

Northworld Investments Limited

**Directors' report and financial
statements**

Registered number 44466016

For the period ended 29 January 2005



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Directors' report

The directors present their annual report and the audited financial statements of the company for the period ended 29 January 2005.

Principal activities and business review

The principal activity of the company during the period was to operate as a holding company.

There was a loss for the period before taxation amounting to £3,125,947.

On 13 November 2004, the entire issued share capital of the company was acquired by Lear Acquisitions Limited, at which time the company's external debt was repaid and replaced with inter-company debt.

Results and dividends

The results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

The directors do not recommend the payment of a dividend and the loss has been transferred to reserves.

Directors and directors' interests

The directors who served the company during the period, were as follows:

DA Thompson	(Resigned 13 November 2004)
E McPherson	(Resigned 13 November 2004)
LM Johnston	(Appointed 13 November 2004)
A Hall	(Appointed 13 November 2004, resigned 22 February 2005)

In addition, N Brunning was appointed as a director on 1 March 2005.

None of the directors in office at the end of the period had any interest in the share capital of the company.

LM Johnston and N Brunning were directors of Lear Holdings, the ultimate holding company at the end of the period, and their interests in the shares of the group undertakings are set out in the financial statements of that company.

Auditors

During the period Grant Thornton LLP resigned as auditors. KPMG LLP were appointed to fill the vacancy arising.

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company, is to be proposed at the forthcoming annual general meeting.

By order of the board



N Brunning
Director

Units 16-18
Victoria Industrial Estate
Wales Farm Road
London
W3 6YN

17 January 2006

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 for that year. 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;
- 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 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.



KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Report of the independent auditors to the members of Northworld Investments Limited

We have audited the financial statements on pages 4 to 12.

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 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 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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 29 January 2005 and of the loss of the company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

17 January 2006

Profit and loss account
for the period ended 29 January 2005

	<i>Note</i>	Period ended 29 January 2005 £	Period ended 31 January 2004 £
Administrative expenses		(2,164,454)	-
Operating loss	2	(2,164,454)	-
Interest receivable	5	26,756	-
Interest payable	6	(988,249)	-
Loss on ordinary activities before taxation		(3,125,947)	-
Tax on loss on ordinary activities	7	937,784	-
Retained loss on ordinary activities after taxation	14	(2,188,163)	-

The company has made no recognised gains or losses in the period other than those stated in the profit and loss account above and accordingly a separate statement of total recognised gains and losses has not been prepared.

The results as stated in the above profit and loss account are derived wholly from continuing activities.

A note on historical cost gains and losses has not been included as part of these financial statements as the results disclosed in the profit and loss account are prepared on a unmodified historical cost basis.

Balance sheet
at 29 January 2005

	<i>Note</i>	29 January 2005		31 January 2004	
		£	£	£	£
Fixed assets					
Investments	8	32,764,300		32,764,300	
Current assets					
Debtors	9	937,784		-	
Cash at bank		42,787		3,080,000	
		<u>980,571</u>		<u>3,080,000</u>	
Creditors: Amounts falling due within one year	10	<u>(19,381,280)</u>		<u>(5,444,668)</u>	
Net current liabilities		(18,400,709)		(2,364,668)	
Total assets less current liabilities		14,363,591		30,399,632	
Creditors: Amounts falling due after more than one year	11	-		13,847,878	
Net assets		14,363,591		16,551,754	
Capital and reserves					
Called up equity share capital	13	25,000		25,000	
Share premium account	14	16,526,754		16,526,754	
Profit and loss account	14	<u>(2,188,163)</u>		<u>-</u>	
Equity shareholders' funds		14,363,591		16,551,754	

These financial statements were approved by the board of directors on 17 January 2006 and were signed on its behalf by:



N Brunning
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

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

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 'Cash Flow Statements', the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As 100% of the company's voting rights are controlled within the group headed by Lear Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Lear Holdings Limited, within which this company is included, can be obtained from Units 16-18, Victoria Industrial Estate, Wales Farm Road, London, W3 6YN.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 Operating loss

	Period ended 29 January 2005 £	Period ended 31 January 2004 £
<i>Operating loss is stated</i>		
<i>after charging</i>		
Directors' emoluments	340,452	-

Notes (continued)

3 Remuneration of directors

	Period ended 29 January 2005 £	Period ended 31 January 2004 £
Emoluments receivable	340,452	-

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period was as follows:

	Number of employees 2005	2004
	2	2

The aggregate payroll costs of these persons were as follows:

	Period ended 29 January 2005 £	Period ended 31 January 2005 £
Wages and salaries	299,600	-
Social security costs	40,852	-
	340,452	-

5 Interest receivable and similar income

	Period ended 29 January 2005 £	Period ended 31 January 2004 £
Bank interest	26,756	-
	26,756	-

6 Interest payable and similar charges

	Period ended 29 January 2005 £	Period ended 31 January 2004 £
On bank loans and overdrafts	898,682	-
On intercompany loans	89,567	-
	988,249	-

Notes *(continued)*

7 Taxation

Analysis of charge in period

	Period ended 29 January 2005		Period ended 31 January 2004	
	£	£	£	£
<i>UK corporation tax</i>				
Current tax on income for the year	937,784		-	
	<hr/>		<hr/>	
Total current tax		937,784		-
<i>Deferred tax</i>				
Current year	-		-	
	<hr/>		<hr/>	
Total deferred tax		-		-
		<hr/>		<hr/>
Tax on profit on ordinary activities		937,784		-
		<hr/>		<hr/>

Factors affecting the tax charge for the current year

	Period ended 29 January 2005	Period ended 31 January 2004
	£	£
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(3,125,947)	-
	<hr/>	<hr/>
Current tax at 30% (2004: 30%)	(937,784)	-
	<hr/>	<hr/>
Total current tax credit (see above)	(937,784)	-
	<hr/>	<hr/>

Notes (continued)

8 Investments

	Shares in subsidiary undertaking £
Cost	
At beginning of period	32,764,300
Additions	-
	<hr/>
At end of period	32,764,300
	<hr/>
Net book value	
At 29 January 2005	32,764,300
	<hr/>
At 31 January 2004	32,764,300
	<hr/>

Subsidiary undertaking	Country of incorporation	Class of share	Proportion of voting rights and shares held	Nature of business
Northworld Limited	England and Wales	Ordinary	100%	Value fashion retailers

9 Debtors

	29 January 2005 £	31 January 2004 £
Corporation tax recoverable	937,784	-
	<hr/>	<hr/>
	937,784	-
	<hr/>	<hr/>

10 Creditors: amounts falling due within one year

	29 January 2005 £	31 January 2004 £
Bank loans and overdrafts	-	4,000,000
Amounts owed to group undertakings	19,381,280	1,433,139
Accruals and deferred income	-	11,529
	<hr/>	<hr/>
	19,381,280	5,444,668
	<hr/>	<hr/>

Notes *(continued)*

11 Creditors: amounts falling due after more than one year

	29 January 2005	31 January 2004
	£	£
Loan notes	-	3,000,000
Bank loans and overdrafts	-	10,000,000
Other creditors	-	847,878
	<hr/>	<hr/>
	-	13,847,878
	<hr/>	<hr/>

Analysis of debt:

	29 January 2005	31 January 2004
	£	£
Debt can be analysed as falling due:		
In one year or less, or on demand	-	4,000,000
Between one and two years	-	12,000,000
Between two and five years	-	1,000,000
	<hr/>	<hr/>
	-	17,000,000
	<hr/>	<hr/>

During the year the company repaid its long term borrowings as part of the group refinancing.

12 Contingent liabilities

There is a corporate cross guarantee for all sums due between Northworld Limited and Northworld Investments Limited.

Notes (continued)

13 Share capital

	29 January 2005 £	31 January 2004 £
<i>Authorised:</i>		
1,575,000 ordinary "A" shares of £0.01 each	15,750	15,750
675,001 ordinary "B" shares of £0.01 each	6,750	6,750
250,000 ordinary "C" shares of £0.01 each	2,500	2,500
131,578 ordinary "D" shares of £0.01 each	1,316	1,316
	<u>26,316</u>	<u>26,316</u>
<i>Allotted and called up:</i>		
Ordinary shares full paid of £1 each		
1,575,000 ordinary "A" shares of £0.01 each	15,750	15,750
675,001 ordinary "B" shares of £0.01 each	6,750	6,750
250,000 ordinary "C" shares of £0.01 each	2,500	2,500
	<u>25,000</u>	<u>25,000</u>
Total equity share capital	<u>25,000</u>	<u>25,000</u>

Each class of share ranks *pari passu* in all respects except the "D" shares which do not carry any permitted transfer rights. The Directors may allot some or all of the "D" shares on such terms as they, in their absolute discretion, see fit to any employee of the company or subsidiary of the company from time to time.

14 Reserves

	Share premium account £	Profit and loss account £
At 1 February 2004	16,526,754	-
Retained loss for the period	-	(2,188,163)
	<u>16,526,754</u>	<u>(2,188,163)</u>
At 29 January 2005	<u>16,526,754</u>	<u>(2,188,163)</u>

Notes (continued)

15 Reconciliation of movements in shareholders' funds

	Period ended 29 January 2005 £	Period ended 31 January 2004 £
Loss for the financial period	(2,188,163)	-
New share capital subscribed (net of issue costs)	-	25,000
Share premium on new share capital	-	16,526,754
	<hr/>	<hr/>
Net (reduction in) / addition to shareholders' funds	(2,188,163)	16,551,754
Opening shareholders' funds	16,551,754	-
	<hr/>	<hr/>
Closing shareholders' funds	14,363,591	16,551,754
	<hr/>	<hr/>

16 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party transactions", not to disclose transactions with fellow group companies included within the group financial statements.

During the period, the company entered into the following transactions with Owen Owen Limited, a company in which Mr DA Thompson is a director.

A management fee of £886,377 (2004: £407,900) was charged by Owen Owen Limited to Northworld Investments Limited in respect of consulting services provided by its senior management. No separate service contracts exist for individual directors differentiating between services for Owen Owen Limited and the company. A further management charge in respect of past services provided by the directors of £900,000 (2004: 990,597) was charged in the period to Northworld Investments Limited.

17 Ultimate parent company and parent undertaking of larger group of which the company is a member

The largest group in which the results of the company are consolidated is that headed by Lear Holdings Limited, incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from Units 16-18, Victoria Industrial Estate, Wales Farm Road, London, W3 6YN. No other group accounts include the results of the company.