Adams Childrenswear Limited
(formerly Hamsard 3060 Limited)
Report and financial statements
for the period ended 31 January 2008

Company no.06019499

Company information

Company registration number	06019499
Registered office	Attleborough House Townsend Drive Nuneaton Warwickshire CV11 6RU
Directors	J H Shannon D Carter-Johnson J McBride
Secretary	J McBride
Bankers	Barclays Bank plc 15 Colmore Row Birmingham B3 2BY Burdale Financial Limited 53 Queen Anne Street London W1G 9HP
Solicitors	Pinsent Masons 3 Colmore Circus Birmingham B4 3BH
Auditors	Grant Thornton UK LLP Registered Auditors Chartered Accountants Enterprise House 115 Edmund Street Birmingham B3 2HJ

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Chairman's report

I am proud to be the new owner of Adams Childrenswear Limited and am convinced that 'adams kids' and 'mini mode' are inherently strong brands with great potential for growth

During the past year the Board have aggressively tackled the major problems facing the business and have made significant progress improving gross profit margins and reducing costs Trading conditions have been the most difficult for a decade, but despite this the company has been stabilised and a strategy for the future unanimously agreed The Board is determined to re-establish 'adams kids' as a destination for fashionable affordable quality children's clothes At the same time the profitable 'mini mode' business model will be further developed with Boots

Last year was an uncertain period for many of our colleagues within the business, during which there was a great deal of change Our people and the culture in which they operate are the most critical component in the planned business recovery

By creating an environment in which our people can deliver to their full potential, individual ambitions and business success will be realised After the first year, a positive 'can do' culture is emerging, but we will continue to encourage drive and initiative

On this basis I look forward with optimism to the next twelve months with the knowledge that both 'adams kids' and 'mini mode' are in a strong and improving position to face the challenges that are inevitably ahead in today's retail market place

The year has started satisfactorily and after the first five months I am pleased to say that profitability is way ahead of last year However, the outlook is uncertain and we aim to keep cash under tight control and feel we are well placed to face this challenging retail environment

Finally, I would like to thank all our employees and Managers for all their hard work and support in what has been a successful year re-establishing the 'adams kids' and 'mini mode' brands

John Shannon
Chairman
Date 19 August 2008

Chief Executive's report

On the 1 February 2007 John Shannon acquired the trade and assets of Adams Childrenswear ("Adams") and Mini Mode Childrenswear The brands acquired were 'adams kids' trading in 260 stores in the UK and Eire and internationally through 116 franchise stores, and 'mini mode' trading in 330 Boots stores

Business Rationalisation

The immediate task following the acquisition of Adams was to simplify the business on the basis that usually 'less is more' It was also imperative to reduce central costs and arrest the cash haemorrhage Both were undertaken with speed and the outcome was a central cost reduction of £7 5m and a £5m positive operating cash flow in the year ended 31 January 2008 Evidence of this rationalisation is obvious throughout Head Office, notably the single office building and a simplified organisation structure led by a streamlined executive board

Business Strategy

The business strategy has been based on a focused approach trading two brands through three distribution channels

Brand	Retail	e-commerce	International
adams kids		Launched August 2006	Existing partners, organic growth and new territories
mini mode	Continued organic growth in Boots	Launched August 2007	New business

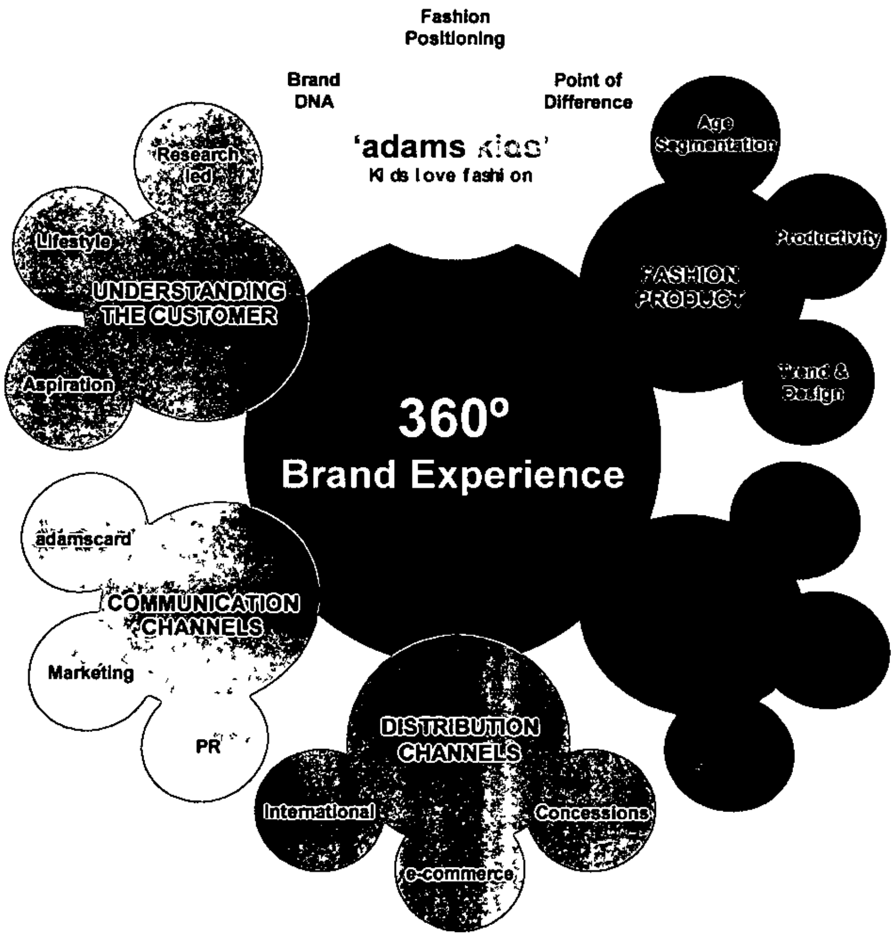
Growth potential Substantial 20% plus p a

Chief Executive's report

Brand

The 'adams kids' brand will be dedicated to fashion clothing for children up to 10 years old and all our resources will be focused upon re-building the brand and customer confidence to sustain future profitable growth

This 360° brand experience chart illustrates a clear focus and commitment to reposition and re-build the 'adams kids' brand



Adams kids' love fashion

Despite a period of decline the 'adams kids' brand is recognised by the majority of mothers Our job is to re-build customer confidence in 'adams kids', clearly differentiating the brand from its supermarket and value competitors The 'kids love fashion' strap line has been adopted to reinforce Adams' fashion positioning.

Chief Executive's report

Fashion Product

Focus on fashion, key looks and co-ordination, increased choice and the continuous introduction of new product will give 'adams kids' a 'point of difference' The recruitment of Lindsey Williams (ex River Island) as Buying and Merchandising Director will be key to delivering 'adams kids' fashion positioning Already age segmentation has been simplified creating three destination departments, namely Baby 0-24 months, Girls 2-10 years and Boys 2-10 years

The outcome has been a significantly increased rate of sale and full price sell through The in-house design team has been strengthened and are working to a strict critical path However, 'adams kids' will retain its strong value and quality credentials adopting a 'first price right price' policy

Stock Control

Stock control continues to be a major focus 'adams kids' inherited circa £18m (retail value) redundant stock in February 2007, a combination of terminal stock from previous seasons and old slow selling continuity basics and schoolwear This surplus stock was substantially cleared during the period ended 31 January 2008 and Adams is currently operating with approximately 20% less stock than last year and 25% less options The outcome will be dramatically lower terminal stock and shorter 'SALE' periods

Store Environment

Retail standards have improved over the period with greater emphasis on fashion led prime promotions, weaning the customer off the 'discount drug' All Store Managers have attended commercial awareness workshops to increase their understanding of how to improve gross profit and store profitability Bi-annual Roadshows have emphasised the importance of customer service, distinctly superior to our High Street competitors In addition, investment in window mannequins and brand enhancing photography and graphics have begun the long-term process of re-building the 'adams kids' brand image In the medium term we anticipate further investment in stores to enhance customer perception of 'adams kids' alongside the development of brand bible

Chief Executive's report

Distribution Channels

International

'adams kids' has 116 franchise stores managed by 14 International partners Since its launch in 1997 this channel of distribution has proven to be a profitable business model for both parties However, in common with the core business International has not realised its full potential in recent years A strengthened International team has been dedicated to ensure that we maximise its future growth potential and current sales growth is very encouraging indeed

Six stores in new territories have been opened during the last financial year in Russia, Malaysia and India

Location	No. of stores	Location	No. of stores
Cyprus	9	Jordan	2
Egypt	2	Lebanon	4
Gibraltar	1	Malaysia	4
Greece	6	Malta	3
Guernsey	1	Middle East	32
Iceland	1	Russia	3
India	5	Saudi Arabia	43

e-commerce

'adams kids' online store extends the brand's reach across the whole of the UK For many customers under time pressure, adams co uk offers the convenience of shopping 'adams kids' full range from home E-commerce sales grew to £3m last year and current sales growth is impressive alongside customer service levels of 98%

Concessions

'adams kids' operates 19 concessions with 8 department store partners, generating a turnover of £6m and impressive sales density This is seen as an additional opportunity for further growth and new partners are being sought.

Understanding the Customer

'adams kids' is determined to get to know and understand its target customer better and the motivation behind her shopping choices Already we have held focus groups in major shopping centres to establish how the 'adams kids' brand is perceived and this will be an ongoing process Findings from the focus groups further support our determination that 'adams kids' should become more aspirational, appealing to a broader section of the population It is our intention to establish 'adams kids' as a destination for fashionable affordable childrens' clothing which will be achieved by outstanding product and a consistent fashion marketing message Sale periods will be restricted to 12 weeks per year but recognising the current retail market, supplemented by in season promotional offers

Chief Executive's report

Communication Channels and Adams Card

Following Adams exit from Nectar we have focused exclusively on re-building loyalty by expanding the 'adamscard' customer base Successful applications increased threefold during the year and additional account customer benefits were introduced

'adams kids' on line subscriber base increased to 350,000 over the period which we successfully used to promote new collections

PR has been focused on marketing within shopping centres and increasing 'adams kids' exposure in the fashion retail media

Mini Mode

'mini mode' is dedicated to fashion for 0-5 year olds Our focus will be to continue to grow 'mini mode' in Boots into a £50m business in 3 years

The 'mini mode' brand was developed in 2002 It has gone from strength to strength working in partnership with Boots with whom we have an exclusive contract to supply children's clothing in 330 stores in UK and Eire

With impressive sales and profit growth in the last financial year 'mini mode' supports a compelling proposition for mothers and young children in Boots starting with baby food and feeding, branded disposable nappies and 'mini mode' clothing for 0-5 year olds

Bigger and Better in Baby

A core strength of 'mini mode' is the Baby ranges up to 18 months The aim is to grow a broader more authoritative range, especially for mums-to-be

Space

The success over the last year reflects significantly growing sales in the top 20 stores modelled on the Trafford Park store in Manchester This has been achieved through additional space, enhancing the range, improved fixtures and service This model will be extended to all 65 Boots flagship stores

Marketing

Awareness that Boots sell baby and children's clothing is very low and in many stores 'mini mode' is available only on the first floor We will launch a campaign both internally and externally to grow awareness of the 'mini mode' brand in Boots through PR and advertising in national press

Chief Executive's report

The Directors

The new Board of Directors will be instrumental in delivering the business turnaround through strong leadership and strategic direction They are a team of experienced retail players, who are determined to succeed

John Shannon - Non Executive Chairman and Owner
Serial retail entrepreneur with a successful track record including the turnaround of Stead & Simpson sold in 2005 for £38m Earlier successes include Oasis and Country Casuals

David Carter-Johnson - Chief Executive
Former MD of Adams 1982–91, expanded Adams from 80-250 stores, increased sales from £10-130m generating profit of £15m by 1991 Experienced retail MD with a strong track record of turnarounds and growing businesses

David Empson - Managing Director 'mini mode' and International
David joined Adams in 2000 as Business Development Director and launched 'mini mode' in Boots in 2003 Previously David was a Departmental Director at Sainsbury's for 6 years and prior to that held Senior roles at Courtaulds and M&S

Julie McBride - Finance and HR Director
Qualified FCCA Following University trained with Coopers & Lybrand before joining Adams in 1989 Julie's extensive finance and retail experience within Adams provides continuity for the business

Paul Walkden - Retail Operations and Marketing Director
Commenced his retail career with Tesco in 1975 Since then Paul has held senior operational roles in Do it All and Asda, where he worked for 13 years, prior to joining Adams in 2005

Lindsey Williams - Buying and Merchandising Director
Lindsey joined the business in December 2007 bringing with her a wealth of experience and expertise in buying within fashion retailing She was Head of Buying for ladieswear at River Island where she worked for 10 years

Keith Pound - Logistics and IT Director
Keith is a logistics professional with over 20 years experience A business graduate whose career started in London working with fashion brands including Selfridges, Wallis and Warehouse

Report of the directors

The directors present their report together with the audited financial statements of the Company for the period ended 31 January 2008

Principal activities

The principal activity of the Company is the design, sourcing and distribution of children's clothing through a variety of wholesale and retail channels

Business review and future developments

A review of the business activities for the period is contained in the Chief Executive's report

The Company was incorporated on 5 December 2006, as Hamsard 3060 Limited On 1 February 2007, the Company acquired the trade and certain of the assets of the former Adams Childrenswear Limited. The Company changed its name to Adams Childrenswear Limited on 5 April 2007

Results and dividends

The trading results for the period, and the Company's financial position at the end of the period are shown in the attached financial statements

No dividends have been declared in the period

Key performance indicators (KPIs)

The directors use key performance indicators, both financial and non-financial, to monitor the Company's performance

These include average sales per store, sales density and annual stock turn

	Average sales per store	Sales density	Stock turn
	£'000	£	£'000
Adams Kids	441	230	3 2
Minimode	103	291	3 3

Financial risk management objectives and policies

The Company 's principal financial instruments at the period end comprised a director's loan, finance lease contracts and cash Subsequent to the period end, the Company has also arranged a working capital facility and the main purpose of this and other financial instruments is to raise finance for the Company 's operations The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations The Company does not enter into derivative transactions

It is, and has been throughout the period under review, the Company 's policy that no trading in financial instruments shall be undertaken The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and currency risk The board reviews and agrees policies for managing each of these risks and they are summarised below

Interest rate risk

The Company 's exposure to market risk for changes in interest rates relates primarily to the Company 's working capital facility The facility is at a floating rate

Credit risk

The Company has no significant concentration of credit risk The Company 's exposure to credit risk arises principally from trading with franchisees The Company continuously reviews the credit quality of these counterparties and the limits placed on individual credit exposures Sales to retail customers are settled principally in cash or through major credit cards In addition, trade debtor balances are monitored on an ongoing basis

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance lease contracts

Subsequent to the period end, the Company obtained a working capital facility of up to £10,000,000 (subject to certain availability limits) from Burdale Financial Limited

Currency risk

The Company is exposed to transaction foreign exchange risk The Company seeks to manage this risk by limiting exposure to foreign currency fluctuations

Directors

The directors who served during the period, and subsequently, are as shown below

Hammonds Directors Limited	(appointed 5 December 2006, resigned 1 February 2007)
J H Shannon	(appointed 1 February 2007)
P P Norris	(appointed 1 February 2007, resigned 8 October 2007)
D Carter-Johnson	(appointed 8 October 2007)
J McBride	(appointed 8 October 2007)
D Empson	(appointed 8 October 2007, resigned 26 November 2007)

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company at the end of the period and of the profit or loss of the Company for the period then ended

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, 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 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 The directors 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

In so far as the directors are aware

- there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Charitable donations

The Company contributed £7,900 to charities during the period. The Company has an active partnership with Wellchild (registered charity no 289600) which is a charity whose aim is to help sick children and their families across the UK.

Disabled employees

The Company gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

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

Employee consultation

The Company ensures that there is effective communication with members of its staff so that they are fully aware of key aspects of the Company's business strategy and environment

Auditors

Grant Thornton UK LLP were appointed as the Company's first auditors during the period. Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985

BY ORDER OF THE BOARD

J McBride
Company Secretary
Date 19 August 2008

Report of the independent auditor to the members of Adams Childrenswear Limited (formerly Hamsard 3060 Limited)

We have audited the financial statements of Adams Childrenswear Limited (formerly Hamsard 3060 Limited) for the period ended 31 January 2008 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 25 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 auditors' 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 United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

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 Report of the Directors is consistent with the financial statements The information given in the Report of the Directors includes that specific information presented in the Chief Executive's Report that is cross referred from the Business Review section of the Report of the Directors

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements This other information comprises the Chairman's report, Chief Executive's report and the Report of the Directors We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Report of the independent auditor to the members of Adams Childrenswear Limited (formerly Hamsard 3060 Limited) (continued)

Basis of 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2008 and of the Company's loss for the period then ended,

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

- the information given in the Report of the Directors is consistent with the financial statements for the period ended 31 January 2008

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
BIRMINGHAM

Date 21 August 2008

Accounting policies

Basis of accounting

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

The principal accounting policies of the Company are set out below.

Going concern

The Directors have prepared cash flow forecasts for the period ending 31 July 2009 Subsequent to the period end, the Company has arranged a working capital facility and John Shannon, the Company's ultimate controlling party has confirmed that he will not seek repayment of the debt due to him within the next twelve months In addition, the parent company, Adams Childrenswear Holdings Limited has confirmed that it will not seek repayment of the debt due to it within the next twelve months The forecasts, supported by the working capital facility and confirmations from John Shannon and the parent company, demonstrate that the Company has sufficient finance facilities available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements Accordingly, the accounts have been prepared on a going concern basis

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its parent publishes a consolidated cash flow statement

Consolidated financial statements

The Company has not prepared consolidated financial statements on the grounds that the Company is wholly owned and its parent publishes consolidated financial statements Consequently, these financial statements present information about this Company as an individual undertaking and not about it and its subsidiary undertakings

Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services provided in the normal course of business which are recognised on the despatch or sale, for the retail outlets, of goods

The sale and redemption of gift vouchers and other vouchers distributed free of charge (free of charge vouchers) is accounted for in accordance with the requirements of FRS 5 'Reporting the substance of transactions' Application Note G Accordingly, on sale of a gift voucher, revenue is recognised equal to the amount of consideration received net of the fair value of the gift voucher The fair value of the voucher is recognised as revenue on redemption of the voucher No revenue is recognised on distribution of free of charge vouchers, on redemption of these vouchers revenue is recognised equal to the consideration received net of the discount to which the holder of the voucher is entitled.

Negative goodwill

Negative goodwill arising on the acquisition of certain trade and assets, representing any excess of the fair value of the identifiable assets and liabilities acquired over the fair value of the consideration given, is capitalised Negative goodwill is written back to the profit and loss account to match the recovery of the non-monetary assets acquired

Accounting policies

Tangible fixed assets and depreciation

Tangible fixed assets are shown at acquisition cost net of depreciation and any provision for impairment.

Depreciation is calculated so as to write off the cost less the estimated residual value of all tangible fixed assets, other than freehold land, over the useful economic life of these assets as follows·

Fixtures and fittings	-	3 - 12 years straight line
Plant and machinery	-	3 - 5 years straight line

Assets are reviewed for impairment where events or circumstances indicate that the carrying value of the asset may not be recoverable To the extent that the carrying amount of an asset exceeds its net recoverable amount an impairment loss is recognised in the profit and loss account to reduce the carrying amount of the asset to its net recoverable amount

Capital Contributions

The treatment of capital contributions received from lessors in respect of leased properties is determined in accordance with UITF 28 'Operating lease incentives' and by the nature of the expenditure which is reimbursed by the contribution

Contributions towards improvements to leasehold property which enhance the overall value of the property and benefit the lessor are classified as operating lease incentives and are spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used

Contributions towards fixtures, fittings and similar items which benefit the Company but do not enhance the overall value of the property such that no benefit flows to the lessor are treated as reimbursements of fixed asset expenditure and are recognised in accordance with the fixed asset category of the asset in respect of which the contribution has been received.

Stocks

Stocks are valued at the lower of cost and net realisable value Provision is made for obsolete, slow-moving or defective items, where appropriate

Deferred taxation

Deferred taxation is recognised on all timing differences where the transactions or events that give the Company an 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 Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using the rates of tax that have been enacted or substantively enacted by the balance sheet date

Foreign currencies

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Exchange differences are recognised in the profit and loss account.

Accounting policies

Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used

Pension costs

Defined contribution scheme
Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Profit and loss account

	Note	2008 £'000 Before exceptional items and goodwill amortisation	2008 £'000 Exceptional items and goodwill amortisation (Note 2)	2008 £'000 Total
Turnover - acquisitions	1	159,493	-	159,493
Cost of sales		(80,986)	-	(80,986)
Gross profit		78,507	-	78,507
Operating charges		(85,726)	(2,109)	(87,835)
Amortisation of negative goodwill		-	10,093	10,093
Other operating income		576	-	576
Operating (loss)/profit - acquisitions		(6,643)	7,984	1,341
Interest receivable	3			153
Interest payable and similar charges	4			(1,666)
Loss on ordinary activities before taxation	5			(172)
Tax on loss on ordinary activities	8			-
Loss for the financial period	18			(172)

The profit and loss account relates entirely to continuing operations

There were no recognised gains or losses other than the loss for the financial period.

Balance sheet

	Note	2008 £'000
Fixed assets		
Intangible assets negative goodwill	9	(6,879)
Tangible assets	10	14,560
		7,681
Current assets		
Stocks	12	16,326
Debtors	13	12,531
Cash at bank and in hand		7,547
		36,404
Creditors: amounts falling due within one year	14	(20,236)
Net current assets		16,168
Total assets less current liabilities		23,849
Creditors: amounts falling due after more than one year	15	(24,021)
Net liabilities		(172)
Capital and reserves		
Called-up equity share capital	17	-
Profit and loss account	18	(172)
Deficit to equity shareholders' funds	19	(172)

These financial statements were approved by the directors on 19 August 2008 and are signed on their behalf by

J H Shannon
Director

J McBride
Director

Notes to the financial statements

1 Turnover

Turnover originates wholly from one class of business, the sale of clothing An analysis of turnover by geographical market by destination is as follows

	2008 £'000
United Kingdom	130,947
Eire	17,610
International	10,936
	159,493

All turnover relates to businesses acquired during the period

2 Exceptional items

	2008 £'000
One off supplier payments	155
Legal costs - trademarks	6
Staff termination and restructuring costs	1,419
Branch closure costs	529
	2,109

3 Interest receivable

	2008 £'000
Interest receivable	153

4 Interest payable and similar charges

	2008 £'000
Finance leases	101
Other loans	1,565
	1,666

5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after (crediting)/charging

	2008 £'000
Amortisation of negative goodwill	(10,093)
Depreciation of tangible fixed assets	
- owned	3,555
- held under finance leases	499
Operating lease rentals	
- plant and machinery	1,107
- land and buildings	20,613
Auditors' remuneration	
- fees payable to the Company's auditor for the audit of the financial statements	48

6 Staff costs

The average number of staff (including directors and part-time employees) employed by the Company during the period was as follows

	2008 No
Management and administration	58
Selling and distribution	3,027
	3,085

The aggregate payroll costs of the above were

	2008 £'000
Wages and salaries	28,582
Social security costs	1,771
Other pension costs	230
	30,583

7 Directors

Remuneration was paid in respect of directors of the Company as follows

	2008 £'000
Emoluments	136
Other pension costs	9
Emoluments receivable	145

Not included in the above are consulting fees of £68,613 in respect of director's services to the Company, paid to entities controlled by directors

7 Directors (continued)

Emoluments for highest paid director

	2008 £'000
Emoluments (excluding pension contributions)	43

The number of directors who were members of pension schemes was as follows

	2008 No.
Defined contribution schemes	2

8 Tax on loss on ordinary activities

The tax charge represents

	2008 £'000
UK corporation tax at 30%	-
Total current tax	-
Origination and reversal of timing differences	-
Total deferred tax	-
Tax on loss on ordinary activities	-

Factors affecting tax charge for the period

The tax assessed for the period is different than the standard rate of corporation tax in the UK of 30% The differences are explained as follows

	2008 £'000
Loss on ordinary activities before taxation	(172)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(52)
Effects of	
Expenses not deductible for tax purposes	30
Depreciation for the period in excess of capital allowances	1,371
Income not taxable	(3,028)
Movement in short term timing differences	1,679
	-

Unrelieved tax losses of £5 million remain available to off set against future taxable profits The associated deferred tax asset of £1 4 million has not been provided due to uncertainty over the timing of future taxable trading profits

In addition, the company has entered into arrangements with the former owners of the business which could allow the company access to an estimated £20 million of capital allowances Again, the potential deferred tax asset of £5 6 million has not been provided

9 Goodwill

	Negative Goodwill £'000
Cost	
At incorporation	-
Additions	(16,972)
At 31 January 2008	(16,972)
Amortisation	
At incorporation	-
Release to the profit and loss account	10,093
At 31 January 2008	10,093
Net book value	
At 31 January 2008	**(6,879)**

On 1 February 2007, the Company acquired the trade and certain of the assets of the former Adams Childrenswear Limited for a total consideration of £14,861,000 Negative goodwill arising on the acquisition has been capitalised and is being amortised over the useful remaining lives of non-monetary assets to which it relates, being stock and tangible fixed assets The negative goodwill which has been allocated against stock has been released to the profit and loss account in full The negative goodwill which has been allocated against tangible fixed assets is being released to the profit and loss account over the useful remaining lives of these assets, which has been estimated as 5 years

9 Goodwill (continued)

The book value and fair value of assets and liabilities acquired were as follows

	Book value £000	Fair value adjustments £000	Provisional fair value £000
Tangible fixed assets	13,243	518	**13,761**
Current assets			
Stock	14,855	(2,288)	**12,567**
Trade debtors	8,312	(951)	**7,361**
Other debtors	4,100	(446)	**3,654**
	27,267	(3,685)	**23,582**
Cash	124	-	**124**
Current liabilities			
Trade creditors	-	(636)	**(636)**
Other creditors	-	(4,642)	**(4,642)**
	-	(5,278)	**(5,278)**
Net assets	40,634	(8,445)	**32,189**
Satisfied by			
Cash			**14,861**
Costs of acquisition			**356**
			15,217
Negative goodwill arising on acquisition			**16,972**

The following fair value adjustments have been made to the book value of the net assets acquired

- A provision for impairment of £341k has been made against fixed assets included in the acquisition which will not be used by the Company Capital contributions of £859k have been reclassified from fixed assets to other creditors in accordance with the Company's accounting policy
- A provision of £2,288k has been made against the book value of stock acquired in respect of old and slow-moving stock lines The provision has been calculated in accordance with the Company's standard stock provisioning policy
- Provisions of £951k and £446k have been made against trade and other debtors respectively to reduce these balances to their recoverable value
- A provision of £636k has been made in respect of the redemption of gift vouchers sold prior to the acquisition and payments due to franchisees, at the date if acquisition
- A provision of £3,783k has been made in respect of property lease assignment costs and payments to staff and other suppliers, including retention of title payments made to trade suppliers in accordance with the terms of the acquisition agreement.

10 Tangible fixed assets

	Plant & Machinery £'000	Fixtures & Fittings £'000	Total £'000
Cost			
At incorporation	-	-	-
Acquisitions	3,020	10,741	13,761
Additions	366	5,002	5,368
Disposals	(38)	(2,336)	(2,374)
At 31 January 2008	3,348	13,407	16,755
Depreciation			
At incorporation	-	-	-
Charge for the period	1,450	2,604	4,054
Disposals	(28)	(1,831)	(1,859)
At 31 January 2008	1,422	773	2,195
Net book value			
At 31 January 2008	**1,926**	**12,634**	**14,560**

Included above are assets held under finance leases

	2008 £'000
Net book value	1,662
Depreciation provided in the period	499

11 Fixed asset investments

Subsidiary undertakings

Company

Investments comprise investments in subsidiary undertakings, all stated at cost

The subsidiary undertakings, all of which are wholly owned by the Company and are registered in England and Wales, are as follows

Company Name	Class of share held	Issued share capital £	Principal activity
Adams Kids Limited	Ordinary	1	Dormant
Adams Retail Limited	Ordinary	1	Dormant
Clothes 4 Kids Limited	Ordinary	1	Dormant
Mini Mode Childrenswear Limited	Ordinary	1	Dormant

12 Stocks

	2008 £'000
Finished goods and goods for resale	16,326

There is no material difference between the balance sheet value of stocks and their replacement cost

13 Debtors

	2008 £'000
Trade debtors	5,927
Other debtors	2,299
Corporation tax	5
Prepayments and accrued income	4,300
	12,531

14 Creditors: amounts falling due within one year

	2008 £'000
Obligations under finance leases	493
Trade creditors	6,046
Social security and other taxes	569
Other creditors	810
Accruals and deferred income	12,318
	20,236

15 Creditors: amounts falling due after more than one year

	2008 £'000
Obligations under finance leases	1,201
Other loans	21,361
Accruals	1,459
	24,021

Other loans due after more than one year represent loans from a director

Analysis of borrowings

The borrowings outstanding are repayable as follows

	2008 £'000
Within one year	
Finance leases	493
Other loans	-
	493
Between one and two years	
Finance leases	1,201
Other loans	-
	1,201
Between two and five years	
Finance leases	-
Other loans	21,361
	21,361
After five years.	
Finance leases	-
Other loans	-
	-

The finance leases are secured on the assets to which they relate and bear interest at market rates

Other loans of £21,361,000 represent loans from directors which bear interest at a floating rate At the period end these loans were unsecured however subsequent to the period end a debenture has been entered into which secures these amounts against all assets of the Company

16 Commitments under operating leases

The Company leases buildings on short-term and long term operating leases The rentals under these leases are subject to renegotiation at various intervals specified in the lease agreements

The minimum annual rentals under the leases are

	Land and buildings 2008 £'000	Other 2008 £'000
Operating leases which expire		
- within one year	427	151
- between two and five years	5,000	490
- after five years	10,571	59
	15,998	700

Not included above are annual rentals of £1,508,000 in respect of certain properties for which the Company is currently negotiating lease terms

17 Called up share capital

	2008 £
Authorised	
Ordinary shares of £1 each	100
Allotted, called up and fully paid	
Ordinary shares of £1 each	1

18 Statement of reserves

	Profit and loss account £'000
Incorporation	-
Loss for the period	(172)
At 31 January 2008	**(172)**

19 Reconciliation of movements in deficit to equity shareholders' funds

The movement in the deficit to equity shareholders' funds was as follows

	2008 £'000
Loss for the financial period	(172)
Net addition to deficit to equity shareholders' funds	(172)
Equity shareholders' funds at incorporation	-
Deficit to equity shareholders' funds at 31 January 2008	(172)

20 Contingencies

There were no contingent liabilities which should be disclosed at 31 January 2008

21 Capital commitments

The directors have confirmed that the Company did not have any capital commitments contracted as at 31 January 2008

22 Transactions with directors

Amounts due in respect of loans from directors were as follows

Name of director and connected person	Amount outstanding as at 31/01/08 £'000	Maximum liability during period £'000	Interest due not paid £'000
J H Shannon - owed (to)/from	(21,361)	(21,361)	(1,459)

John Shannon is a director of the Company and is the ultimate controlling party of the Company

23 Related party transactions

Related party transactions with Group members are not disclosed as 100% of the voting rights are controlled within the group and consolidated financial statements are publicly available.

The Company has transacted with the following additional related parties during the period.

	2008 Consultancy fees £000
JHS Consultants Limited	68

JHS Consultants Limited is owned by John Shannon, the ultimate controlling party, who is also a director of that Company

In addition, interest of £106,000 has been paid to an unconnected third party on behalf of John Shannon, in connection with the loan due from the Company to him

24 Ultimate controlling party

The Company is a wholly owned subsidiary of Adams Childrenswear Holdings Limited. The ultimate controlling party is John Shannon by virtue of his 100% shareholding in Adams Childrenswear (Holdings) Limited

The largest company of undertakings for which group accounts have been drawn up is Adams Childrenswear Holdings Limited Copies of the consolidated financial statements can be obtained from Adams Childrenswear Holdings Limited, Attleborough House, Townsend Drive, Nuneaton, Warwickshire, CV11 6RU

25 Post balance sheet events

On 27 February 2008, the Company entered into a debenture which secures all amounts due from the Company to John Shannon, the ultimate controlling party of the Company, against all assets of the Company

On 25 April 2008, the Company obtained a working capital facility of up to £10,000,000 (subject to certain availability limits) from Burdale Financial Limited. At the same date the Company entered into a debenture which gives fixed and floating charges, securing this facility against all assets of the Company This debenture now ranks above that entered into with John Shannon