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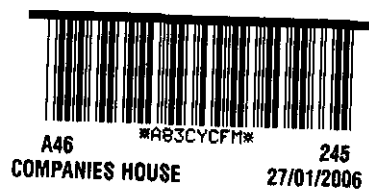
COMPANY NUMBER 3206943

Contessa (Ladieswear) Limited

Report and Financial Statements

Year Ended

2 April 2005



IBDO

BDO Stoy Hayward
Chartered Accountants

CONTESSA (LADIESWEAR) LIMITED

Annual report and financial statements for the year ended 2 April 2005

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Directors

T Paphitis
M S Cooke
W S Cooper
K Kyprianou
R E Towner (non-executive)

Secretary and registered office

A E Mantz, Ryman House, Swallowfield Way, Hayes, Middlesex, UB3 1DQ

Company number

3206943

Auditors

BDO Stoy Hayward LLP, Northside House, 69 Tweedy Road, Bromley, Kent, BR1 3WA

Bankers

National Westminster Bank Plc, 186 Brompton Road, London, SW3 1XJ

CONTESSA (LADIESWEAR) LIMITED

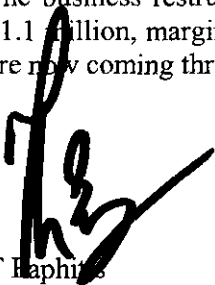
Chairman's statement for the year ended 2 April 2005

Summary

- Turnover decreased by 2% to £18.9 million (2004 - £19.3 million)
- Loss after tax of £0.4 million (2004 - £0.2 million profit)
- Net assets as at 2 April 2005 at £4.0 million (2004 - £4.4 million).

Business review and future developments

The business restructure continued and a new management team was put in place. Stocks were reduced by £1.1 million, margin improvements were achieved and new ranges sourced. The effects of these improvements are now coming through and we feel confident of returning to profitability in the near future.



T Haphits
Chairman

Date: 21 November 2005

CONTESSA (LADIESWEAR) LIMITED

Report of the directors for the year ended 2 April 2005

The directors present their report together with the audited financial statements for the year ended 2 April 2005.

Results and dividends

The profit and loss account is set out on page 6 and shows the loss for the year.

The loss for the year after taxation was £422,000 (2004 - £195,000 profit).

The directors do not recommend the payment of a dividend (2004 - £Nil).

Principal activities, business review and future developments

The principal activity during the year was that of retailing lingerie.

A review of business and future developments is contained in the Chairman's statement on page 1.

Charitable and political contributions

During the year, the Company made charitable contributions totalling £577 (2004 - £100). There were no political contributions made in either the current or prior year.

Directors

The directors of the Company during the year were:

T Paphitis
M S Cooke
W S Cooper
K Kyprianou
R E Towner

No director had any beneficial interest in the share capital of the Company.

The directors are also directors of the ultimate parent company, Contessa (Holdings) Limited, and their interests in the share capital of that company are shown in its financial statements.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of staff becoming disabled every effort is made to ensure that their employment with the Company continues and 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 with that of other employees.

CONTESSA (LADIESWEAR) LIMITED

Report of the directors for the year ended 2 April 2005 (*Continued*)

Employee consultation

The Company provides information to employees through a weekly newsletter, in which employees are encouraged to put forward their suggestions on matters affecting them. The Chairman and Directors visit the stores on a regular basis and are available to discuss matters with staff during their visits. The Board believes that the success of its business is improved by employees being involved in matters concerning both the operation of the business and its employees through direct communication and co-operation. During the year, the group formalised its existing channels of communication in the form of a Communication and Consultation Policy, which has been agreed with staff in accordance with Information and Consultation Directive, which came into force in March 2005.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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

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

On behalf of the Board



T Paphitis
Director

Date: 21 November 2005

CONTESSA (LADIESWEAR) LIMITED

Report of the independent auditors

To the shareholders of Contessa (Ladieswear) Limited

We have audited the financial statements of Contessa (Ladieswear) Limited for the year ended 2 April 2005 on pages 6 to 16 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 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 Directors' Report 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 other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 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.

CONTESSA (LADIESWEAR) LIMITED

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 2 April 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
Bromley

Date: 22 November 2005

CONTESSA (LADIESWEAR) LIMITED**Profit and loss account for the year ended 2 April 2005**

	Note	2005 £'000	2004 £'000
Turnover	2	18,901	19,301
Cost of sales		(16,958)	(16,721)
Gross profit		1,943	2,580
Administrative expenses		(2,529)	(2,331)
Operating (loss)/profit	3	(586)	249
Interest receivable and similar income	6	74	34
Interest payable and similar charges	7	(2)	-
(Loss)/profit on ordinary activities before taxation		(514)	283
Taxation on (loss)/profit on ordinary activities	8	92	(88)
(Loss)/profit on ordinary activities after taxation		(422)	195
Dividends	9	-	-
Retained (loss)/profit	17	(422)	195

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

The notes on pages 8 to 16 form part of these financial statements.

CONTESSA (LADIESWEAR) LIMITED

Balance sheet at 2 April 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Fixed assets					
Tangible assets	10		1,479		1,491
Current assets					
Stocks	11	4,703		5,775	
Debtors	12	859		750	
Cash at bank and in hand		649		719	
		<u>6,211</u>		<u>7,244</u>	
Creditors: amounts falling due within one year	13	<u>(3,543)</u>		<u>(4,207)</u>	
Net current assets			<u>2,668</u>		<u>3,037</u>
Total assets less current liabilities			<u>4,147</u>		<u>4,528</u>
Creditors: amounts falling due after more than one year	14		(40)		-
Provision for liabilities and charges	15		(131)		(130)
Net assets			<u>3,976</u>		<u>4,398</u>
Capital and reserves					
Called up share capital	16		500		500
Profit and loss account	17		3,476		3,898
Shareholders' funds – equity interests	18		<u>3,976</u>		<u>4,398</u>

The financial statements were approved by the Board on 21 November 2005.


T. Lapins
Director

The notes on pages 8 to 16 form part of these financial statements.

CONTESSA (LADIESWEAR) LIMITED

Notes forming part of the financial statements for the year ended 2 April 2005

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:

Cash flow statement

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash flow statements (revised)' not to prepare a cash flow statement, on the basis that it is consolidated in the financial statements of its ultimate parent company.

Turnover

Turnover represents sales to external customers at invoiced amounts less trade discounts, net of value added tax or local tax on sales.

Impairment of fixed assets

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Leasehold improvements	-	over the lease term
Fixtures, fittings and equipment	-	15% - 25% on written down value

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs.

Provision is made for obsolete, slow-moving or defective items, where appropriate.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

CONTESSA (LADIESWEAR) LIMITED

Notes forming part of the financial statements for the year ended 2 April 2005 (Continued)

1 Accounting policies (Continued)

Leased assets

All leases are treated as operating leases. Their annual rentals 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 date on which the rent is first expected to be adjusted to the prevailing market rate.

Pension costs

Contributions to the Company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately from those of the Company in an independently administered fund.

2 Turnover

Turnover is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

3 Operating (loss)/profit

	2005 £'000	2004 £'000
This is arrived at after charging:		
Depreciation of tangible fixed assets	228	252
Hire of plant and machinery - operating leases	64	52
Hire of other assets - operating leases	2,348	2,342
Auditors' remuneration - audit services	16	14
- other	8	6
Loss on disposal of fixed assets	37	5
	<u> </u>	<u> </u>

4 Employees

Staff costs (including directors) consist of:

	2005 £'000	2004 £'000
Wages and salaries	4,224	4,038
Social security costs	269	247
Other pension costs	34	36
	<u> </u>	<u> </u>
	4,527	4,321
	<u> </u>	<u> </u>

CONTESSA (LADIESWEAR) LIMITED**Notes forming part of the financial statements for the year ended 2 April 2005 (Continued)****4 Employees (continued)**

The average weekly number of employees (including directors) during the year was:

	2005 Number	2004 Number
Shop staff	567	543
Other staff	34	28
	<u>601</u>	<u>571</u>
Full time equivalent	<u>302</u>	<u>327</u>

5 Directors' remuneration

The directors received no remuneration from the Company during the current or prior year.

6 Interest receivable and similar income

	2005 £'000	2004 £'000
Bank interest	74	34
	<u>74</u>	<u>34</u>

7 Interest payable and similar charges

	2005 £'000	2004 £'000
Other interest	2	-
	<u>2</u>	<u>-</u>

CONTESSA (LADIESWEAR) LIMITED

Notes forming part of the financial statements for the year ended 2 April 2005 (Continued)

8 Taxation on (loss)/profit on ordinary activities

	2005 £'000	2004 £'000
<i>UK corporation tax</i>		
Current tax on (loss)/profit of the year	-	93
Adjustment in respect of previous periods	(93)	(5)
	<hr/>	<hr/>
Total current tax	(93)	88
<i>Deferred taxation</i>		
Origination and reversal of timing differences	1	-
	<hr/>	<hr/>
Taxation on (loss)/profit on ordinary activities	(92)	88
	<hr/>	<hr/>

The tax assessed for the period is higher (2004 - higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £'000	2004 £'000
(Loss)/profit on ordinary activities before tax	(514)	283
	<hr/>	<hr/>
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2004 - 30%)	(154)	85
Effects of:		
Expenses not deductible for tax purposes	(2)	2
Capital allowances for the period in excess of depreciation	-	(3)
Non qualifying depreciation	15	9
Adjustment to tax charge in respect of previous periods	(93)	(5)
Unutilised tax losses	48	-
Tax losses carried back	93	-
	<hr/>	<hr/>
Current tax charge for the period	(93)	88
	<hr/>	<hr/>

9 Dividends

	2005 £'000	2004 £'000
<i>Equity shares</i>		
Dividend payable of £Nil (2004 - £Nil) per share	-	-
	<hr/>	<hr/>

CONTESSA (LADIESWEAR) LIMITED

Notes forming part of the financial statements for the year ended 2 April 2005 (Continued)

10 Tangible assets

	Leasehold improvements £'000	Fixtures fittings and equipment £'000	Total £'000
<i>Cost</i>			
At 28 March 2004	538	2,388	2,926
Additions	72	167	239
Disposals	(8)	(58)	(66)
At 2 April 2005	602	2,497	3,099
<i>Depreciation</i>			
At 28 March 2004	198	1,237	1,435
Provided for the year	38	190	228
Disposals	(4)	(39)	(43)
At 2 April 2005	232	1,388	1,620
<i>Net book value</i>			
At 2 April 2005	370	1,109	1,479
At 27 March 2004	340	1,151	1,491

11 Stocks

	2005 £'000	2004 £'000
Finished goods and goods for resale	4,703	5,775

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

12 Debtors

	2005 £'000	2004 £'000
Corporation tax debtor	113	-
Other debtors	93	120
Prepayments and accrued income	653	630
	859	750

All amounts shown under debtors fall due for payment within one year.

CONTESSA (LADIESWEAR) LIMITED

Notes forming part of the financial statements for the year ended 2 April 2005 (Continued)

13 Creditors: amounts falling due within one year

	2005	2004
	£'000	£'000
Trade creditors	1,348	1,584
Corporation tax	-	42
Other taxation and social security	255	279
Other creditors	1,809	1,777
Accruals and deferred income	131	525
	<u>3,543</u>	<u>4,207</u>

14 Creditors: amounts falling due after more than one year

	2005	2004
	£'000	£'000
Accruals and deferred income	40	-
	<u>40</u>	<u>-</u>

15 Provision for liabilities and charges

		Deferred taxation £'000
Balance at 28 March 2004		130
Charged to profit and loss account (note 8)		1
		<hr/>
Balance at 2 April 2005		131
		<hr/> <hr/>
	2005	2004
	£'000	£'000
<i>Deferred taxation</i>		
Accelerated capital allowances	131	130

CONTESSA (LADIESWEAR) LIMITEDNotes forming part of the financial statements for the year ended 2 April 2005 (*Continued*)**16 Share capital**

	Authorised 2005 and 2004		Allotted, called up and fully paid 2005 and 2004	
	No.	£'000	No.	£'000
Ordinary shares of £1 each	1,000,000	1,000	500,000	500

17 Reserves

	Profit and loss account £'000
At 28 March 2004	3,898
Loss for the year	(422)
At 2 April 2005	3,476

18 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Opening shareholders' funds	4,398	4,203
(Loss)/profit for the year	(422)	195
Closing shareholders' funds	3,976	4,398

CONTESSA (LADIESWEAR) LIMITED

Notes forming part of the financial statements for the year ended 2 April 2005 (Continued)

19 Commitments under operating leases

The Company had annual commitments under non-cancellable operating leases as set out below:

	2005	2005	2004	2004
	Land and	Other	Land and	Other
	buildings		buildings	
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	181	8	231	16
In two to five years	861	35	731	35
After five years	1,310	-	1,244	-
	<u>2,352</u>	<u>43</u>	<u>2,206</u>	<u>51</u>

20 Related party transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with members of the group headed by Contessa (Holdings) Limited on the grounds that at least 90% of the voting rights in the Company are controlled within that group and the Company is included in those consolidated financial statements.

Related party transactions and balances

Ryman Limited made recharges to the Company of £38,191 (2004 - £77,910) in respect of shared overheads and warehousing. T Paphitis, a director of the Company, has a controlling interest in Chancerealm Limited, which is the parent company of Ryman Limited. At the year end, the balance owed by Ryman Limited was £4,661 (2004 - £12,528).

The Company made recharges to La Senza Limited of £43,269 (2004 - £33,556) in respect of shared overheads. T Paphitis, a director of the Company, has a controlling interest in Xunely Limited, the parent undertaking of La Senza Limited. At the year end, the balance owed to La Senza Limited was £3,107 (2004 - owed by La Senza Limited £397).

Partners The Stationers Limited made recharges to the Company of £264,448 (2004 - £199,383) in respect of warehousing. T Paphitis, a director of the Company, has a controlling interest in Chancerealm Limited, which is the parent company of Partners The Stationers Limited. At the year end, the balance owed to Partners The Stationers Limited was £210 (2004 - £283).

Included within trade creditors is an amount of £Nil (2004 - £Nil) owed to Dandrop Limited, a company which undertakes a significant proportion of the Company's store refurbishments. Dandrop Limited is controlled by directors who are related to M S Cooke, a director of the Company. Amounts invoiced during the year totalled £86,844 (2004 - £32,933) and were entered into on arm's length terms.

Included within other creditors is an amount of £1,536,743 (2004 - £1,536,743) owed to Chancerealm Limited. T Paphitis, a director of the Company, has a controlling interest in Chancerealm Limited.

CONTESSA (LADIESWEAR) LIMITED

Notes forming part of the financial statements for the year ended 2 April 2005 (*Continued*)

21 Ultimate parent company

At 2 April 2005 the Company's ultimate parent company was Contessa (Holdings) Limited, which is the parent of both the smallest and largest groups of which the Company is a member.

Copies of the consolidated financial statements of Contessa (Holdings) Limited are available from Companies House.

The directors consider T Paphitis to be the ultimate controlling party.