

AURORA

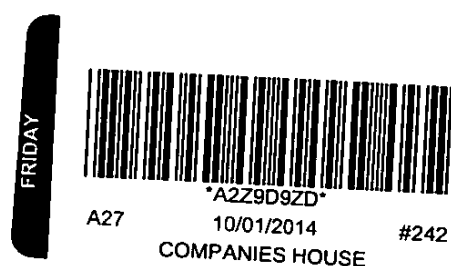
FASHIONS

Aurora Central Services Limited

Directors' Report and Financial Statements

For the period from 26 February 2012 to 2 March 2013

Company registered number 7410874 (England and Wales)



Aurora Central Services Limited
Contents

	Page
Company information	2
Directors' report	3
Statement of directors' responsibilities	4
Independent auditor's report	5
Profit and loss account	6
Balance sheet	7
Notes forming part of the financial statements	8 - 13

Aurora Central Services Limited

Company information

Directors	Derek Lovelock Richard Glanville Michael Shearwood
Secretary	Heatons Secretaries Limited
Company number	7410874
Registered office	The Triangle Stanton Harcourt Industrial Estate Stanton Harcourt Witney Oxfordshire OX29 5UT
Auditor	KPMG LLP 15 Canada Square London E14 5GL
Bankers	Barclays Bank plc 1 Churchill Place London E14 5HP
Solicitors	Heatons LLP 5th Floor, Free Trade Exchange 37 Peter Street Manchester M2 5GB

Aurora Central Services Limited

Directors' Report

For the period from 26 February 2012 to 2 March 2013

The directors present their report and the audited financial statements of Aurora Central Services Limited ("the Company") for the period from 26 February 2012 to 2 March 2013

The Company is a member of the Aurora Fashions Group ("Group" or "the Aurora Group")

The current period relates to the 53 week period from 26 February 2012 to 2 March 2013. The prior period covers the 52 week period from 28 February 2011 to 25 February 2012.

Principal activities

As part of the restructuring of the Aurora Group, the fixed assets and investments of Aurora Fashions Services Limited, a fellow Aurora Group subsidiary, were transferred to the Company on 28 February 2011. Since that date, the principal activity of the Company is to operate as a service provider for the Aurora Group.

Going Concern

Note 1.1 to the financial statements sets out the basis of preparation of the financial statements. As explained in note 1.1, the directors consider that it continues to be appropriate to prepare the financial statements on the basis that the group is a going concern.

Future developments

Aurora Fashions has spearheaded omni-channel innovation in recent years. In March 2013 it announced the next phase of a fundamental reshaping of its businesses, which will create a more agile business structure and enable the brands to further embrace omni-channel. Coast will emerge as a standalone business and Oasis and Warehouse will be established under a single parent company.

The senior Aurora management team will continue to work together over the next 12 to 18 months to support the brands through the transition and once this process is complete, Aurora will cease to exist.

Results and dividend

The Company's results are set out on page 6.

The Company made a profit of £35,920 in the year and has net assets of £0.3 million.

The Directors do not recommend the payment of a dividend.

Post balance sheet events

See Future developments above.

Political and charitable contributions

The Company made charitable donations of £41,435 (2012: £39,068) and no political contributions during the period (2012: £nil).

Directors

The current Directors of the Company are listed on page 2.

The changes in Directors since the start of the period are:

Margaret Lustman resigned 28 February 2013.

Disclosure of information to auditor

The directors who held office at the date of approval of this report of the board confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By Order of the Board



Richard Glanville
Director

7th November 2013

Company registered number 7410874 (England and Wales)

Aurora Central Services Limited

Statement of Directors' Responsibilities

For the period from 26 February 2012 to 2 March 2013

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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



Independent auditor's report to the members of Aurora Central Services Limited

We have audited the financial statements of Aurora Central Services Limited for the period ended 2 March 2013, set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibility Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standard for Auditors.

Scope of the audit of financial statements

A description of the scope of an audit of financial statements is now provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 2 March 2013 and of its profit for the period then
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you, if in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Simon Haydn-Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
London E14 5GL

14 November 2013

Aurora Central Services Limited

Profit and loss account

For the period from 26 February 2012 to 2 March 2013

	Notes	26 February 2012 to 2 March 2013 £m	28 February 2011 to 25 February 2012 £m
Turnover	2	<u>21 6</u>	<u>20 9</u>
Gross profit		21 6	20 9
Administrative expenses		<u>-21 6</u>	<u>-20 9</u>
Operating profit before exceptional items	3	-	-
Exceptional items	4	<u>0 5</u>	<u>0 4</u>
Operating profit before interest and tax		0 5	0 4
Interest receivable and similar income	7	0 4	-
Interest payable and similar charges	8	<u>-0 9</u>	<u>-0 1</u>
Profit on ordinary activities before taxation		-	0 3
Tax on profit on ordinary activities	9	<u>-</u>	<u>-</u>
Profit after taxation for the financial period	15	<u><u>-</u></u>	<u><u>0 3</u></u>

The notes on pages 8 to 14 also form part of these financial statements

The profit and loss account has been prepared on the basis that all operations are continuing operations

There were no other gains or losses other than the profit after taxation for the financial period. Accordingly a statement of total recognised gains and losses has not been included.

Aurora Central Services Limited

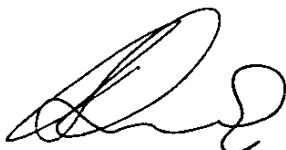
Balance sheet

At 2 March 2013

	Note	2 March 2013 £m	25 February 2012 £m
Fixed assets			
Investments	10	<u>-</u>	<u>-</u>
Current assets			
Debtors	11	16	28
Cash at bank and in hand	12	<u>206</u>	<u>226</u>
		222	254
Creditors amounts falling due within one year	13	<u>-219</u>	<u>-251</u>
Net current assets		<u>03</u>	<u>03</u>
Net assets		<u>03</u>	<u>03</u>
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	<u>03</u>	<u>03</u>
Shareholders' funds	16	<u>03</u>	<u>03</u>

The notes on pages 8 to 14 also form part of these financial statements

These financial statements were approved by the board of directors on *7 November* 2013 and signed on its behalf by



Richard Glanville
Director

Company registered number 7410874 (England and Wales)

Aurora Central Services Limited

Notes forming part of the financial statements

For the period from 26 February 2012 to 2 March 2013

1 Accounting policies

1.1 Basis of preparation - Going Concern

The Company and Group are part of the Aurora Fashions Group Limited group of companies (the "Group" or the "Aurora Group"). Aurora Fashions Group Limited is 82.47% owned by Kaupthing Bank hf and is the holding company for the Aurora Group.

The Aurora Group meets its day to day working capital requirements and medium term funding requirements through term debt and revolving credit facilities with Kaupthing Bank hf (the "Bank"). Under the original terms of the debt facility agreements, loan amounts became repayable in stages over the period to January 2015 and were subject to certain financial and other covenant requirements. The terms of the facility have been amended as at October 2013 to permit the instalments, and all interest arising, to be deferred until the maturity of the facilities in January 2015. At the same time past financial covenant breaches were formally waived and future financial covenant targets were adjusted through to the maturity of the loan. The current facility expires in January 2015 at which point the directors consider that a new finance facility will be available taking into account the proposed revised group structure, as outlined in note 19.

The treasury management function is undertaken on a Group basis rather than at an individual subsidiary level. Various companies in the Group have granted fixed and floating charges over all of the Group's assets and undertakings, under a debenture granted to secure the banking facilities.

The directors have prepared projected cash flows for the period ending 12 months from the approval of these financial statements (the "Projections"). The Projections are based on certain assumptions and show that the Group is capable of operating within the facilities currently available and complying with the covenant requirements for the full term covered by the Projections.

The directors of Aurora Fashions Group Limited have tested the impact of variations from the Projections by assessing the adequacy of the Group's funds, under a combination of different scenarios constructed to reflect reasonably possible downside risks to the assumptions contained within the Projections. The directors recognise in the current economic environment, the main risks relate to the achievability of the Group's forecast sales and margins and the timing of cash flows going forward. In such downside scenarios the ability to continue to operate would be dependent on maintaining compliance with the financial covenants and meeting all obligations as they fall due by implementing various cost saving initiatives within the timescales required. The cost saving initiatives identified are within the control of the Group.

Given the above and after making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next twelve months and for the foreseeable future thereafter. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.2 Accounting convention

The financial statements are prepared using generally accepted accounting practice of the UK.

1.3 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards and have been applied consistently in dealing with items which are considered material in relation to the financial statements.

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 cash flows of the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Aurora Fashions Group Limited, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 *Related Party Disclosures* and has therefore not disclosed transactions or balances with entities which form part of the Group. The consolidated financial statements of Aurora Fashions Group Limited, within which this Company is included, can be obtained from Aurora Fashions Group Limited, The Triangle, Stanton Harcourt Industrial Estate, Stanton Harcourt, Witney, Oxfordshire OX29 5UT.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Aurora Central Services Limited

Notes forming part of the financial statements (continued)

For the period from 26 February 2012 to 2 March 2013

1.4 Investments

Investments are included at cost less amounts written off

1.5 Impairments

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment is recognised when the carrying amount of an investment, fixed asset or goodwill exceeds the recoverable amount. The recoverable amount of the asset is the higher of net realisable value or value in use. To the extent that the carrying amount exceeds the recoverable amount, the difference will be recognised as an impairment loss through the profit and loss account.

In respect of Tangible Fixed Assets held at retail locations, management use the concept of payback period, defined as net book value divided by EBITDA, to identify any indicators of impairment. Where such an indicator exists, an assessment of the retail location's prospects is performed based on budgeted data and facts and circumstances specific to that location. Retail locations where management do not expect a sufficient improvement in performance or where there exists a plan to close the store, the assets assigned to that store are impaired in full as management deem that the recoverable amount is zero.

Where an indicator of impairment exists in respect of Goodwill or Investments, the value in use is assessed by discounting the expected future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. Management assess that future cash flows approximate to the EBITDA generated by the assets that gave rise to the goodwill, or to the EBITDA generated by the subsidiary undertakings in the case of Investments.

1.6 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction where no forward cover exists or if hedged forward at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

1.7 Taxation

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

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

2 Turnover

Turnover relates to the provision of central administrative and support services to other Group companies and it is derived entirely in the UK.

3 Operating profit before exceptional items

Operating profit before exceptional items is stated after charging

	26 February 2012 to 2 March 2013	28 February 2011 to 25 February 2012
	£m	£m
Auditor's remuneration - Auditing	0.1	0.1
Operating lease rentals - property	1.5	1.1

The remuneration payable in relation to audit services for the whole Aurora Group was borne by the Company in the current and previous periods. £5,000 relates specifically to the Company (2012: £5,000).

4 Exceptional items

Exceptional income in the current period is £0.5m. Exceptional income in both periods relates to distributions received from the administrators of the Mosaic group.

Aurora Central Services Limited

Notes forming part of the financial statements (continued)

For the period from 26 February 2012 to 2 March 2013

5 Remuneration of directors

	26 February 2012 to 2 March 2013 £m	28 February 2011 to 25 February 2012 £m
Directors' emoluments	1.5	1.4
Company contributions to personal pension schemes	-	0.1
Total	1.5	1.5
Remuneration of the highest paid director	0.5	0.5

The directors are remunerated by the Company in respect of their services to the Aurora Group as a whole

6 Staff numbers and costs

The average number of persons employed by the Company during the period was

	26 February 2012 to 2 March 2013 Number	28 February 2011 to 25 February 2012 Number
Services	269	301
The aggregate payroll costs of these persons were as follows		
	26 February 2012 to 2 March 2013 £m	28 February 2011 to 25 February 2012 £m
Wages and salaries	10.3	11.2
Social security costs	1.1	1.2
Pension costs	0.1	0.1
	11.5	12.5

Staff providing shared administrative services to the Aurora Group as a whole are remunerated by the Company

7 Interest receivable and similar income

	26 February 2012 to 2 March 2013 £m	28 February 2011 to 25 February 2012 £m
Unrealised foreign exchange gains	0.4	-

8 Interest payable and similar charges

	26 February 2012 to 2 March 2013 £m	28 February 2011 to 25 February 2012 £m
Interest payable on bank loans and overdrafts	0.9	0.1

Aurora Central Services Limited

Notes forming part of the financial statements (continued)

For the period from 26 February 2012 to 2 March 2013

9 Taxation

	26 February 2012 to 2 March 2013 £m	28 February 2011 to 25 February 2012 £m
UK corporation tax		
Current tax	-	-
Deferred tax	-	-
Tax on profits on ordinary activities	-	-
Current tax reconciliation		
	26 February 2012 to 2 March 2013 £m	28 February 2011 to 25 February 2012 £m
Profit on ordinary activities before tax	-	0.3
Profit on ordinary activities at the standard rate of corporation tax in the UK	-	0.1
Factors affecting charge for the period		
Expenses not deductible for tax	-	0.1
Group relief claimed	-	-0.2
Current tax credit for the year	-	-

The corporation tax rate was reduced from 26% to 24% with effect from 1 April 2012. A further change to reduce the main rate of corporation tax to 23% from 1 April 2013 had been substantially enacted at the balance sheet date.

The 2012 UK Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014, the December 2012 UK Autumn Statement announced a planned further reduction to 21% by 2014 and the 2013 UK Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge accordingly.

It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction although this will further reduce the company's future current tax charge.

10 Fixed asset investments

Subsidiary undertakings
£m

At 26 February 2012 and 2 March 2013

In the previous period, the Company acquired the whole of the share capital of HS 489 Limited and Aurora Fashions Asia Limited for a consideration of £1, settled in cash. On 15 May 2012, HS 489 Limited was dissolved.

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

Subsidiary undertakings	Country of incorporation	Principal activity	Percentage of shares held
Directly owned			
Aurora Fashions Asia Limited	Hong Kong	Service	100%

The class of shares held is ordinary shares for all investments.

Aurora Central Services Limited

Notes forming part of the financial statements (continued)

For the period from 26 February 2012 to 2 March 2013

11 Debtors

	2 March 2013 £m	25 February 2012 £m
Trade debtors	0.5	0.1
Corporation tax	0.1	0.1
Other debtors	0.1	0.7
Prepayments and accrued income	0.9	1.9
	<u>1.6</u>	<u>2.8</u>

12 Cash at bank and in hand

	2 March 2013 £m	25 February 2012 £m
Cash at bank and in hand	<u>20.6</u>	<u>22.6</u>

£2.5 million (2012: £3.1 million) relates to monies held by third parties and is restricted in its use by the Company

13 Creditors amounts falling due within one year

	2 March 2013 £m	25 February 2012 £m
Amounts owed to group companies	14.9	15.8
Other taxes and social security	2.2	0.7
Other creditors	0.9	2.5
Accruals and deferred income	3.9	6.1
	<u>21.9</u>	<u>25.1</u>

14 Share capital

	2 March 2013 £m	25 February 2012 £m
Allotted, called up and fully paid		
1 Ordinary share of £1.00	<u>-</u>	<u>-</u>

15 Reserves

	Profit and loss account £m
At 26 February 2012	0.3
Profit after taxation for the financial period	<u>-</u>
At 2 March 2013	<u>0.3</u>

16 Reconciliation of movements in shareholders' funds

	26 February 2012 to 2 March 2013 £m	28 February 2011 to 25 February 2012 £m
Profit after taxation for the financial period	<u>-</u>	<u>0.3</u>
Net change in shareholders' funds	<u>-</u>	<u>0.3</u>
At the start of the period	0.3	-
At the end of the period	<u>0.3</u>	<u>0.3</u>

Aurora Central Services Limited

Notes forming part of the financial statements (continued)

For the period from 26 February 2012 to 2 March 2013

17 Guarantees and other commitments

At the end of the period the Company had commitments in respect of foreign currency forward contracts and foreign currency options amounting to £81.1 million (2012 £88.7 million)

There is a debenture between the Company and certain trading subsidiaries of the Group in favour of Kaupthing Bank hf in the form of fixed and floating charges over the undertakings and all property and assets. The net book value of assets are contained within the individual entities' statutory accounts.

The Company and certain trading undertakings of the Group and the Karen Millen Group continue to provide cross guarantees in respect of the obligations of Aurora Fashions Finance Limited and Karen Millen Holdings Limited under the restructuring of the bank loans with Kaupthing Bank hf. The value of which is disclosed within the respective company accounts, the directors of each entity do not consider reimbursement likely.

Annual commitments under non-cancellable operating leases for land and buildings were as follows:

	2 March 2013 £m	25 February 2012 £m
Operating leases which expire		
Within one year	-	-
Between two and five years	-	0.3
Over five years	-	0.6
	<u>-</u>	<u>0.9</u>

18 Related parties

The Group has a related party relationship with its directors, with the undertakings which form the Aurora Group and with its ultimate parent company Kaupthing Bank hf and its subsidiary undertakings specifically the Karen Millen Group.

At the end of the period, the Company owed Karen Millen Holdings Limited £33,388 (2012 £38,745). In turn, the Company were owed from Karen Millen Holdings Limited £533,825.

At the end of the period, Karen Millen Holdings Ltd had paid Aurora £1,179,805 in advance for goods and services relating to 2013/14.

During the period £3.2 million (2012 £2.4 million) was recharged to the Karen Millen Group in respect of services provided by the Aurora Group.

The Group has made payments of directors' fees of £178,927 (2012 £150,000) to directors who are also senior employees or directors of Kaupthing Bank hf.

The balances of loans made to directors was as follows:

Director	Interest Rate	2 March 2013 Balance at end of period	25 February 2012 Balance at end of period
Mike Shearwood	interest free	8,000	-

19 Post balance sheet events

Aurora Fashions has spearheaded omni-channel innovation in recent years. In March 2013 it announced the next phase of a fundamental reshaping of its businesses, which will create a more agile business structure and enable the brands to further embrace omni-channel. Coast will emerge as a standalone business and Oasis and Warehouse will be established under a single parent company.

The senior Aurora management team will continue to work together over the next 12 to 18 months to support the brands through the transition and once this process is complete Aurora will cease to exist.

20 Immediate and ultimate parent company and parent undertaking of larger group

The immediate parent company is Aurora Fashions Finance Limited, a company incorporated in England and Wales.

The ultimate parent company is Kaupthing Bank hf, a company incorporated in Iceland. The largest and smallest group in which the results of the Company are consolidated is that headed by Aurora Fashions Group Limited, incorporated in England and Wales. The consolidated financial statements of Aurora Fashions Group Limited are available from Aurora Fashions Group Limited, The Triangle, Stanton Harcourt Industrial Estate, Stanton Harcourt, Witney, Oxfordshire OX29 5UT, UK.