

JASMINE DI MILO LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
52 Weeks to 28 January 2006



Registered Number: 4360319

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DIRECTORS' REPORT

The Directors present their annual report and the financial statements of the company for the period from 30 January 2005 to 28 January 2006.

Principal Activity

The Company's principal activity is as a designer and retailer of ladies fashion clothing and accessories.

Directors and their Interests

The Directors who served during the period and who are also the current Directors of the company are:

Mr J Byrne
Ms J Al Fayed

Other directors who served during the period are:

Ms K Francey (resigned 9 February 2005)

In accordance with the Articles of Association, no Director is required to seek re-election at the forthcoming Annual General Meeting.

By virtue of being the ultimate controlling party of Jasmine Di Milo Limited via Gemini Holdings Limited Inc, Ms J. Al Fayed held a beneficial interest in 100% of the shares of Jasmine Di Milo Limited at 30 January 2005 and 28 January 2006. No Director has had a material interest directly or indirectly at any time during the period in any contract significant to the business of the Company.

Results and Dividends

The loss after taxation for the period from 30 January 2005 to 28 January 2006 amounted to £1,193,400 (2005: loss of £464,687).

The Directors do not recommend the payment of a dividend and an amount of £1,193,400 has been transferred out of reserves.

DIRECTORS' REPORT....cont'd

Review of Business

The year was one of continuing development and investment in the future. The decision was taken not to launch a full collection for the Autumn/Winter season of 2005 in order to focus more time on a collection for Spring/Summer 2006. This decision inevitably led to a slow down in retail sales in the second half of the year as relevant own-brand merchandise was in short supply. On a more positive note, the Spring/Summer 2006 collection was successfully launched and achieved a pleasing level of market penetration for a new label. It has formed the perfect base for future development of the brand in select outlets. Inevitably this has meant a substantial investment in building up the Design, Production and Marketing teams, but the Directors are confident that future growth in own-label sales, both wholesale and retail, will fully justify the business strategy.

Auditors

In accordance with Section 249A(1) of the Companies Act 1985, the Company, being eligible, has not appointed Auditors.

Statement of Directors' Responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

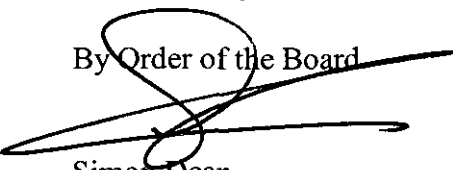
The Directors have prepared the financial statements on pages 3 to 11 on a going concern basis and consider that the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records, which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for ensuring that the directors' report is prepared in accordance with company law in the United Kingdom.

By Order of the Board


Simon Dean
Secretary
6 November 2006

87-135 Brompton Road,
Knightsbridge,
London
SW1X 7XL

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 30 JANUARY 2005 TO 28 JANUARY 2006

		Year to 28/1/06 £'000	Year to 29/1/05 £'000
2	TURNOVER	826	750
	Cost of Sales	<u>(731)</u>	<u>(281)</u>
	GROSS PROFIT/LOSS	95	469
	Design and Development expenses	(363)	(149)
	Administration expenses	(895)	(780)
	Distribution costs	<u>(48)</u>	<u>(5)</u>
	Operating Loss	(1,211)	(465)
	Profit on sale of fixed assets	18	-
3	Loss on Ordinary Activities before and after Interest	<u>(1,193)</u>	<u>(465)</u>
12	Loss on Ordinary Activities after Tax, transferred	<u>(1,193)</u>	<u>(465)</u>

All profits and losses derive from continuing operations.

There were no recognised gains or losses other than those shown above. The movements on reserves are shown in Note 12.

Jasmine Di Milo Limited

**BALANCE SHEET
AT 28 JANUARY 2006**

Note	At 28/01/06 £'000	At 29/01/05 £'000
FIXED ASSETS		
6 Tangible Assets	382	453
CURRENT ASSETS		
7 Stocks	190	125
8 Debtors (Amounts falling due within the period)	183	47
Cash at bank and in hand	30	47
	<u>403</u>	<u>219</u>
9 CREDITORS (Amounts falling due within the period)	(159)	(673)
NET CURRENT ASSETS/(LIABILITIES)	<u>244</u>	<u>(454)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	626	(1)
10 CREDITORS (Amounts falling due after more than one year)	<u>(2,687)</u>	<u>(867)</u>
	<u>(2,061)</u>	<u>(868)</u>
CAPITAL AND RESERVES		
11 Share Capital	-	-
12 Profit and loss reserves	(2,061)	(868)
13 SHAREHOLDER'S DEFICIT	<u>(2,061)</u>	<u>(868)</u>

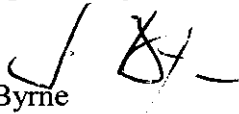
For the year from 30 January 2005 to 28 January 2006 the Company was entitled to the exemption under section 249(A)(1) of the Companies Act 1985. Members have not required the company to obtain an audit in accordance with section 249(B)(2) of the Companies Act 1985.

The directors acknowledge their responsibility for:

- (i) ensuring the company keeps accounting records which comply with section 221; and
- (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with section 226, and which otherwise comply with the requirements of the Companies Act 1985 relating to accounts, so far as applicable to the company.

The Company has not acted as an agent for any person during the accounting period.

Approved by the Board on 6 November 2006 and signed on their behalf by:


J Byrne
Director

The notes on pages 5 to 11 form an integral part of these accounts.

NOTES TO THE ACCOUNTS

1 Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and comply with the disclosure requirements of the Companies Act 1985 and applicable accounting standards.

Going concern

The Company has a deficit of shareholder's funds at 28th January 2006 and since that date the Company has continued to make losses. The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. In concluding that it is appropriate to adopt the going concern basis in preparing these financial statements the Directors have had regard to the indications received from the ultimate parent company, Gemini Holdings Limited Inc, and the verbal indications received from Mr M Al Fayed, that continued funding will be made available to finance the Company's working capital requirements for the foreseeable future. Although there is no legal obligation for either Gemini Holdings Limited Inc. or Mr Al Fayed to provide this continued support, the Directors are confident that such funding will be forthcoming.

Depreciation of Tangible Fixed Assets

Depreciation is provided by the Company in order to write down to estimated residual value, if any, the cost of tangible fixed assets over their estimated useful lives by equal annual instalments, on the following basis:

Computer equipment	33%
Plant & Machinery	20%

Deferred Taxation

Deferred taxation is provided on material timing differences between the incidence of income and expenditure for taxation and accounts purposes using a full provision basis in accordance with the provisions set out in Financial Reporting Standard No 19 "Deferred Tax". This represents a change in accounting policy but no material change arises to the current or previous period's deferred tax provision under the new policy. Deferred tax assets are only recognised when they arise from timing differences where their recoverability in the short-term is regarded as more likely than not.

Foreign Currency

Transactions denominated in foreign currency are translated at exchange rates ruling at the transaction date. Realised gains and losses are dealt with in the profit and loss account.

Stock

Stocks are stated at the lower of cost and net realisable value.

NOTES TO THE ACCOUNTS.....contd

2 TURNOVER

Turnover represents the total amount receivable for goods sold excluding VAT and is derived from the UK.

3 OPERATING LOSS	30/01/05	01/02/04
	to	to
	28/01/06	29/01/05
	£'000	£'000
Operating Loss is stated after charging:		
- Depreciation of tangible fixed assets	79	107

4 STAFF COSTS AND DIRECTORS' EMOLUMENTS

	30/01/05	01/02/04
	to	to
	28/01/06	29/01/05
	£'000	£'000
Wages and salaries	361	310
Social Security costs	36	30
Other Pension costs	-	-
	<u>397</u>	<u>340</u>

No Director earned any salaries, fees, emoluments or received the benefit of any pension contributions during the period (2005: nil).

	30/01/05	01/02/04
	to	to
	28/01/06	29/01/05
	£'000	£'000
The average weekly number of employees (per activity) during the period was:		
Office	2	1
Design	2	2
Workshop	6	6
Buying	1	1
Boutique	5	4
	<u>16</u>	<u>14</u>

NOTES TO THE ACCOUNTS.....contd

5 TAXATION

No taxation charge has been provided in the accounts, based on the results of the period. This can be reconciled to the theoretical tax credit based on the standard rate of tax as follows:

	30/01/05 to 28/01/06 £'000	01/02/04 to 29/01/05 £'000
Loss on ordinary activities before tax	<u>(1,193)</u>	<u>(465)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK (19%)	(227)	(88)
Effects of:		
Depreciation in excess of capital allowances	7	-
Expenses not deductible for tax purposes	(7)	-
Unutilised tax losses carried forward	227	88
Current tax charge for the period	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The company has losses available to carry forward for offset against future profits of the same trade. At 28 January 2006 this represents a potential deferred tax asset at 19% of £416,707 based on tax losses carried forward of £2,193,194. This asset has not been recognised in the financial statements because, in the opinion of the directors, there is insufficient evidence of future taxable profits arising against which to utilise these losses.

NOTES TO THE ACCOUNTS.....contd

6. FIXED ASSETS

Tangible Assets	Computer Equipment £	Plant & Machinery £	Fixtures & Fittings £	Total £
Cost:				
At 30/01/05	4	10	548	562
Additions	8	1	123	132
Disposals	-	-	(153)	(153)
At 28/01/06	12	11	518	541
Accumulated Depreciation:				
At 30/1/05	2	3	104	109
Disposals	-	-	(29)	(29)
Charge for year	3	2	74	79
At 28/01/06	5	5	149	159
Net Book Value:				
At 28/1/06	7	6	369	382
At 29/1/05	2	7	444	453

7 STOCK

	As at 28/01/06 £'000	As at 29/01/05 £'000
Manufactured stock	111	104
Purchased stock	79	21
	<u>190</u>	<u>125</u>

8 DEBTORS

	As at 28/01/06 £'000	As at 29/01/05 £'000
Trade debtors	91	46
Prepayments	5	1
Other	87	-
	<u>183</u>	<u>47</u>

NOTES TO THE ACCOUNTScontd

9 CREDITORS (Amounts falling due within one year)

	As at 28/01/06	As at 29/01/05
	£'000	£'000
Trade creditors	104	41
Accruals	54	603
Other	1	29
	<u>159</u>	<u>673</u>

10 CREDITORS (Amounts falling due after more than one year)

	As at 28/01/06	As at 29/01/05
	£'000	£'000
Amounts owed to M Al Fayed	847	867
Amounts owed to parent undertaking	1,840	-
	<u>2,687</u>	<u>867</u>

11 SHARE CAPITAL

	28/01/06	29/01/05
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Issued, allocated and fully paid	-	-
1 ordinary share of £1.	<u>1</u>	<u>1</u>

12 PROFIT AND LOSS RESERVES

	As at 28/01/06	As at 29/01/05
	£'000	£'000
At the beginning of the period	(686)	(403)
Transfer from profit and loss account for the period	<u>(1,193)</u>	<u>(465)</u>
At end of period	<u>(2,061)</u>	<u>(868)</u>

NOTES TO THE ACCOUNTScontd

13 RECONCILIATION IN SHAREHOLDER'S DEFICIT

	As at 28/01/06	As at 29/01/05
	£'000	£'000
Loss for the financial period	(1,193)	(465)
Opening shareholders' funds – deficit	(868)	(403)
Closing shareholders' funds - deficit	<u>(2,061)</u>	<u>(868)</u>

14 RELATED PARTIES

As part of their employment, Directors and senior employees of the Company can purchase goods from Harrods using a staff account card. The amounts of goods purchased by the Directors are not considered to be material either to the Company or the individuals. There are no other transactions between these individuals and the Company, other than as shown in Note 4 to the financial statements.

At the balance sheet date there were arm's length agreements between the Company and various related companies to provide management, security, property and maintenance services. These companies have directors in common with the Company. The values of these transactions during the period were:-

	Period to 28/01/06		Period to 29/01/05	
	Purchases £'000	Sales £'000	Purchases £'000	Sales £'000
Harrods Ltd	1,045	736	586	750
Genavco Insurance Ltd	17	-	6	-
Liberty Publishing & Media Ltd	73	-	11	-
	<u>1,135</u>	<u>736</u>	<u>603</u>	<u>750</u>

At the balance sheet date Debtors and Creditors included the following balances:

	28/01/06 £'000	29/01/05 £'000
Debtors		
Harrods Ltd	<u>67</u>	<u>45</u>
Creditors		
Liberty Publishing & Media Ltd	<u>15</u>	<u>4</u>

NOTES TO THE ACCOUNTScontd

15 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is Gemini Holdings Ltd Inc., a company registered in Panama.

At 28 January 2006 and at 30 January 2005 the ultimate controlling party of Jasmine Di Milo Limited was Ms J. Al Fayed.