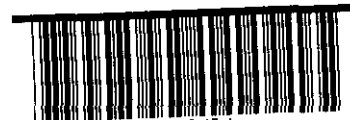


**Northworld Investments Limited**

**Directors' report and financial  
statements**

Registered number ~~11~~4466016

For the period ended 28 January 2006



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## Directors' report

The directors present their annual report and the audited financial statements of the company for the period ended 28 January 2006.

### Principal activities and business review

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

On 20 July 2006, Dominic Galvin was appointed as Chief Executive of the company.

### 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 (2005: *nil*).

### Directors and directors' interests

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

LM Johnston	(resigned 1 June 2006)
A Hall	(resigned 22 February 2005)
N Brunning	(appointed 1 March 2005; resigned 31 July 2006)

K Lyon, G Sigurdsson and A Szirtes were appointed as directors of the company on 7 June 2006. G Sigurdsson resigned as director on 21 July 2006. PD Galvin and M Rahamim were appointed as directors on 20 July 2006.

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

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

  
**K Lyon**  
Director

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

14 September 2006

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

## **Independent auditors' report to the members of Northworld Investments Limited**

We have audited the financial statements of Northworld Investments Limited for the period ended 28 January 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under 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 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**

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK 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 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **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 judgments 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.

**Independent auditors' report to the members of Northworld Investments Limited**  
*(continued)*

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 January 2006 and of its loss 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*

14 September 2006

**Profit and loss account**  
*for the period ended 28 January 2006*

	<i>Note</i>	<b>Period ended 28 January 2006 £</b>	<b>Period ended 29 January 2005 £</b>
Administrative expenses		-	(2,164,454)
<b>Operating loss</b>	<b>2</b>	-	(2,164,454)
Interest receivable	5	-	26,756
Interest payable	6	-	(988,249)
<b>Loss on ordinary activities before taxation</b>		-	(3,125,947)
Tax on loss on ordinary activities	7	-	937,784
<b>Loss on ordinary activities after taxation</b>	<b>14</b>	-	(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 an unmodified historical cost basis.



**Balance sheet**  
*at 28 January 2006*

	<i>Note</i>	<b>28 January 2006</b>	<b>29 January 2005</b>
		£	£
<b>Fixed assets</b>			
Investments	8	32,764,300	32,764,300
<b>Current assets</b>			
Debtors	9	937,784	937,784
Cash at bank		-	42,787
		<u>937,784</u>	<u>980,571</u>
<b>Creditors: Amounts falling due within one year</b>	10	<b>(19,338,493)</b>	<b>(19,381,280)</b>
<b>Net current liabilities</b>		<b>(18,400,709)</b>	<b>(18,400,709)</b>
<b>Total assets less current liabilities</b>		<b>14,363,591</b>	<b>14,363,591</b>
<b>Creditors: Amounts falling due after more than one year</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>14,363,591</b>	<b>14,363,591</b>
<b>Capital and reserves</b>			
Called up equity share capital	12	25,000	25,000
Share premium account	13	16,526,754	16,526,754
Profit and loss account	13	(2,188,163)	(2,188,163)
<b>Equity shareholders' funds</b>		<b>14,363,591</b>	<b>14,363,591</b>

These financial statements were approved by the board of directors on 14 September 2006 and were signed on its behalf by:

  
**K Lyon**  
 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:

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below and have had no material effect on the 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.

### 2 Operating loss

	Period ended 28 January 2006 £	Period ended 29 January 2005 £
<i>Operating loss is stated</i>		
<i>after charging</i>		
Directors' emoluments	-	340,452

## Notes (continued)

### 3 Remuneration of directors

	Period ended 28 January 2006 £	Period ended 29 January 2005 £
Emoluments	-	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 2006	2005
Administration	2	2

The aggregate payroll costs of these persons were as follows:

	Period ended 28 January 2006 £	Period ended 29 January 2005 £
Wages and salaries	-	299,600
Social security costs	-	40,852
	-	340,452

### 5 Interest receivable and similar income

	Period ended 28 January 2006 £	Period ended 29 January 2005 £
Bank interest	-	26,756

### 6 Interest payable and similar charges

	Period ended 28 January 2006 £	Period ended 29 January 2005 £
On bank loans and overdrafts	-	898,682
On inter-company loans	-	89,567
	-	988,249

Notes (continued)

7 Taxation

*Analysis of charge in period*

	Period ended 28 January 2006		Period ended 29 January 2005	
	£	£	£	£
<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 loss on ordinary activities		-		(937,784)
	<hr/>		<hr/>	

*Factors affecting the tax charge for the current year*

	Period ended 28 January 2006	Period ended 29 January 2005
	£	£
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	-	(3,125,947)
	<hr/>	<hr/>
Current tax at 30% (2005: 30%)	-	(937,784)
	<hr/>	<hr/>
Total current tax credit (see above)	-	(937,784)
	<hr/>	<hr/>

## Notes (continued)

### 8 Investments

				Shares in subsidiary undertaking £
<i>Cost</i>				
At beginning and end of period				32,764,300
				<hr/>
<i>Net book value</i>				
At 28 January 2006				32,764,300
				<hr/>
At 29 January 2005				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
				<hr/>

### 9 Debtors

	28 January 2006 £	29 January 2005 £
Group relief receivable	937,784	937,784
	<hr/>	<hr/>

### 10 Creditors: amounts falling due within one year

	28 January 2006 £	29 January 2005 £
Amounts owed to group undertakings	19,338,493	19,381,280
	<hr/>	<hr/>
	19,338,493	19,381,280
	<hr/>	<hr/>

### 11 Contingent liabilities

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

## Notes (continued)

### 12 Share capital

	28 January 2006 £	29 January 2005 £
<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.

### 13 Reserves

	Share premium account £	Profit and loss account £
At 29 January 2005	16,526,754	(2,188,163)
At 28 January 2006	<u>16,526,754</u>	<u>(2,188,163)</u>

### 14 Reconciliation of movements in shareholders' funds

	Period ended 28 January 2006 £	Period ended 29 January 2005 £
Loss for the financial period	-	(2,188,163)
Net reduction in shareholders' funds	-	(2,188,163)
Opening shareholders' funds	14,363,591	16,551,754
Closing shareholders' funds	<u>14,363,591</u>	<u>14,363,591</u>

## Notes (continued)

### 15 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.

### 16 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.

The ultimate parent company is Baugur Group Hf, a company incorporated in Iceland.