

PAUL COSTELLOE COLLECTIONS LIMITED

Company No 3981238

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST JULY 2009

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Paul Costelloe Collections Limited

Company Information

Directors

A.P Meyer	Chairman
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 2009

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 £706,794 (2008 loss of £210,298) for the year on sales of £9,028,561 (2008 £10,436,155) Gross margin fell from 32.4% to 30.6% as a result of market pressures, increases in charges from host stores and the need to clear residual stocks at lower margins Bank debt at the year end was £250,906 (2008 £307,283)

Dividends

The directors do not recommend the payment of a dividend

Future Outlook

On 10 May 2010 the ultimate UK parent company Signature Brands Group Limited significantly reduced its debt servicing commitments through the conversion to equity of some £4.3 million of the group's loans and certain other liabilities Details are more fully set out in the accounts of that company and in note 1 to these accounts The directors believe that the new financial structure better positions the group to withstand the consequences of the general economic uncertainty and will also provide a more secure platform for organic growth

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 resultant effects on the sterling exchange rate and the resultant levels of consumer spending together with climate changes The directors also recognise that in the current economic environment, risks exist regarding the achievability of the company's forecast sales and margins, changes in supplier payment terms and the timing of cash flows receivable from customers as well as the availability of necessary credit facilities from banks

Directors

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

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

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Paul Costelloe Collections Limited

Report of the Directors (continued)

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 group gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

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 53 days (2008: 55 days).

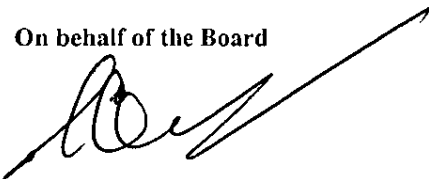
Disclosure of information to auditors

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 13 May 2010

Independent Auditors' Report to the members of Paul Costelloe Collections Limited

We have audited the financial statements of Paul Costelloe Collections Limited for the year ended 31 July 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied to their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom generally Accepted Accounting practice).

This report is made solely to the company's members, as a body, in accordance with Sections 485 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and 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 explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 July 2009 and of the company's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

Independent Auditors' Report to the members of Paul Costelloe Collections Limited (continued)

- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

A handwritten signature in black ink, appearing to read 'Matthew Meadows', followed by the letters 'LLP'.

Matthew Meadows (Senior Statutory Auditor)

For and on behalf of Kingston Smith LLP

Chartered Accountants

Statutory Auditor

Devonshire House

60 Goswell Road

London EC1M 7AD

13 May 2010

Paul Costelloe Collections Limited
Profit and Loss Account
For the year ended 31st July 2009

	Notes	2009 £	2008 £
Turnover	2	9,028,561	10,436,155
Cost of sales		(6,262,236)	(7,050,352)
Gross Profit		<u>2,766,325</u>	<u>3,385,803</u>
Selling & Distribution Costs		(1,715,084)	(1,764,661)
Administrative Expenses		(1,705,579)	(1,707,413)
Trading Loss		<u>(654,338)</u>	<u>(86,271)</u>
Exceptional items	3	(11,634)	(52,769)
Operating Loss	3	<u>(665,972)</u>	<u>(139,040)</u>
Interest payable & similar charges	4	(40,822)	(71,258)
Loss on Ordinary Activities before Taxation		<u>(706,794)</u>	<u>(210,298)</u>
Tax on Loss on Ordinary Activities	6	-	-
Loss for the Financial Year	13	<u>(706,794)</u>	<u>(210,298)</u>

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

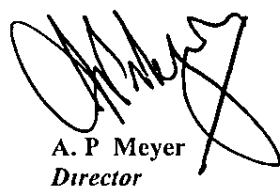
The results for the year are all in respect of continuing operations

Paul Costelloe Collections Limited

Balance Sheet At 31st July 2009

	Notes	2009 £	2009 £	2008 £	2008 £
Fixed Assets					
Intangible Assets	7		1		1
Tangible Assets	8		137,343		89,085
			<u>137,344</u>		<u>89,086</u>
Current Assets					
Stocks	9	991,308		1,035,921	
Debtors	10	748,489		1,667,094	
Cash at bank and in hand		1,550		1,550	
		<u>1,741,347</u>		<u>2,704,565</u>	
Creditors.					
Amounts falling due within one year	11	(2,555,870)		(2,764,036)	
Net Current Assets			(814,523)		(59,471)
Total Assets less Current Liabilities			<u>(677,179)</u>		<u>29,615</u>
Creditors:					
Provision for Liabilities and Charges	12		-		-
Net Assets			<u>(677,179)</u>		<u>29,615</u>
Capital & Reserves					
Called up Share Capital	13		250,000		250,000
Share Premium Account	13		-		-
Profit and Loss Account	13		(927,179)		(220,385)
Shareholders Funds			<u>(677,179)</u>		<u>29,615</u>

Approved by the board on 13 May 2010 and signed on its behalf by


A. P. Meyer
Director


S.E. Oakley
Director

Company No. 3981238

Paul Costelloe Collections Limited
Notes to the Financial Statements
For the year ended 31st July 2009

1. Accounting Policies

Basis of Preparation

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

On 10 May 2010 the group of which the company is a part, concluded its re-negotiations of its banking facilities which are now in place at least up to their next scheduled renewal date of 31 March 2011. Under these facilities day to day working capital requirements are provided by way of a £1.25 million overdraft facility made available by HSBC plc ("the bank"). At the same time the ultimate UK parent company Signature Brands Group Limited converted a total of £4.3 million of the group's loans and other obligations into equity thereby significantly strengthening the capital base of that company.

As a result and as detailed in note 16 the group's controlling entity has changed since the year end and the new controlling entity has indicated that it recognises its obligations to assist in the provision of additional short term finance if and when necessary to cover short term peak requirements over and above these amounts in certain periods of peak working capital needs.

The Group has also prepared trading and cash flow projections for the period to 31 July 2011 in support of the recently completed restructuring of its banking facilities ("the projections"). The projections are based upon certain assumptions. The directors of the Group and the Company recognise that in the current economic environment, risks exist regarding *inter-alia* the achievability of the Group's forecast sales and margins and the containment of costs.

Despite the inherent uncertainties in forecasting such revenues and costs in the current economic environment, the Directors, having taken into account the change in controlling shareholder, the restructuring of banking facilities and the issue of further equity by the ultimate UK parent company, believe 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 25 July 2009 (2008: 26 July 2008), as permitted by Section 390 of the Companies Act 2006. In the absence of any special circumstances, the next statutory accounts will be drawn up to Saturday 31 July 2010.

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.

Paul Costelloe Collections Limited
Notes to the Financial Statements
For the year ended 31st July 2009 (Continued)

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

2. Turnover

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

	2009 £	2008 £
United Kingdom	7,934,683	9,138,374
Rest of Europe	1,093,878	1,284,920
Other	-	12,861
	<u>9,028,561</u>	<u>10,436,155</u>

3. Operating Profit

The operating profit is stated after charging/(crediting)

	2009 £	2008 £
Depreciation tangible fixed assets	39,332	33,048
Operating lease rentals – land and buildings	174,507	209,212
(Gain) on foreign exchange	(19,089)	(29,889)
Loss on disposal of Tangible Fixed Assets	3,501	3,450
	<u> </u>	<u> </u>

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

The following exceptional items were incurred in the year

	2009 £	2008 £
Reorganisation and stock clearance costs	11,634	52,769
	<u>11,634</u>	<u>52,769</u>

4. Interest Payable and Similar Charges

	2009 £	2008 £
Bank interest and similar charges	2,739	3,170
Other interest	149	497
Payable to group companies	37,934	67,591
	<u>40,822</u>	<u>71,258</u>

Paul Costelloe Collections Limited
Notes to the Financial Statements
For the year ended 31st July 2009 (Continued)

5. Directors and Employees

Employee information

Staff costs during the year were as follows

	2009	2008
	£	£
Wages and salaries	1,138,265	1,108,397
Social security costs	84,380	81,209
Pension costs – defined contribution schemes	5,703	3,554
Redundancy costs	189	2,734
	<u>1,228,537</u>	<u>1,195,894</u>

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

	2009	2008
	No.	No.
Sales & distribution	129	139
Administration	3	3
	<u>132</u>	<u>142</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

	2009	2008
	£	£
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:

	2009	2008
	£	£
Loss on ordinary activities before taxation	<u>(706,794)</u>	<u>(210,298)</u>
Loss on ordinary activities before taxation multiplied by effective rate of UK Corporation Tax of 30.0% (2008: 30.0%)	<u>(212,038)</u>	<u>(63,089)</u>
Effects of		
Non deductible expenses	1,276	771
Depreciation in excess of capital allowances	11,800	9,914
Group relief	-	-
Tax losses carried forward	199,484	52,297
Other tax timing differences	<u>(522)</u>	<u>107</u>
	<u>212,038</u>	<u>63,089</u>
Current tax charge	<u>-</u>	<u>-</u>

Paul Costelloe Collections Limited
Notes to the Financial Statements
For the year ended 31st July 2009 (Continued)

7. Intangible Assets

	Brand Names £
Cost	
At 1 August 2008 & 31 July 2009	<u>1</u>
Net Book Value	
At 1 August 2008 & 31 July 2009	<u>1</u>

8. Tangible Assets

	Short Leasehold Premises £	Fixtures & Fittings £	Total £
Cost			
At 1 August 2008	20,229	380,341	400,570
Additions	-	91,091	91,091
Disposals	-	(4,469)	(4,469)
At 31 July 2009	<u>20,229</u>	<u>466,963</u>	<u>487,192</u>
Depreciation			
At 1 August 2008	7,208	304,277	311,485
Depreciation for the year	2,023	37,309	39,332
Disposals	-	(968)	(968)
At 31 July 2009	<u>9,231</u>	<u>340,618</u>	<u>349,849</u>
Net Book Value			
At 31 July 2009	<u>10,998</u>	<u>126,345</u>	<u>137,343</u>
At 31 July 2008	<u>13,021</u>	<u>76,064</u>	<u>89,085</u>

9. Stocks

	2009 £	2008 £
Finished goods and goods for resale	991,308	1,035,921
	<u>991,308</u>	<u>1,035,921</u>

Paul Costelloe Collections Limited
Notes to the Financial Statements
For the year ended 31st July 2009 (Continued)

10. Debtors

	2009	2008
	£	£
Trade debtors	572,897	1,542,122
Amounts owed by group undertakings	-	-
Other debtors	18,475	18,503
Prepayments and accrued income	157,117	106,469
	<u>175,592</u>	<u>124,972</u>

11. Creditors: Amounts falling due within one year

	2009	2008
	£	£
Bank loans and overdrafts	250,906	307,283
Trade creditors	1,030,917	1,196,298
Amounts owed to group undertakings	875,364	537,191
Social security and other taxes	175,925	501,238
Other creditors	44,813	84,582
Accruals and deferred income	177,945	137,444
	<u>2,555,870</u>	<u>2,764,036</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 2008	-	-	-
Provisions made during year	-	-	-
Balance at 31 July 2009	<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

	2009	2008
	£	£
Accelerated capital allowances	93,026	80,783
Other timing differences	229	750
Tax losses carried forward	374,377	175,929
	<u>467,632</u>	<u>257,462</u>

Paul Costelloe Collections Limited
Notes to the Financial Statements
For the year ended 31st July 2009 (Continued)

13. Shareholders' Funds

	Called up Share Capital £	Share Premium Account £	Profit and Loss Account £	Total £
At 1 August 2008	250,000	-	(220,385)	29,615
Loss for the year	-	-	(706,794)	(706,794)
At 31 July 2009	250,000	-	(927,179)	(677,179)

Share Capital comprises:

	2009 Authorised Number	2008 Authorised Number	2009 Issued & Fully Paid Number	2008 Issued & Fully Paid Number
Ordinary Shares of £1	1,000,000	1,000,000	250,000	250,000
	£	£	£	£
Ordinary Shares of £1	1,000,000	1,000,000	250,000	250,000

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 2007	250,000	-	(10,087)	239,913
Loss for the year	-	-	(210,298)	(210,298)
At 31 July 2008	250,000	-	(220,385)	29,615

14. Future Financial Commitments

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

	2009 Land & Buildings £	2009 Other £	2008 Land & Buildings £	2008 Other £
<i>Operating leases which expire:</i>				
Within one year	-	-	-	-
In the second to fifth year	55,000	497	76,000	497
After five years	121,000	-	98,000	-
	176,000	497	174,000	497

15. Contingent Liabilities

The company has entered into an unlimited multilateral guarantee in respect of the parent group overdraft and loan facility. At 31 July 2009 the total amount outstanding under the facility used by the group (excluding that used by the company) was £5,445,109 (2008 £4,494,684)

Paul Costelloe Collections Limited
Notes to the Financial Statements
For the year ended 31st July 2009 (Continued)

16. Controlling Party and Related Parties

The immediate parent company is Signature Brands International Limited and, at the balance sheet date, the ultimate parent undertaking was 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.

However, as detailed in note 1, following a significant increase in the capital base of Signature Brands Group Limited on 10 May 2010, Calvegest – Sociedade Gestora De Participações Sociais SA, a company incorporated and registered in Portugal, had a controlling interest in that company from that date and is now regarded as the ultimate parent company.

During the year the company paid sales commission of £302,136 (2008: £393,864) 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, (2008: £nil). At the year end the net balance due to Paul Costelloe Design Management Limited was £33,049 (2008: £60,670).

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