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**Report of the Directors and
Financial Statements
For The Year Ended 31st December 2004
for
A.S.H.S. LIMITED**



A.S.H.S. LIMITED

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For The Year Ended 31st December 2004

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A.S.H.S. LIMITED

Company Information **For The Year Ended 31st December 2004**

DIRECTORS:

Mrs A Seymour
Miss L J M Ephson
Mr H J Seymour
Mr D Orteu

SECRETARY:

Mr M W Hindmarch

REGISTERED OFFICE:

The Stable Block
Plough Brewery
Battersea
London
SW8 3JX

REGISTERED NUMBER:

3142746

AUDITORS:

Wilkins Kennedy
Chartered Accountants
& Registered Auditors
1-5 Nelson Street
Southend on Sea
Essex
SS1 1EG

BANKERS:

HSBC Plc
48 High Street
Rayleigh
Essex
SS6 7JH

A.S.H.S. LIMITED

Report of the Directors For The Year Ended 31st December 2004

The directors present their report with the financial statements of the company for the year ended 31st December 2004.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the manufacture and sale of luxury handbags and fashion accessories.

The principal activity of the company's subsidiary ASHS USA Limited was that of the retail only of luxury handbags and fashion accessories.

The subsidiary ASHS East Coast Limited remained dormant throughout the year.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 31st December 2004.

DIRECTORS

The directors during the year under review were:

Mrs A Seymour
Miss L J M Ephson
Mr H J Seymour
Mr D Orteu

The beneficial interests of the directors holding office on 31st December 2004 in the issued share capital of the company were as follows:

	31.12.04	1.1.04
Ordinary £1 shares		
Mrs A Seymour	42,500	42,500
Miss L J M Ephson	2,500	2,500
Mr H J Seymour	-	-
Mr D Orteu	-	-

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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;
- 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.

A.S.H.S. LIMITED

**Report of the Directors
For The Year Ended 31st December 2004**

AUDITORS

The auditors, Wilkins Kennedy, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



Mr M W Hindmarch - Secretary

7th October 2005

Report of the Independent Auditors to the Shareholders of A.S.H.S. Limited

We have audited the financial statements of A.S.H.S. Limited for the year ended 31st December 2004 on pages six to twenty. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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.

**Report of the Independent Auditors to the Shareholders of
A.S.H.S. Limited**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Wilkins Kennedy
Chartered Accountants
& Registered Auditors
1-5 Nelson Street
Southend on Sea
Essex
SS1 1EG

7th October 2005

A.S.H.S. LIMITED

Profit and Loss Account For The Year Ended 31st December 2004

	Notes	2004 £	2003 £
TURNOVER	2	8,152,280	8,730,208
Cost of sales		4,263,124	4,642,525
GROSS PROFIT		3,889,156	4,087,683
Administrative expenses		3,834,894	3,517,320
OPERATING PROFIT	4	54,262	570,363
Interest receivable and similar income		4,814	4,393
		59,076	574,756
Interest payable and similar charges	5	30,596	21,562
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		28,480	553,194
Tax on profit on ordinary activities	6	(20,348)	212,250
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		48,828	340,944
RETAINED PROFIT FOR THE YEAR		48,828	340,944

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

A.S.H.S. LIMITED

Balance Sheet 31st December 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	7	548,955	640,612
Investments	8	2	2
		<u>548,957</u>	<u>640,614</u>
CURRENT ASSETS			
Stocks	9	1,462,667	662,813
Debtors	10	964,674	937,339
Cash at bank		1,432	608,789
		<u>2,428,773</u>	<u>2,208,941</u>
CREDITORS			
Amounts falling due within one year	11	<u>1,528,013</u>	<u>1,381,968</u>
NET CURRENT ASSETS		<u>900,760</u>	<u>826,973</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,449,717</u>	<u>1,467,587</u>
CREDITORS			
Amounts falling due after more than one year	12	(166,028)	(220,700)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(58,203)	(70,229)
		<u>1,225,486</u>	<u>1,176,658</u>
CAPITAL AND RESERVES			
Called up share capital	17	50,000	50,000
Profit and loss account	18	1,175,486	1,126,658
SHAREHOLDERS' FUNDS	20	<u>1,225,486</u>	<u>1,176,658</u>

ON BEHALF OF THE BOARD:



Mr H J Seymour - Director

Approved by the Board on 7th October 2005

The notes form part of these financial statements

A.S.H.S. LIMITED

Cash Flow Statement For The Year Ended 31st December 2004

	Notes	2004 £	2003 £
Net cash (outflow)/inflow from operating activities	1	(665,231)	757,162
Returns on investments and servicing of finance	2	(25,782)	(17,169)
Taxation		(166,712)	(195,800)
Capital expenditure	2	(210,125)	(359,340)
		(1,067,850)	184,853
Financing	2	36,914	88,369
(Decrease)/Increase in cash in the period		(1,030,936)	273,222
Reconciliation of net cash flow to movement in net funds	3		
(Decrease)/Increase in cash in the period		(1,030,936)	273,222
Cash inflow from increase in debt and lease financing		(5,490)	(63,221)
Change in net funds resulting from cash flows		(1,036,426)	210,001
Movement in net funds in the period		(1,036,426)	210,001
Net funds at 1st January		689,805	479,804
Net (debt)/funds at 31st December		(346,621)	689,805

The notes form part of these financial statements

A.S.H.S. LIMITED

Notes to the Cash Flow Statement For The Year Ended 31st December 2004

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit	54,262	570,363
Depreciation charges	180,452	119,098
Increase in stocks	(799,854)	(71,227)
(Increase)/Decrease in debtors	(124,848)	235,306
Increase/(Decrease) in creditors	24,757	(96,378)
Net cash (outflow)/inflow from operating activities	(665,231)	757,162

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	4,814	4,393
Interest paid	(30,392)	(19,203)
Interest element of hire purchase payments	(204)	(2,359)
Net cash outflow for returns on investments and servicing of finance	(25,782)	(17,169)
Capital expenditure		
Purchase of tangible fixed assets	(221,985)	(359,340)
Sale of tangible fixed assets	11,860	-
Net cash outflow for capital expenditure	(210,125)	(359,340)
Financing		
New loans in year	-	200,000
Loan repayments in year	(54,673)	(80,856)
Capital repayments in year	(6,787)	(9,546)
Amount introduced by directors	860	-
Amount withdrawn by directors	-	(4,635)
Movement in intercompany account	97,514	(16,594)
Net cash inflow from financing	36,914	88,369

The notes form part of these financial statements

A.S.H.S. LIMITED

Notes to the Cash Flow Statement For The Year Ended 31st December 2004

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1/1/04 £	Cash flow £	At 31/12/04 £
Net cash:			
Cash at bank	608,789	(607,357)	1,432
Bank overdraft	-	(423,579)	(423,579)
	<u>608,789</u>	<u>(1,030,936)</u>	<u>(422,147)</u>
Debt:			
Hire purchase	(6,787)	6,787	-
Debts falling due within one year	308,503	(66,949)	241,554
Debts falling due after one year	(220,700)	54,672	(166,028)
	<u>81,016</u>	<u>(5,490)</u>	<u>75,526</u>
Total	<u>689,805</u>	<u>(1,036,426)</u>	<u>(346,621)</u>

The notes form part of these financial statements

A.S.H.S. LIMITED

Notes to the Financial Statements For The Year Ended 31st December 2004

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Short leasehold	- Depreciated over the period of the lease
Fixtures and fittings	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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 result.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Consolidation

The financial statements contain information about ASHS Limited as an individual company and do not contain consolidated financial information as the parent of the group. The company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group with eads qualifies as a small or medium sized group.

A.S.H.S. LIMITED

Notes to the Financial Statements - continued For The Year Ended 31st December 2004

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2004 £	2003 £
European Union	4,192,917	4,973,587
U.S.A.	895,714	870,961
Far East	3,063,649	2,885,660
	<u>8,152,280</u>	<u>8,730,208</u>

3. STAFF COSTS

	2004 £	2003 £
Wages and salaries	<u>1,594,901</u>	<u>1,337,411</u>

The average monthly number of employees during the year was as follows:

	2004	2003
Sales	36	35
Production	8	9
Administration and management	12	12
	<u>56</u>	<u>56</u>

4. OPERATING PROFIT

The operating profit is stated after charging:

	2004 £	2003 £
Other operating leases	802,755	694,603
Depreciation - owned assets	180,452	113,438
Depreciation - assets on hire purchase contracts	-	5,660
Auditors remuneration	<u>24,200</u>	<u>25,793</u>
	<u>343,102</u>	<u>411,058</u>

Information regarding the highest paid director is as follows:

2004 £	2003 £
<u> </u>	<u> </u>

A.S.H.S. LIMITED

Notes to the Financial Statements - continued
For The Year Ended 31st December 2004

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Bank interest	30,392	19,203
Hire purchase	204	2,359
	<u>30,596</u>	<u>21,562</u>

6. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the profit on ordinary activities for the year was as follows:

	2004	2003
	£	£
Current tax:		
UK corporation tax	-	175,000
Prior periods:		
UK corporation tax	(8,322)	-
Total current tax	(8,322)	175,000
Deferred tax	(12,026)	37,250
Tax on profit on ordinary activities	<u>(20,348)</u>	<u>212,250</u>

UK corporation tax was charged at 30% in 2003.

A.S.H.S. LIMITED

Notes to the Financial Statements - continued For The Year Ended 31st December 2004

6. TAXATION - continued

Factors affecting the tax (credit)/charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	<u>28,480</u>	<u>553,194</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 - 30%)	8,544	165,958
Effects of:		
Depreciation	54,012	35,729
Entertaining	3,014	6,167
Capital Allowances	(40,437)	(64,961)
Marginal relief	-	(4,517)
Group loss relief	-	(3,165)
Bad debts	(36,000)	-
Over accrued to date	-	39,789
Balancing allowance	(4,650)	-
CT in relation to loss	15,517	-
Underprovision in prior year	(8,322)	-
Current tax (credit)/charge	<u>(8,322)</u>	<u>175,000</u>

A.S.H.S. LIMITED

Notes to the Financial Statements - continued
For The Year Ended 31st December 2004

7. TANGIBLE FIXED ASSETS

	Short leasehold £	Fixtures and fittings £	Motor vehicles £	Totals £
COST				
At 1st January 2004	790,970	172,544	59,650	1,023,164
Additions	35,363	65,292	-	100,655
Disposals	-	-	(34,500)	(34,500)
At 31st December 2004	826,333	237,836	25,150	1,089,319
DEPRECIATION				
At 1st January 2004	300,663	61,406	20,483	382,552
Charge for year	124,034	47,974	8,444	180,452
Eliminated on disposal	-	-	(22,640)	(22,640)
At 31st December 2004	424,697	109,380	6,287	540,364
NET BOOK VALUE				
At 31st December 2004	401,636	128,456	18,863	548,955
At 31st December 2003	490,307	111,138	39,167	640,612

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles £
COST	
At 1st January 2004	34,500
Transfer to ownership	(34,500)
At 31st December 2004	-
DEPRECIATION	
At 1st January 2004	17,520
Transfer to ownership	(17,520)
At 31st December 2004	-
NET BOOK VALUE	
At 31st December 2004	-
At 31st December 2003	16,980

A.S.H.S. LIMITED

Notes to the Financial Statements - continued For The Year Ended 31st December 2004

8. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1st January 2004 and 31st December 2004	2
NET BOOK VALUE	
At 31st December 2004	2
At 31st December 2003	2

The company's investments at the balance sheet date in the share capital of companies include the following:

ASHS USA Limited

Nature of business: Retailer of handbags and fashion accessories

	% holding	2004 £	2003 £
Class of shares:			
Ordinary	100.00	(91,467)	(81,604)
Aggregate capital and reserves		(9,863)	(33,213)
Loss for the year			

ASHS East Coast Limited

Country of incorporation: England & Wales

Nature of business: Dormant Company

	% holding
Class of shares:	
Ordinary	100.00

9. STOCKS

	2004 £	2003 £
Stocks	1,462,667	662,813

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Trade debtors	384,404	165,236
Amounts owed by group undertakings	234,285	331,798
Other debtors	345,985	440,305
	964,674	937,339

A.S.H.S. LIMITED

Notes to the Financial Statements - continued For The Year Ended 31st December 2004

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003
	£	£
Bank loans and overdrafts (see note 13)	472,025	48,446
Hire purchase contracts (see note 14)	-	6,787
Trade creditors	825,043	802,253
Corporation Tax	-	175,034
Other creditors	230,085	349,448
Directors' current accounts	860	-
	<u>1,528,013</u>	<u>1,381,968</u>

'Other creditors' include £22,351 (2003 - £24,609) in respect of taxation and social security.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2004	2003
	£	£
Bank loans (see note 13)	<u>166,028</u>	<u>220,700</u>

13. LOANS

An analysis of the maturity of loans is given below:

	2004	2003
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	423,579	-
Bank loans	48,446	48,446
	<u>472,025</u>	<u>48,446</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>51,740</u>	<u>51,740</u>
Amounts falling due between two and five years:		
Bank loans and overdrafts	<u>114,288</u>	<u>168,960</u>

A.S.H.S. LIMITED

Notes to the Financial Statements - continued For The Year Ended 31st December 2004

14. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts	
	2004	2003
	£	£
Net obligations repayable:		
Within one year	-	6,787
	<u>-</u>	<u>6,787</u>

The following operating lease payments are committed to be paid within one year:

	Land and buildings	
	2004	2003
	£	£
Expiring:		
Within one year	-	60,000
Between one and five years	370,273	220,000
In more than five years	48,492	189,500
	<u>418,765</u>	<u>469,500</u>

15. SECURED DEBTS

The following secured debts are included within creditors:

	2004	2003
	£	£
Bank overdraft	423,579	-
Bank loans	214,474	269,146
Hire purchase contracts	-	6,787
	<u>638,053</u>	<u>275,933</u>

The hire purchase creditors hold a fixed charge over the assets concerned under the specific agreements.

The bank overdrafts are secured by a fixed and floating charge over all of the company's assets.

16. PROVISION FOR LIABILITIES AND CHARGES

	2004	2003
	£	£
Deferred tax		
Accelerated capital allowances	58,203	70,229
	<u>58,203</u>	<u>70,229</u>

A.S.H.S. LIMITED

Notes to the Financial Statements - continued For The Year Ended 31st December 2004

16. PROVISION FOR LIABILITIES AND CHARGES - continued

				Deferred tax £
Balance at 1st January 2004				70,229
Movement in provision				(12,026)
Balance at 31st December 2004				<u>58,203</u>

17. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2004 £	2003 £
50,000	Ordinary	£1	<u>50,000</u>	<u>50,000</u>

18. RESERVES

	Profit and loss account £
At 1st January 2004	1,126,658
Retained profit for the year	48,828
At 31st December 2004	<u>1,175,486</u>

19. RELATED PARTY DISCLOSURES

Mrs A Seymour has a controlling interest in the company. At 31st December 2004 the balance on her current account was £860 credit (2003: £NIL).

During the year the company sold goods in the normal course of business to ASHS USA Limited, a company wholly owned by ASHS Limited, at a cost of £124,033 (2003: £134,444). Amounts owed by ASHS USA Limited amounted to £234,285 (2003: £331,798) at the year end.

A.S.H.S. LIMITED

Notes to the Financial Statements - continued
For The Year Ended 31st December 2004

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	48,828	340,944
Net addition to shareholders' funds	48,828	340,944
Opening shareholders' funds	1,176,658	835,714
Closing shareholders' funds	1,225,486	1,176,658
Equity interests	1,225,486	1,176,658