Bank Stores Holdings Limited

Directors' report and consolidated financial statements

Registered number 05418053

Year ended 31 August 2006

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2006

Principal activities

The principal activity of the company is as a Holding Company for Bank Fashion Limited a retailer of lifestyle fashion wear

Business Review

Operating and Financial Review

The principal strategic objective of Bank Fashion during the financial year was to continue to grow the business through new store openings During the financial year, 9 additional stores were opened taking the portfolio to 38 stores with a geographical presence across England and Scotland

This expansion increased turnover +25% for the 12 months to August 2006 to £41 6m

Our principal financial backers remain committed to Bank Fashion and subsequent to the financial year end (as explained in the notes to Bank Store Holdings Ltd 2006) the Business raised additional funds to ensure its continued expansion for the financial year ended 31 August 2007, during which a further 9 stores have been opened

Profitability for the period was impacted by the strategy to realise what was identified to be surplus stock Despite impacting on results for this financial year, the Directors believe this strategy has been beneficial for the business in releasing working capital and improving operational efficiency The benefits of this approach have been reflected in improved gross margin and profitability for the financial year ended 31 August 2007

At 31 August 2006 the Group employed 667 employees and sales per employee increased +6 4% Key employee statistics have continued to improve since the year end and the management team has been strengthened considerably

Principal Risks and Uncertainties

As with any clothing retailer Bank's financial performance is dependant on successful product selection and stock management, particularly during the important Christmas trading period The Directors believe that significant progress has been made in improving key processes and controls which manage these risks

Future developments

Management are looking forward with great optimism to continuing growth and profitability in 2007 and beyond

Proposed dividend

The directors do not recommend the payment of a dividend *(2005 £nil)*

Directors' report *(continued)*

Directors and directors' interests

The current directors of Bank Stores Holdings Limited are outlined below

A Scott

D Scarlett

P Alecock (appointed 15 July 2006)

C Morton (resigned 30 June 2006)

JM Booth

D Burns

L Mayhew (non–executive independent Chairman)

Employees

The company's policy is to consult and discuss with employees, through staff councils and at meetings, matters likely to affect employees' interests

Information of 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 group performance

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company s auditors are aware of that information

Political and charitable contributions

The group made no political contributions during the period Donations to UK charities amounted to £380 (*2005 £nil)*

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

P Alecock
Director

Unit 8
Bridge Street Mills
Union Street
Macclesfield
Cheshire
SK11 6QG
31 August 2007

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 and applicable law (UK Generally Accepted Accounting Practice)

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss 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 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 group and the parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Bank Stores Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Bank Stores Holdings Limited for the year ended 31 August 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliations of Movements in Shareholders' Funds 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

The directors' responsibilities for preparing the Directors Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3

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 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 group's and 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 Bank Stores Holdings 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 group's and the parent company's affairs as at 31 August 2006 and of the group's loss for the year then ended,
- 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

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

31 August 2007

Consolidated profit and loss account

For the period ended 31 August 2006

		Note	12 months ended 31 August 2006		5 months ended 31 August 2005	
			£000	**£000**	£000	£000
Turnover		2		**41,561**		13,530
Cost of sales				**(24,125)**		(7,490)
Gross profit				**17,436**		6,040
Administrative expenses	- before goodwill amortisation	3	**(19,685)**		(6,850)	
	- goodwill amortisation	3	**(884)**		(324)	
				(20,569)		(7,174)
Operating Loss		3		**(3,133)**		(1,134)
Interest receivable and similar income		6		**17**		47
Interest payable and similar charges		7		**(2,254)**		(850)
Loss on ordinary activities before taxation		2-7		**(5,370)**		(1,937)
Tax on loss on ordinary activities		8		**170**		311
Retained loss for the period for group				**(5,200)**		(1 626)

There are no recognised gains or losses other than those included in the profit and loss account above The results above relate solely to continuing operations

Consolidated Balance sheet

At 31 August 2006

	Note	2006 £000	2006 £000	2005 £000	2005 £000
Fixed assets					
Intangible assets	9		16,477		17,361
Tangible assets	10		9,678		6 885
			26,155		24,246
Current assets					
Stocks	12	5,867		6,358	
Debtors	13	2,491		2,104	
Cash at bank and in hand		589		3 762	
		8,947		12 224	
Creditors amounts falling due within one year (including convertible debt)	14	(11,541)		(12 404)	
Net current liabilities			(2,594)		(180)
Total assets less current liabilities			23,561		24,066
Creditors amounts falling due after more than one year	15		(28,120)		(23,255)
Provisions for liabilities and charges	16		(267)		(437)
Net (liabilities) / assets			(4,826)		374
Capital and reserves					
Called up share capital	17		20		20
Share Premium account	18		1,980		1,980
Profit and loss account	18		(6,826)		(1,626)
Shareholders' (deficit) / funds			(4,826)		374

These financial statements were approved by the board of directors on 31 August 2007 and were signed on its behalf by

P. Alecock.

P Alecock
Director

Company Balance sheet
At 31 August 2006

	Note	2006 £000	2006 £000	2005 £000	2005 £000
Fixed assets					
Investments	*11*		4,505		4,505
Current assets					
Debtors	*13*	2,144		1,961	
Net current assets			2,144		1,961
Total assets less current liabilities			6,649		6,466
Creditors amounts falling due after more than one year	*15*		(5,018)		(4,561)
Provisions for liabilities and charges	*16*		(70)		-
Net assets			1,561		1,905
Capital and reserves					
Called up share capital	*17*		20		20
Share premium	*18*		1,980		1 980
Profit and loss account	*18*		(439)		(95)
Shareholders' funds			1,561		1,905

These financial statements were approved by the board of directors on 31 August 2007. and were signed on its behalf by

P. Alecock.

P Alecock
Director

Consolidated cash flow statement

for the year ended 31 August 2006

Cash flow statement

	Note	2006 £000	2005 £000
Cash inflow / (outflow) from operating activities	*22*	**1,587**	(2,019)
Returns on investments and servicing of finance	*23*	**(704)**	(174)
Taxation		**-**	-
Capital expenditure and financial investment	*23*	**(4,084)**	(1592)
Acquisitions	*23*	**-**	(20,070)
Cash outflow before financing		**(3,201)**	(23,855)
Financing	*23*	**2,316**	25,146
(Outflow) / Inflow in cash in the period		**(885)**	1,291

Reconciliation of net cash flow to movement in net debt

	Note	2006 £000	2005 £000
(Outflow) / Inflow in cash in the period		**(885)**	1,291
Cash inflow from increase in debt		**(1,454)**	(23,443)
Loans and finance leases acquired with subsidiary		**-**	(692)
Capital element of finance leases		**309**	136
Other non-cash changes		**(3,171)**	-
Movement in net debt in the period		**(5,201)**	(22,708)
Net debt at the start of the period		**(22,708)**	-
Net debt at the end of the period	*24*	**(27,909)**	(22,708)

Reconciliations of movements in shareholders' funds
for the period ending 31 August 2006

	Group 2006 £000	Group 2005 £000	**Company 2006 £000**	Company 2005 £000
Loss for the financial period	**(5,200)**	(1,626)	**(344)**	(95)
Net (reduction)/ addition to shareholders' funds	**(5,200)**	374	**(344)**	1 905
Opening shareholders' funds	**374**	Nil	**1,905**	Nil
Closing shareholders' (deficit) / funds	**(4,826)**	374	**1,561**	1 905

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 group's financial statements except as noted below In these financial statements the presentation requirements of FRS 25 'Financial instruments presentation and disclosure' have been adopted

Basis of preparation

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

The accounts have been prepared on a going concern basis, despite the loss for the year, on the grounds detailed within the Business Review section of the Directors report

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 August 2006 The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account The loss for the company retained for the period is disclosed in Note 18

Rent free periods

Rent free periods and other landlord incentives are spread over the period to the next rent review date

Property dilapidations

Provision is made for property dilapidations where it is clear that the group is contractually obliged to such obligations and an estimate of dilapidation costs incurred can be reasonably estimated

Investments

Investments are held at the lower of cost and estimated net realisable value

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of twenty years

In the company's financial statements, investments in subsidiary undertakings, associates and joint ventures are stated at cost less provision for impairment

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Leasehold land and buildings	-	Over 10 years
Computer Equipment	-	Over 5 years
Fixtures, fittings and equipment	-	Over 5 to 10 years
Motor Vehicles	-	Over 4 years

No depreciation is provided on freehold land

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Debt issue costs

Issue costs are those that are incurred directly in connection with the issue of a capital instrument, that is, those costs that would not have been incurred had the specific instrument in question not been issued These are deducted from debt proceeds to give the value of debt held on the balance sheet The costs are being amortised straight line over the period of repayment of the finance obtained

Share options

Share options granted to employees are charged to operating profit when it is considered more likely than not that those options will be exercised The charge is calculated as the difference between estimated fair value and exercise price, and a corresponding credit is made directly to reserves

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of transaction All differences are taken to the profit and loss account

Post retirement benefits

The group operates a defined contribution pension scheme The assets of the scheme are held separately from those of the group in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Stocks

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes *(continued)*

1 Accounting policies *(continued)*

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i e forming part of shareholders' funds) only to the extent that they met the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Turnover

Turnover represents amounts receivable for goods sold net of VAT and trade discounts Gift vouchers issued are treated as deferred income and recognised as sales when redeemed

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market

Notes *(continued)*

2 Turnover

All turnover has been derived from the group's principal activity and is wholly undertaken in the United Kingdom

3 Loss on ordinary activities before taxation

	2006 £000	2005 £000
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration		
Group		
Audit of financial statements of subsidiaries pursuant to legislation	**28**	25
Other services relating to taxation	**5**	13
Company		
Audit of financial statements of subsidiaries pursuant to legislation	**-**	-
Depreciation and other amounts written off tangible fixed assets		
Owned	**1,166**	405
Leased	**125**	38
Amortisation of goodwill	**884**	324
Hire of plant and machinery - rentals payable under operating leases	**31**	9
Hire of other assets - operating leases	**6,576**	1760

Auditor fees in respect of the company are paid through Bank Fashion Limited

4 Remuneration of directors

	2006 £000	2005 £000
Emoluments for qualifying services	**450**	172
Company pension contributions to money purchase schemes	**14**	4
	464	176

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2

Emoluments disclosed above include the following amounts paid to the highest paid director

	2006 £000	2005 £000
Emoluments for qualifying services	**130**	48
Company pension contributions to money purchase schemes	**8**	-

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows

	Number of employees	
	2006	2005
Office and administration	**38**	33
Shop and distribution managers	**38**	62
Selling and distribution	**591**	477
	667	572

The aggregate payroll costs of these persons were as follows

	2006	2005
	£000	£000
Wages and salaries	**5,879**	2,233
Social security costs	**384**	163
Other pension costs	**36**	18
	6,299	2 414

6 Other interest receivable and similar income - Group

	2006	2005
	£000	£000
Bank interest	**17**	47
	17	47

7 Interest payable and similar charges - Group

	2006	2005
		£000
On bank loans and overdrafts	**656**	194
On loan notes	**1,098**	396
Finance charges payable in respect of finance leases and hire purchase contracts	**43**	99
Preference share dividends	**457**	161
	2,254	850

Notes *(continued)*

8 Taxation

Analysis of charge/(credit) in period

	Period ended 31 August 2006 £000	Period ended 31 August 2005 £000
UK corporation tax		
Current tax on income for the period	-	(80)
Adjustments in respect of prior periods	-	-
		(80)
Deferred tax		
Origination and reversal of timing differences	**(170)**	(231)
	(170)	(311)

Tax on profit on ordinary activities

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (*2005 higher*) than the standard rate of corporation tax in the UK 30% (*2005 30%*) The differences are explained below

	Period ended 31 August 2006 £	Period ended 31 August 2005 £
Current tax reconciliation		
Profit on ordinary activities before taxation	**(5,370)**	(1,937)
Current tax at 30% *(2005 30%)*	**(1,611)**	(581)
Effects of		
Non deductible expenses	**522**	209
Depreciation in excess of capital allowances	**352**	89
Adjustments to prior periods	-	165
Short term timing differences	**334**	118
Prior year adjustment	-	(80)
Unutilised trading losses	**403**	-
Total current tax charge (see above)	-	(80)

The company has estimated losses of £570,000 available (2005 £nil) for carry forward against future trading profits

On 21 March 2007 it was announced that the standard rate of corporation tax was to be changed to 28% and capital allowance legislation impacting on the deferred tax provision of the company will be introduced for taxable periods arising on or after 1 April 2008 For the purposes of the financial statements to 31 August 2006, the standard rate of corporation tax and capital allowances legislation applicable prior to 30 March 2008 has been applied on the basis that these were enacted at 30 April 2007

Notes *(continued)*

9 Intangible fixed assets

Group	**Goodwill** £000
Cost	
At beginning of period	17,685
Additions	-
At end of period	17,685
Amortisation	
At beginning of period	324
Charged in period	884
At end of period	1,208
Net book value	
At 31 August 2006	**16,477**
At 31 August 2005	17,361

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises Goodwill is amortised straight line over twenty years

Notes *(continued)*

10 Tangible fixed assets

	Leasehold land and Buildings	Computer equipment	Fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
Group					
Cost					
On acquisition	1,087	337	7 660	218	9,302
Additions	416	260	3,420	-	4,096
Disposals	-	-	-	(22)	(22)
At end of period	1 503	597	11,080	196	13,376
Depreciation					
On acquisition	400	64	1,883	70	2,417
Charge for period	118	91	1,031	51	1,291
Disposals	-	-	-	(10)	(10)
At end of period	518	155	2,914	111	3,698
Net book value					
At 31 August 2006	**985**	**442**	**8,166**	**85**	**9,678**
At 31 August 2005	687	273	5,777	148	6,885

Included above are assets held under finance leases or hire purchase contracts as follows

	Fixtures, fittings and equipment	Motor vehicles	Total
	£000	£000	£000
Net book values			
At 31 August 2006	583	82	665
At 31 August 2005	666	124	790
Depreciation charge for the period			
At 31 August 2006	83	42	125
At 31 August 2005	27	11	38

Notes *(continued)*

11 Fixed asset investments *(continued)*

The undertakings in which the company's interest at the period end is more than 20% are as follows

	Country of incorporation	Principal activity	Class and percentage of shares held Company
Subsidiary undertakings			
Bank Stores Financing Limited	United Kingdom	Intermediate holding company	100% ordinary
Bank Fashion Limited	United Kingdom	Retailer of life style clothing	100% ordinary

12 Stocks

	Group 2006 £000	Group 2005 £000
Finished goods and goods for resale	**5,867**	6,358
	5,867	6,358

13 Debtors

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Amounts owed by group undertakings	-	-	**2,144**	1,961
Prepayments	**2,477**	1,860	-	-
Sundry Debtors	**14**	244	-	-
	2,491	2,104	**2,144**	1,961

14 Creditors: amounts falling due within one year

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Bank loans (net of issue costs) and overdrafts (see note 15)	**183**	2,908	-	-
Obligations under finance leases and hire purchase contracts (see note 15)	**194**	307	-	-
Trade creditors	**6,306**	7 246	-	-
Other creditors including taxation and social security	**4,858**	1,943	-	-
	11,541	12 404	-	

Notes *(continued)*

15 Creditors: amounts falling due after more than one year

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Bank loans (net of issue costs)	9,332	7,747	-	-
Loan notes	12,173	10,698	-	-
Loan note interest	1,545	-		
Obligations under finance leases and hire purchase contracts	52	249	-	-
Preference shares	4,399	4,399	4,399	4,399
Preference shares interest	619	162	619	162
	28,120	23 255	5,018	4,561

Analysis of debt:

	Group 2006 £000	Group 2005 £000
Debt can be analysed as falling due		
In one year or less or on demand	194	437
Between one and two years	2,053	1,436
Between two and five years	7,650	6,560
In five years or more	18,735	15,259
	28,632	23,692

Bank loans and overdrafts are secured by a fixed and floating charge over all the assets of the group

The bank loan is split into a revolving credit facility and a term loan facility of senior and mezzanine debt

The revolving credit facility attracts interest of 2 25% over base rate The term loan facility is repayable in stepped instalments until February 2010, and attracts interest per annum at 2 25% over base rate The Mezzanine instrument attracts interest at 3 5% over base rate and rolled up interest of 6%

Additional loan facilities were renegotiated following the period end as disclosed in note 25

Included within creditors amounts falling due after more than one year is £3,250,477 in relation to subordinated secured loan stock A issued in the period Interest accrues on loan stock A at 10% per annum until the stock is redeemed Redemption at par occurs on the earlier of a sale or quotation or the 31 March 2011

Included within creditors amounts falling due after more than one year is £7,422,500 in relation to subordinated secured loan stock B issued in the period (of which £1,848,753 is due to Bank Store Holdings Limited) Interest accrues on loan stock B at 10% per annum until the stock is redeemed Redemption at par occurs on the earlier of a sale or quotation or the 31 December 2011

Included within creditors amounts falling due after more than one year is £1,500,000 in relation to subordinated secured loan stock D issued in the period Interest accrues on loan stock B at 10% per annum until the stock is redeemed Redemption at par occurs on the earlier of a sale or quotation or the 31 December 2011

Notes *(continued)*

15 Creditors: amounts falling due after more than one year *(continued)*

The maturity of obligations under finance leases and hire purchase contracts is as follows

	Group Land and buildings 2006 £000	Group Land and buildings 2005 £000	**Company Land and buildings 2006 £000**	Company Land and buildings 2005 £000
Within one year	**194**	307	**-**	-
In the second to fifth years	**53**	249	**-**	-
	247	556	**-**	-

16 Provisions for liabilities and charges

	Taxation including deferred taxation £000	**Onerous leases and dilapidations provision** £000	**Total** **£000**
Group			
At beginning of year	240	197	**437**
Transfer to profit and loss for the period	(170)	-	**(170)**
At end of year	70	197	**267**

	Taxation including deferred taxation	**Onerous leases and dilapidations provision**	**Total**
Company			
At beginning of year	-	-	**-**
Charge to profit and loss for the period	70	-	**70**
At end of year	70	-	**70**

The onerous lease and dilapidations provision relates to obligations on leasehold premises for shops that are not in use and repairs to bring them to their original standard

The elements of deferred taxation are as follows

	2006 £000	2005 £000
Difference between accumulated depreciation and amortisation and capital allowances	**70**	240
Other timing differences	**-**	-
Deferred tax liability	**70**	240

Notes *(continued)*

17 Called up share capital

	2006 £000	2005 £000
Authorised		
2,000,000 Ordinary shares of £0 01 each	**20**	20
Allotted, called up and fully paid		
2,000,000 Ordinary shares of £ 0 01 each	**20**	20

Included within Creditors amounts falling due after more than one year is £4,399,000 of preference shares which are redeemable on the earlier of sale or quotation of the business or the 31 December 2011 at issue price On a winding up they would rank above ordinary shares Preference shareholders are not entitled to attend or vote at any general meeting

18 Share premium and reserves

Group

	Share premium account £000	Profit and loss account £000
At beginning of period	1,980	(1,626)
Retained loss for the period	-	(5,200)
At end of period	**1,980**	**(6,826)**

Company

	Share premium account £000	Profit and loss account £000
At beginning of period	1 980	(95)
Retained profit for the period	-	(344)
At end of period	**1,980**	**(439)**

Notes *(continued)*

19 Contingent liabilities

As is normal in the business, at the period end management estimate that orders of £6,250,000 *(2005 £5,309,000)* have been placed for future season stock

The company has guaranteed the overdrafts of its subsidiaries, the amount outstanding at the period end was £nil

20 Commitments

At 31 August 2006 the group had authorised capital expenditure of £500,000 and contracted for capital expenditure of £495,000

In addition to the commitment above the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2006 £000	**Other 2006 £000**	Land and buildings 2005 £000	Other 2005 £000
Expiry date				
Within one year	**59**	**22**		31
Between two and five years	**29**	**10**	128	33
Over five years	**11,133**	**-**	6,522	-
	11,221	**32**	6,650	64

21 Pension scheme

The group and company operate a defined contribution pension scheme The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £36,000

There were no outstanding or prepaid contributions at either the beginning or end of the financial period

22 Reconciliation of operating loss to operating cash flows

	2006 £000	2005 £000
Operating loss from ordinary activities	**(3,133)**	(1 134)
Depreciation	**1,291**	443
Loss on sale of fixed assets	**-**	1
Amortisation of goodwill	**884**	324
Onerous lease provision	**-**	37
Decrease / (increase) in stocks	**491**	(730)
Increase in debtors	**(389)**	(131)
Increase / (decrease) in creditors	**2,443**	(829)
Net cash inflow / (outflow) from operating activities	**1,587**	(2 019)

Notes *(continued)*

23 Analysis of cash flows

	Notes	**2006 £000**	**2006 £000**	2005 £000	2005 £000
Returns on investment and servicing of finance					
Interest received		**17**		47	
Interest paid		**(721)**		(221)	
			(704)		(174)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(4,096)**		(1,603)	
Sale of fixed assets		**12**		11	
			(4,084)		(1,592)
Acquisitions and disposals					
Purchase of subsidiary undertaking	*27*		-		(20,070)
Financing					
Issue of ordinary share capital		-		2,000	
Issue of preference share capital		-		4,399	
Repayment of long-term borrowings		(600)		-	
Increase in long-term borrowings		1,750		-	
New secured loan notes		1,500		18.883	
Repurchase of loan notes		(25)		-	
Capital element of finance lease rental payments		(309)		(136)	
			2,316		25,146

24 Analysis of net debt

	At beginning of year £000	Cash flow £000	Other non-cash changes £000	**At end of Year £000**
Cash in hand, at bank	3,762	(3,173)	-	**589**
Overdrafts	(2,471)	2 288		**(183)**
	1,291	(885)		**406**
Debt due after one year	(23,006)	(1,454)	(3,608)	**(28,068)**
Debt due within one year	(437)		437	**-**
Finance leases	(556)	309	-	**(247)**
Total	(22,708)	(2 030)	(3,171)	**(27,909)**

The repayment dates of the loan have changed following the period end as disclosed in Note 25

Notes *(continued)*

25 Post Balance Sheet events

On the 30 April 2007 a further £1,500,000 of term loan facility has been made available plus additional loan notes issued for £500,000

26 Related party disclosures

Included within other creditors are loans made to the company by the directors, A G Scott The balance at the period end amounted to £6,000 *(2005 £nil)*

During the period the company paid rent to A G Scott of £32,500

27 Acquisitions

On 17 April 2005 the company acquired 100% of the ordinary shares of Bank Fashion Limited The resulting goodwill of £17,685,000 capitalised and will be written off over 20 years

	Total £000
Fixed assets	
Tangible	5,736
Current assets	
Stock	5,628
Debtors	1,973
Cash	-
Total assets	13,337
Liabilities	
Creditors	(10,952)
Total liabilities	(10,952)
Net assets	2,385
Goodwill	17,685
Purchase consideration (including costs of acquisition of £1,773,000)	20,070

The acquired undertaking made a profit of £692,000 from the beginning of it's financial period to the date of acquisition In it's previous financial year the loss was £70,000