Indicators

The Management drives business performance through the setting of clearly defined and measured key performance indicators (KPI's), taking appropriate action where required to enhance the financial results of the business.

The key areas of focus are:

- Year on year turnover growth of the core portfolio
- Delivery of new stores to time and on budget
- Increasing new wholesale customer portfolio and current volumes
- Managing gross profit margin
- Managing and controlling the percentage of costs to sales for Warehousing and delivery, catalogue costs, occupancy and staff costs
- Average transaction value, being the average value of each purchase made by our customers

In addition to the above KPI's, we also focus on store and channel profitability and head office overheads with the target of continually improving the cost efficiency of the business.

Charitable contributions

During the year the company made charitable contributions of £9,998 (2008: £6,449).

Directors

The directors of the company during the year were:

P Higgins
Miss C I A Kidston
Mrs J Sendell
P Norris
S King (resigned 21/05/09)
Y Meshoulam
P Spinks (appointed 05/08/08)
J Ghinn (appointed 09/07/09)

Cath Kidston Limited

Report of the directors for the year ended 29 March 2009 (Continued)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP has expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

On behalf of the Board



**P Higgins
Director**

14th July 2009

Cath Kidston Limited

Report of the independent auditors for the year ended 29 March 2009

To the shareholders of Cath Kidston Limited

We have audited the financial statements of Cath Kidston Limited for the year ended 29 March 2009 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Cath Kidston Limited

Report of the independent auditors for the year ended 29 March 2009 (*Continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 29 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
London

23rd July 2009

Cath Kidston Limited

Profit and loss account for the year ended 29 March 2009

	Note	2009 £	2008 £
Turnover	2	31,293,844	19,247,924
Cost of sales		(11,118,478)	(6,858,408)
Gross profit		20,175,366	12,389,516
Distribution costs		(2,980,650)	(2,190,893)
Administrative expenses		(12,592,869)	(7,384,171)
Operating profit		4,601,847	2,814,452
Costs of fundamental reorganisation	6	-	(30,240)
Profit on ordinary activities before interest	6	4,601,847	2,784,212
Interest receivable	7	73,200	90,903
Interest payable	8	(39,602)	-
Profit on ordinary activities before taxation		4,635,445	2,875,115
Taxation on profit on ordinary activities	10	(1,335,540)	(844,079)
Profit on ordinary activities after taxation		3,299,905	2,031,036

All amounts relate to continuing activities.
All recognised gains and losses are included in the profit and loss account.

The notes on pages 10 to 21 form part of these financial statements.

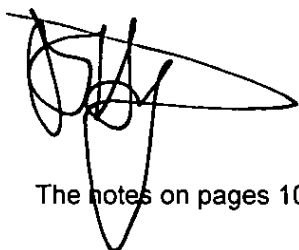
Cath Kidston Limited

Balance sheet at 29 March 2009

	Note	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Tangible assets	11		4,506,741		2,045,746
Current assets					
Stocks	12	4,392,724		2,360,660	
Debtors	13	2,014,034		1,229,142	
Cash at bank and in hand		2,512,742		3,722,062	
		<u>8,919,500</u>		<u>7,311,864</u>	
Creditors: amounts falling due within one year	14	<u>(6,323,962)</u>		<u>(4,886,954)</u>	
Net current assets			<u>2,595,538</u>		<u>2,424,910</u>
Total assets less current liabilities			<u>7,102,279</u>		<u>4,470,656</u>
Creditors: amounts falling due after more than one year	15		<u>(237,646)</u>		<u>-</u>
			<u>6,864,633</u>		<u>4,470,656</u>
Capital and reserves					
Called up share capital	16		2,375		2,243
Share premium account	17		2,063,681		1,969,955
Profit and loss account	17		4,798,577		2,498,458
Shareholders' funds	18		<u>6,864,633</u>		<u>4,470,656</u>

The financial statements were approved by the Board of Directors and authorised for issue on 14th July 2009

P Higgins
Director



The notes on pages 10 to 21 form part of these financial statements.

Cath Kidston Limited

Cash flow statement for the year ended 29 March 2009

	Note	2009 £	2009 £	2008 £	2008 £
Net cash inflow from operating activities	22		4,028,743		3,935,040
Returns on investments and servicing of finance					
Interest received		73,200		90,903	
Interest paid: finance leases		(39,602)		-	
Net cash inflow from returns on investments and servicing of finance			33,598		90,903
Taxation			(1,508,370)		(319,189)
Capital expenditure					
Payments to acquire tangible fixed assets			(2,652,309)		(1,393,666)
Dividend			(999,766)		-
Cash (outflow) / inflow before financing			(1,098,104)		2,313,088
Financing					
Issue of shares	16, 18	93,858		-	
Capital element of finance leases repaid		(205,074)		-	
			(111,216)		-
(Decrease) / increase in cash	23, 24		(1,209,320)		2,313,088

The notes on pages 10 to 21 form part of these financial statements.

Cath Kidston Limited

Notes forming part of the financial statements for the year ended 29 March 2009

1 Accounting policies

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

The following principal accounting policies have been applied:

Accounting date

The accounting reference date of the company is 31 March. These accounts have been prepared up to 29 March, the closest Sunday to 31 March.

Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

Segment analysis

A segment is a distinguishable component of the company that is engaged in providing products or services (business segment) or in providing products or services in a particular territory (geographical segment), which is subject to risks and rewards that are different from other segments.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual values, over their expected useful lives. It is calculated at the following rates:

Leasehold property	-	Term of lease
Office equipment	-	25% per annum of cost
Fixtures and fittings	-	25% per annum of cost
Computer equipment	-	50% per annum of cost
Plant and machinery	-	10% per annum of cost

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and is based on the cost of purchase on a first in first out basis.

Deferred taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent it is considered that a net liability may crystallise.

Deferred tax balances are not discounted.

Pension costs

The company operates a defined contribution pension scheme and pension contributions are charged to profit and loss account in the period in which they become payable.

Cath Kidston Limited

Notes forming part of the financial statements for the year ended 29 March 2009 (*Continued*)

1 Accounting policies (*Continued*)

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rents are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the profit and loss account over the period to the first break clause.

Foreign exchange

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 ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Share based payments

Where share options over equity instruments are awarded to employees, the fair value of the options at the date of the grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other non market vesting conditions (if any) are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when they are approved by the shareholders at an annual general meeting.

Financial Assets

Financial assets are measured initially and subsequently at amortised cost.

Gains and losses arising on derivative instruments used to hedge the company's exposure to future transactions in foreign currencies are recognised in the profit and loss account when the hedged transaction takes place.

Cath Kidston Limited

Notes forming part of the financial statements for the year ended 29 March 2009 (Continued)

1 Accounting policies (Continued)

Financial liabilities and equity

Financial liabilities are measured initially at the amount of the net proceeds, being the fair value of proceeds received on issue after the deduction of issue costs.

2 Turnover

Turnover is attributable solely to continuing operations and derives from the company's principal activity.

3 Segmental analysis

The company's primary reporting segment for reporting segment information is the business segment.

Turnover by class of business

	2009 £	2008 £
Retail	21,527,445	14,649,327
Wholesale / licensing	9,766,399	4,598,597
	<hr/>	<hr/>
Total	31,293,844	19,247,924
	<hr/>	<hr/>

Turnover by geographical markets (by sales destination)

	2009 £	2008 £
UK	25,676,242	16,455,829
EU	2,224,713	613,807
Rest of the World	3,392,889	2,178,288
	<hr/>	<hr/>
Total	31,293,844	19,247,924
	<hr/>	<hr/>

Cath Kidston Limited

Notes forming part of the financial statements
for the year ended 29 March 2009 (Continued)

4 Employees

	2009 £	2008 £
Staff costs consist of:		
Wages and salaries	6,400,867	4,259,243
Social security costs	502,603	380,513
Other pension costs	42,788	40,230
	<u>6,946,258</u>	<u>4,679,986</u>

The average number of employees, including the directors,
during the year was:

	Number	Number
Administration	119	68
Selling	156	111
	<u>275</u>	<u>179</u>

5 Directors

	2009 £	2008 £
Directors' remuneration consists of:		
Emoluments	702,389	562,518
Company contributions to money purchase schemes in relation to directors' pensions	10,883	7,300
	<u>713,272</u>	<u>569,818</u>

Three directors are accruing benefits under a money purchase scheme.

The emoluments of the highest paid director were £ 201,781 (2008: £210,030). No pension contributions were made on behalf of this director (2008: £nil).

Total emoluments include compensation for loss of office of £51,050 paid to one director.

Cath Kidston Limited

Notes forming part of the financial statements for the year ended 29 March 2009 (Continued)

6 Profit on ordinary activities

	2009 £	2008 £
This has been arrived at after charging / (crediting):		
Depreciation of owned assets	620,560	352,254
Depreciation on assets held under finance leases	193,391	-
Operating lease rentals - land and buildings	1,870,214	1,032,018
- other assets	-	110,728
Auditor's remuneration - audit services	22,000	17,000
- non audit services	6,794	3,000
Cost of fundamental reorganisation	-	30,240
Loss on disposal of fixed assets	63,177	-
Foreign exchange gain for year	(81,009)	(249,953)
	<u> </u>	<u> </u>

In 2007 the directors decided upon closure and cessation of all the activities of its subsidiary, Cath Kidston USA Inc and the costs relating to that closure are included in cost of fundamental reorganisation.

7 Interest receivable

	2009 £	2008 £
Bank interest receivable	73,200	90,903
	<u> </u>	<u> </u>

8 Interest payable and similar charges

	2009 £	2008 £
Finance lease interest payable	39,602	-
	<u> </u>	<u> </u>

9 Dividends

	2009 £	2008 £
Interim dividend paid on ordinary shares of £4.21 per share	999,766	-
	<u> </u>	<u> </u>

Cath Kidston Limited

Notes forming part of the financial statements for the year ended 29 March 2009 (Continued)

10 Taxation on profit from ordinary activities

	2009 £	2008 £
<i>Analysis of charge in period</i>		
<i>Current tax</i>		
UK corporation tax on profits of the year	1,335,540	844,079
	<hr/>	<hr/>
Total current tax	1,335,540	844,079
	<hr/>	<hr/>

Factors affecting tax charge for the year

The tax assessed for the year differs from than the standard rate of corporation tax in the UK. The differences are explained below:

	2009 £	2008 £
Profit on ordinary activities before tax	4,635,445	2,875,115
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 – 30%)	1,297,925	862,534
Effects of:		
Capital allowances in excess / (deficit) of depreciation	36,329	(28,130)
Costs of fundamental reorganisation	-	9,072
Expenses not deductible for tax purposes	2,858	2,442
Tax deduction in respect of leases	(1,572)	(1,839)
	<hr/>	<hr/>
Current tax charge for year	1,335,540	844,079
	<hr/>	<hr/>

There was an unrecognised deferred tax liability of £80,531 (2008: £50,655) arising from accelerated capital allowances

Cath Kidston Limited

Notes forming part of the financial statements
for the year ended 29 March 2009 (Continued)

11 Tangible assets

	Leasehold Property £	Plant & machinery £	Office equipment £	Fixtures and fittings £	Computer equipment £	Total £
<i>Cost</i>						
At 30 March 2008	2,110,610	-	46,132	389,586	334,761	2,881,089
Additions	2,377,206	10,049	3,975	482,416	464,477	3,338,123
Disposals	-	-	-	(33,802)	(101,063)	(134,865)
At 29 March 2009	4,487,816	10,049	50,107	838,200	698,175	6,084,347
<i>Depreciation</i>						
At 30 March 2008	432,215	-	36,994	160,436	205,698	835,343
Charge for the year	484,599	5,211	5,133	137,091	181,917	813,951
Disposals	-	-	-	(13,447)	(58,241)	(71,688)
At 29 March 2009	916,814	5,211	42,127	284,080	329,374	1,577,606
<i>Net book value</i>						
At 29 March 2009	3,571,002	4,838	7,980	554,120	368,801	4,506,741
At 30 March 2008	1,678,395	-	9,138	229,150	129,063	2,045,746

The net book value of tangible fixed assets for the company includes an amount of £492,423 (2008: £nil) in respect of assets held under finance leases.

The cost of assets acquired for the purpose of leasing under finance leases was £ 533,933 (2008: £nil).

12 Stocks

	2009 £	2008 £
Finished goods and goods for resale	4,392,724	2,360,660

There is no material difference between the replacement cost of stocks and the amounts stated above.

Cath Kidston Limited

Notes forming part of the financial statements
for the year ended 29 March 2009 (Continued)

13 Debtors

	2009 £	2008 £
Due within one year:		
Trade debtors	861,470	471,999
Prepayments and accrued income	1,060,416	668,178
Other debtors	11,331	-
	<u>1,933,217</u>	<u>1,140,177</u>
Due after one year:		
Other debtors	80,817	88,965
	<u>2,014,034</u>	<u>1,229,142</u>

Amounts falling due after more than one year relate to rent deposits of £80,817 (2008: £88,965)

14 Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	2,041,033	2,046,945
Other creditors	360,787	187,722
Obligations under finance leases	243,096	-
Corporation tax	671,249	844,079
Other taxes and social security	558,113	558,042
Accruals and deferred income	2,449,684	1,250,166
	<u>6,323,962</u>	<u>4,886,954</u>

15 Creditors: amounts falling due after one year

	2009 £	2008 £
Financial liabilities are due:		
In more than one year but not more than two years	187,668	-
In more than two years but not more than five years	49,978	-
	<u>237,646</u>	<u>-</u>

All amounts relate to finance leases

Cath Kidston Limited

Notes forming part of the financial statements for the year ended 29 March 2009 (Continued)

16 Share capital

	2009 £	2008 £
<i>Authorised</i>		
Ordinary 'A' shares of 1p each	1,668	1,668
Ordinary 'B' shares of 1p each	768	768
Ordinary 'C' shares of 1p each	238	238
	<hr/>	<hr/>
	2,674	2,674
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary 'A' shares of 1p each	1,380	1,380
Ordinary 'B' shares of 1p each	768	768
Ordinary 'C' shares of 1p each	227	95
	<hr/>	<hr/>
	2,375	2,243
	<hr/>	<hr/>

The 'A', 'B' and 'C' ordinary shares rank pari passu in all respects with the exception that 'A' and 'B' class shareholders have the right to appoint and remove their own directors.

Issue of ordinary shares

Certain senior employees held options to subscribe for Ordinary 'C' shares in the Company at a price of £7.15 under the share option schemes approved by shareholders. The number of shares subject to options and the periods in which they were granted and exercised are given below:

Year of grant	Exercise price £	Exercise period	Number granted	Number exercised	Balance
2006	£7.15	2006 - 2016	10,407	9,539	868
2007	£7.15	2007 - 2017	3,913	3,588	325
			<hr/>	<hr/>	<hr/>
			14,320	13,127	1,193

The exercise of share options during the year produced a premium to nominal value of £93,726. At the year end all of the outstanding share options were exercisable (2008: 9,547)

The balance of shares held under options at the year end date were exercised in May 2009.

17 Reserves

	Share Premium £	Profit and Loss Account £
Balance at 30 March 2008	1,969,955	2,498,458
Profit for the year	-	3,299,905
Interim dividend (note 9)	-	(999,766)
Translation difference	-	(20)
Premium on share issue (note 16)	93,726	-
	<hr/>	<hr/>
Balance at 29 March 2009	2,063,681	4,798,577
	<hr/>	<hr/>

Cath Kidston Limited

Notes forming part of the financial statements for the year ended 29 March 2009 (Continued)

18 Reconciliation of movements in shareholders' funds

	2009 £	2008 £
Profit for the financial year	3,299,905	2,031,036
Dividends	(999,766)	-
Share capital subscribed	93,858	-
Other net recognised gains and losses relating to the year	(20)	-
Net addition to shareholders' funds	2,393,977	2,031,036
Shareholders' funds at 30 March 2008	4,470,656	2,439,620
Shareholders' funds at 29 March 2009	6,864,633	4,470,656

19 Commitments under operating leases

As at 29 March 2009, the company had annual commitments under non-cancellable operating leases as set out below:

	2009 Land and buildings £	2009 Other £	2008 Land and buildings £	2008 Other £
Operating leases which expire:				
Within one year	20,000	-	65,193	-
In two to five years	539,906	-	287,000	101,976
Over five years	1,560,157	-	835,956	-
	2,120,063	-	1,188,149	101,976

20 Capital commitments

	2009 £	2008 £
Contracted but not provided for	-	81,813

21 Pension costs

The company operates a defined contribution scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amount to £ 42,788 (2008 - £40,230). The amount outstanding to the fund at the balance sheet date was £ 9,490 (2008 - £1,246).

Cath Kidston Limited

Notes forming part of the financial statements for the year ended 29 March 2009 (Continued)

22 Reconciliation of operating profit to net cash inflow from operating activities

	2009 £	2008 £
Operating profit	4,601,847	2,814,452
Depreciation	813,951	352,254
Loss on disposal of fixed assets	63,177	-
Cost of fundamental reorganisation (non operating)	-	(30,240)
Increase in stocks	(2,032,064)	(653,864)
Increase in debtors	(784,892)	(233,580)
Increase in creditors	1,366,744	1,686,018
Foreign currency exchange differences	(20)	-
	<hr/>	<hr/>
Net cash inflow from operating activities and non operating exceptional items	4,028,743	3,935,040
	<hr/>	<hr/>

23 Reconciliation of net cash inflow to movement in net funds

	2009 £	2009 £	2008 £	2008 £
(Decrease)/ increase in cash in the year	(1,209,320)		2,313,088	
Inception of finance leases	(480,740)		-	
Movement in net funds in the year		(1,690,060)		2,313,088
Net funds at 30 March 2008		3,722,062		1,408,974
		<hr/>		<hr/>
Net funds at 29 March 2009		2,032,002		3,722,062
		<hr/>		<hr/>

24 Analysis of net funds

	At 30 March 2008 £	Cash flow £	Other non cash items £	At 29 March 2009 £
Cash at bank	3,712,199	(1,214,792)	-	2,497,407
Cash in hand	9,863	5,472	-	15,335
Finance leases	-	-	(480,740)	(480,740)
	<hr/>	<hr/>	<hr/>	<hr/>
Total	3,722,062	(1,209,320)	(480,740)	2,032,002
	<hr/>	<hr/>	<hr/>	<hr/>

25 Non cash transactions

During the year, the company entered into finance lease arrangements with a total capital value at the inception of the lease of £480,740 (2008: £nil).

Cath Kidston Limited

Notes forming part of the financial statements for the year ended 29 March 2009 (*Continued*)

26 Financial instruments

The Company had forward exchange transactions outstanding at 29 March 2009 with a sterling equivalent of £2,190,000 (2008: £nil) to hedge against future operating payments in US dollars.

The fair value of these derivatives at 29 March 2009 was a liability of £67,425 (2008: £nil) which is not recognised in the balance sheet as the Company is not yet required to adopt FRS 26 Financial Instruments: Measurement.