

PAUL COSTELLOE COLLECTIONS LIMITED

Company No 3981238

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST JULY 2007

THURSDAY



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COMPANIES HOUSE

Paul Costelloe Collections Limited

Company Information

Directors

A P Meyer Chairman and Chief Executive
P M Costelloe
C A Gooch
L P Kerrigan
S E Oakley
D M Shelley
J L Wood

Secretary

S E Oakley

Registered Office

4 Fitzhardinge Street
London
W1H 6EG

Bankers

HSBC Bank Limited
69 Pall Mall
London
SW1Y 5EY

Auditors

Kingston Smith LLP
Chartered Accountants
Devonshire House
60 Goswell Road
London
EC1M 7AD

Paul Costelloe Collections Limited

Report of the Directors

The directors present their report and the financial statements for the year ended 31st July 2007

Business Review and Principal Activities

The company is engaged in the design, manufacture and retail and wholesale distribution of designer ladies fashion wear

The results for the year show a pre-tax loss of £130,449 (2006 loss of £382,186) for the year on sales of £9,786,264 (2006 £9,405,341) Gross margin fell from 38.3% to 35.9% as a result of market pressures and the need to clear residual stocks at lower margins Bank debt at the year end was £593,341 (2006 £192,142)

Dividends

The directors do not recommend the payment of a dividend

Future Outlook

The present retail environment is proving to be one of the most challenging in recent years but with continued improvement in the ranges of our retail offer as well as increased routes to market we are confident that the company will maintain and improve its market position and performance

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks The key business risks are considered to relate to the relative sales performance and footfall generated in host department stores, the economic climate and the resultant levels consumer spending together with climate changes

Directors

The directors who served the company during the period under review were as follows

A P Meyer	Chairman and Chief Executive
P M Costelloe	
C A Gooch	
L P Kerrigan	
P J Newham	Resigned 20 October 2006
S E Oakley	
D M Shelley	
R J Steele	Resigned 30 October 2006
J L Wood	

Employee Involvement

The company's policy is to consult and discuss with employees matters likely to affect employee's interests Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance

Disabled Persons

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given.

Creditor Payment Policy

The company's policy is to pay creditors by the due dates agreed with each individual supplier. Terms with most suppliers vary between 60 and 90 days. At the year end the creditor period was 54 days (2006: 46 days).

Disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Kingston Smith LLP have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

On behalf of the Board



S. E. Oakley

Director & Company Secretary

*4 Fitzhardinge Street
London
W1H 6EG*

Date 26 February 2008

Paul Costelloe Collections Limited

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, and prepare the financial statements on a going concern basis unless it is inappropriate to assume 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 group and 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Shareholders of

Paul Costelloe Collections Limited

We have audited the financial statements of Paul Costelloe Collections Limited for the year ended 31 July 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and 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 in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Practice).

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 the 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 Report. 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.

Basis of Audit Opinion

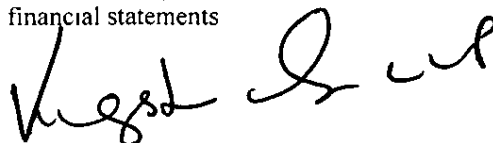
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

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 31 July 2007 and of the loss for the year then ended, and
- 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.



Kingston Smith LLP
Chartered Accountants and Registered Auditors
26 February 2008

Devonshire House
60 Goswell Road
London EC1M 7AD

Paul Costelloe Collections Limited

Profit and Loss Account

For the year ended 31st July 2007

	Notes	2007 £	2006 £
Turnover	2	9,786,264	9,405,341
Cost of sales		(6,272,468)	(5,752,940)
Gross Profit		<u>3,513,796</u>	<u>3,652,401</u>
Selling & Distribution Costs		(1,793,847)	(1,722,615)
Administrative Expenses		(1,795,565)	(1,960,136)
Trading Loss		<u>(75,616)</u>	<u>(30,350)</u>
Exceptional items	3	(14,072)	(279,551)
Operating Loss	3	<u>(89,688)</u>	<u>(309,901)</u>
Interest payable & similar charges	4	(40,761)	(72,285)
Loss on Ordinary Activities before Taxation		<u>(130,449)</u>	<u>(382,186)</u>
Tax on Loss on Ordinary Activities	6	-	-
Loss for the Financial Year	13	<u>(130,449)</u>	<u>(382,186)</u>

There are no recognised gains or losses other than those passing through the profit and loss account

The results for the year are all in respect of continuing operations

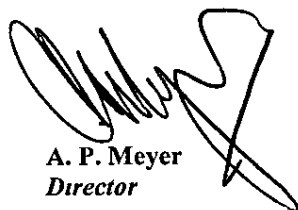
Paul Costelloe Collections Limited


Balance Sheet

At 31st July 2007

	Notes	2007 £	2007 £	2006 £	2006 £
Fixed Assets					
Intangible Assets	7		1		1
Tangible Assets	8		104,444		128,170
			<u>104,445</u>		<u>128,171</u>
Current Assets					
Stocks	9	1,061,603		1,128,503	
Debtors	10	1,143,562		840,339	
Cash at bank and in hand		1,550		1,699	
		<u>2,206,715</u>		<u>1,970,541</u>	
Creditors:					
Amounts falling due within one year	11	(2,071,247)		(1,728,350)	
		<u></u>		<u></u>	
Net Current Assets			135,468		242,190
Total Assets less Current Liabilities			<u>239,913</u>		<u>370,362</u>
Creditors:					
Provision for Liabilities and Charges	12		-		-
			<u></u>		<u></u>
Net Assets			<u>239,913</u>		<u>370,362</u>
Capital & Reserves					
Called up Share Capital	13		250,000		250,000
Share Premium Account	13		-		-
Profit and Loss Account	13		(10,087)		120,362
			<u>239,913</u>		<u>370,362</u>
Shareholders Funds			<u>239,913</u>		<u>370,362</u>

Approved by the board on 26 February 2008 and signed on its behalf by


A. P. Meyer
Director


S.E. Oakley
Director

Paul Costelloe Collections Limited

Notes to the Financial Statements For the year ended 31st July 2007

1. Accounting Policies

Basis of Preparation

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

The company's day to day working capital requirements are provided under overdraft facilities made available by the company's bankers which are subject to regular review. From discussions with the group's bankers and having made enquiries including the preparation of future cash projections, the Directors, who also include the ultimate controlling shareholders, consider that the Company will continue to have adequate resources made available to it for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the accounts

Accounting Period

The accounting reference date of the company is 31 July. The principal business of the company is conducted according to weekly activity cycles ending on a Saturday and directors have therefore decided that this financial year should end on Saturday 28 July 2007 (2006 29 July 2006), as permitted by Section 223(3) of the Companies Act 1985. In the absence of any special circumstances, the next statutory accounts will be drawn up to Saturday 26 July 2008

Turnover

Turnover represents the invoiced value of goods sold and services provided net of Value Added Tax

Depreciation and Amortisation

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

Brand names	Stated at cost less provision for diminution in value
Short leasehold premises	Straight line over the period of the lease
Fixtures and fittings	3 to 5 years straight line

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition

Foreign Currencies

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the end of the financial year. All exchange differences are dealt with in the profit and loss account

Deferred Taxation

In accordance with FRS 19, deferred tax is recognised as a liability or asset if transactions or events that give the company the obligation to pay more tax in the future or a right to pay less tax in the future have occurred by the balance sheet date

Leasing

Rentals under operating leases are charged to the profit and loss account on a straight line basis

Pension Scheme Arrangements

The company makes defined contributions to the personal pension schemes of certain senior employees, the assets of such schemes being held separately from the assets of the company. The pension cost charge represents contributions payable to these schemes

Paul Costelloe Collections Limited
Notes to the Financial Statements for the year ended 31 July 2007 (continued)

2. Turnover

Turnover is attributable to the one principal activity of the company. An analysis by geographical area is

	2007	2006
	£	£
United Kingdom	8,274,405	8,066,218
Rest of Europe	1,497,616	1,328,437
Other	14,243	10,686
	<u>9,786,264</u>	<u>9,405,341</u>

3. Operating Profit

The operating profit is stated after charging/(crediting)

	2007	2006
	£	£
Depreciation tangible fixed assets	42,179	54,625
Operating lease rentals – land and buildings	217,054	132,854
Loss / (gain) foreign exchange	3,889	(1,625)

The auditor's remuneration for the year has been borne by the immediate parent company

The following exceptional items were incurred in the year

	2007	2006
	£	£
Reorganisation and stock clearance costs	8,714	261,259
Loss on closure of Owen Group (2006 De Bradelei) business	5,358	18,292
	<u>14,072</u>	<u>279,551</u>

4. Interest Payable and Similar Charges

	2007	2006
	£	£
Bank interest and similar charges	3,793	4,203
Payable to group companies	36,968	68,082
	<u>40,761</u>	<u>72,285</u>

Paul Costelloe Collections Limited
Notes to the Financial Statements for the year ended 31 July 2007 (continued)

5 Directors and Employees

Employee information

Staff costs during the year were as follows

	2007	2006
	£	£
Wages and salaries	1,116,560	1,121,148
Social security costs	78,088	88,814
Pension costs – defined contribution schemes	2,750	4,050
Redundancy costs	2,326	956
	<u>1,199,724</u>	<u>1,214,968</u>

The average monthly number of persons employed by the company during the year was

	2007	2006
	No.	No.
Sales & distribution	144	130
Administration	3	4
	<u>147</u>	<u>134</u>

Directors' Emoluments:

None of the directors received any emoluments in respect of their services to the company. The emoluments of the directors can be found in the accounts of the holding company Signature Brands International Limited.

6 Tax on Profit on Ordinary Activities

	2007	2006
	£	£
UK Corporation Tax on the current year	-	-
Adjustments to prior years	-	-
Deferred taxation	-	-
	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the year.

	2007	2006
	£	£
Loss on ordinary activities before taxation	<u>(130,449)</u>	<u>(382,186)</u>
Loss on ordinary activities before taxation multiplied by effective rate of UK Corporation Tax of 30.0% (2006: 30.0%)	<u>(39,135)</u>	<u>(114,656)</u>
Effects of		
Non deductible expenses	534	798
Depreciation in excess of capital allowances	12,654	16,387
Group relief	-	-
Tax losses carried forward	29,546	100,839
Other tax timing differences	<u>(3,599)</u>	<u>(3,368)</u>
	<u>39,135</u>	<u>114,656</u>
Current tax charge	<u>-</u>	<u>-</u>

Paul Costelloe Collections Limited
Notes to the Financial Statements for the year ended 31 July 2007 (continued)

7. Intangible Assets

	Brand Names £
Cost	
At 1 August 2006 & 31 July 2007	<u>1</u>
Net Book Value	
At 1 August 2006 & 31 July 2007	<u>1</u>

8. Tangible Assets

	Short Leasehold Premises	Fixtures & Fittings £	Total £
Cost			
At 1 August 2006	24,339	367,500	391,839
Additions	5,424	13,029	18,453
Disposals	-	-	-
At 31 July 2007	<u>29,763</u>	<u>380,529</u>	<u>410,292</u>
Depreciation			
At 1 August 2006	7,806	255,863	263,669
Depreciation for the year	2,907	39,272	42,179
Disposals	-	-	-
At 31 July 2007	<u>10,713</u>	<u>295,135</u>	<u>305,848</u>
Net Book Value			
At 31 July 2007	<u>19,050</u>	<u>85,394</u>	<u>104,444</u>
At 31 July 2006	<u>16,533</u>	<u>111,637</u>	<u>128,170</u>

9. Stocks

	2007 £	2006 £
Raw materials & stock in transit	-	24,882
Finished goods and goods for resale	1,061,603	1,103,621
	<u>1,061,603</u>	<u>1,128,503</u>

Paul Costelloe Collections Limited
Notes to the Financial Statements for the year ended 31 July 2007 (continued)

10. Debtors

	2007	2006
	£	£
Trade debtors	991,060	722,106
Amounts owed by group undertakings	37,227	-
Other debtors	25,937	18,475
Prepayments and accrued income	89,338	99,758
	<u>1,143,562</u>	<u>840,339</u>

11 Creditors Amounts falling due within one year

	2007	2006
	£	£
Bank loans and overdrafts	593,341	192,142
Trade creditors	1,057,578	830,181
Amounts owed to group undertakings	-	128,662
Social security and other taxes	244,777	284,597
Other creditors	87,581	130,671
Accruals and deferred income	87,970	162,097
	<u>2,071,247</u>	<u>1,728,350</u>

The bank loans and overdrafts are secured by fixed and floating charges over the assets of the company

12 Provisions for Liabilities and Charges

	Deferred Taxation	Other Provisions	Total
	£	£	£
Balance at 1 August 2006	-	-	-
Provisions made during year	-	-	-
Balance at 31 July 2007	<u>-</u>	<u>-</u>	<u>-</u>

Deferred Taxation asset not provided

The deferred taxation asset not provided in these accounts consists of the following amounts

	2007	2006
	£	£
Accelerated capital allowances	73,270	62,095
Other timing differences	643	873
Tax losses carried forward	127,000	100,838
	<u>200,913</u>	<u>163,806</u>

Paul Costelloe Collections Limited
Notes to the Financial Statements for the year ended 31 July 2007 (continued)

13 Shareholders' Funds

	Called up Share Capital £	Share Premium Account £	Profit and Loss Account £	Total £
At 1 August 2006	250,000	-	120,362	370,362
Loss for the year	-	-	(130,449)	(130,449)
At 31 July 2007	<u>250,000</u>	<u>-</u>	<u>(10,087)</u>	<u>239,913</u>

Share Capital comprises:

	2007 Authorised Number	2006 Authorised Number	2007 Issued & Fully Paid Number	2006 Issued & Fully Paid Number
Ordinary Shares of £1	<u>1,000,000</u>	<u>1,000,000</u>	<u>250,000</u>	<u>250,000</u>
	£	£	£	£
Ordinary Shares of £1	<u>1,000,000</u>	<u>1,000,000</u>	<u>250,000</u>	<u>250,000</u>

The movements in shareholders' funds in the previous year are set out below

	Called up Share Capital £	Share Premium Account £	Profit and Loss Account £	Total £
At 1 August 2005	250,000	-	502,548	752,548
Loss for the year	-	-	(382,186)	(382,186)
At 31 July 2006	<u>250,000</u>	<u>-</u>	<u>120,362</u>	<u>370,362</u>

14. Future Financial Commitments

At the balance sheet date the company had annual commitments under operating leases as set out below

	2007 Land & Buildings £	2007 Other £	2006 Land & Buildings £	2006 Other £
<i>Operating leases which expire.</i>				
Within one year	-	-	-	-
In the second to fifth year	118,500	497	47,500	-
After five years	98,000	-	154,000	-
	<u>216,500</u>	<u>497</u>	<u>201,500</u>	<u>-</u>

Paul Costelloe Collections Limited
Notes to the Financial Statements for the year ended 31 July 2007 (continued)

15. Contingent Liabilities

The company has entered into an unlimited multilateral guarantee in respect of a group overdraft and loan facility. At 31 July 2007 the total amount outstanding under the facility used by the group (excluding that used by the company) was £4,026,221 (2006 £3,985,684)

16. Controlling Party and Related Parties

The immediate parent company is Signature Brands International Limited and the ultimate parent undertaking is Signature Brands Group Limited. Both companies are registered in England and Wales. Signature Brands Group Limited prepares group financial statements and copies can be obtained from the Company Secretary at the Registered Office, 4 Fitzhardinge Street, London W1H 6EG.

During the year the company paid sales commission of £360,000 (2006 £346,470) to Paul Costelloe Design Management Limited, a company owned by P M Costelloe, director. In addition Paul Costelloe Design Management Limited is entitled to a payment by way of additional commission based upon the profits before taxation and before charging such additional commission. The amount charged by way of additional commission in the accounts was £nil in the year, (2006 £nil). At the year end the balance due to Paul Costelloe Design Management Limited was £53,273 (2006 £34,051).

The company has taken advantage of the exemptions conferred by FRS 8 paragraph 3c not to make certain disclosures concerning inter group transactions.