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Whittard of Chelsea Limited

Report and Financial Statements

Year Ended

31 March 2007

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BDO Stoy Hayward
Chartered Accountants

Whittard of Chelsea Limited

Annual report and financial statements for the year ended 31 March 2007

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Directors

J P G Hilton
K S Sawhney
M A Stigzelius

Secretary and registered office

Y Johnson, Union Court, 22 Union Road, London, SW4 6JD

Company number

02263726

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

Bankers

Barclays Bank PLC, 15 Colmore Row, Birmingham, B3 2WN

Report of the directors for the year ended 31 March 2007

The directors present their report together with the audited financial statements for the year ended 31 March 2007.

Results and dividends

The profit and loss account is set out on page 7 and shows the loss for the year

The directors do not recommend the payment of a dividend

Principal activities, review of business and future developments

The Company's principal activity is that of sourcing, retail and wholesale of a specialist range of tea, coffee, ceramics and associated products

The Company was acquired in the beginning of 2006. Since then the Company has undergone significant changes in cost base realignment, integration into the Group and realignment of its strategy which has resulted in an inevitable disruption to the core business.

The company has recorded a loss on ordinary activities before tax of £3,199k (10 months to 31 March 06 loss £3,633k)

Retail sales were 3.4% up on the equivalent previous 12 months and down 0.6% on a like for like basis. Trading has been mixed throughout the period with the summer months being particularly poor. Trading improved steadily through the autumn and winter, with like for like sales up 10% in March 07.

Retail material margins continued to fall as price competition on the high street increased, falling to 58% from 61% in the equivalent 12 months, due to lower than anticipated full price sell through and a weak ceramics range, both of which have since been addressed. The gross margin fell to 5.6% (31 March 2006 10.2%), this is due to significant increases in rent, rates and energy costs. During the year nine stores were opened and four closed. The Company will continue to review its store portfolio and look for opportunities to open new sites.

Wholesale sales were down 22% on the equivalent previous 12 months, this was due to poor sales of gifts in to the UK multiples and new distribution arrangements in the USA and Japan. The company will continue to develop all areas of this business.

Post balance sheet events

Since the balance sheet date, the group's operations have been refinanced as follows:

- Barney Holdings Limited has issued additional share capital amounting to £11.2m to its existing shareholders.

Overall these additional funds have been used in part to repay bank borrowings amounting to approximately £9.0m and deal costs of approximately £1.0m, with the balance providing additional working capital for the group.

As part of this refinancing the company raised £7.5m of new bank debt, received £2.8m from its parent company for new share capital with the funds being used to repay £10.3m of existing bank debt.

Principal risks and uncertainties

Financial risk management objectives and policies

The company uses various financial instruments including overdrafts, cash, loans, leases, hire purchase and items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. The main risks arising from the company's financial instruments are currency risk, credit risk, cash flow interest rate risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

Currency risk:

The company has minimal exposure to translation and transaction foreign exchange risk. This is achieved by charging export accounts in sterling and covering overseas buying with forward exchange contracts.

Credit risk:

The company's principal credit risk relates to the recovery of amounts owed by trade debtors from wholesale sales. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references, in addition some overseas customers will be covered by credit insurance. Credit limits are reviewed on a regular basis in conjunction with debt aging and collection history. Debts are actively chased by the wholesale department.

Interest rate risk:

The Company's external borrowings attract interest at a rate which is variable (combines fixed and variable elements). The variable element of the interest rate is linked to movements in the Bank of England Base Rate.

Liquidity risk:

Current and projected working capital demand is reviewed in conjunction with existing financing facilities to determine cash requirements as part of the routine reporting process.

Charitable and political contributions

During the period the company made charitable contributions of £NIL (2006 - £NIL). There were no political contributions.

Employment of disabled persons

Disabled employees receive appropriate training to promote their career development within the group.

It is the policy of the group to give full and fair consideration to applications for employment made by disabled persons, having regard to their aptitude and abilities. If any employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary.

Employee involvement

The directors believe that it is important to develop good working relations by the use of clear channels of communication

Policy and practice on the payment of creditors

The company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

The number of average days purchases of the company represented by trade creditors at 31 March 2007 was 54 days (2006 - 45 days).

Directors

The directors of the company during the year were

J P G Hilton	
N J Shutts	(resigned 1 November 2007)
K S Sawhney	
P Haraldsson	(resigned 1 November 2007)

M A Stigzelius was appointed as a director of the company on 1 November 2007

Third party indemnity provisions for the benefit of the directors were in force during the period

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

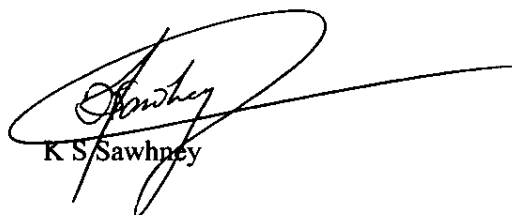
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board



K S Sawhney

Director

13 DECEMBER 2007

To the shareholders of Whittard of Chelsea Limited

We have audited the financial statements of Whittard of Chelsea Limited for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 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.

Whittard of Chelsea Limited

Independent auditor's report (*Continued*)

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 March 2007 and of its 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

BDO — LWF

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

Date: 13 DEC 2007

Whittard of Chelsea Limited

Profit and loss account for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £'000	10 months ended 31 March 2006 £'000
Turnover	2	45,493	38,104
Cost of sales		42,923	34,232
Gross profit		2,570	3,872
Distribution costs		1,690	1,361
Administrative expenses - excluding exceptional items		3,079	3,315
Exceptional item	3	1,000	2,829
Administrative expenses		4,079	6,144
Operating loss	4	(3,199)	(3,633)
Other interest receivable and similar income	7	93	3
Interest payable and similar charges	8	(343)	(175)
Loss on ordinary activities before taxation		(3,449)	(3,805)
Taxation on loss on ordinary activities	9	280	300
Loss on ordinary activities after taxation		(3,169)	(3,505)

All amounts relate to continuing activities

All recognised gains and losses in the current year and prior period are included in the profit and loss account

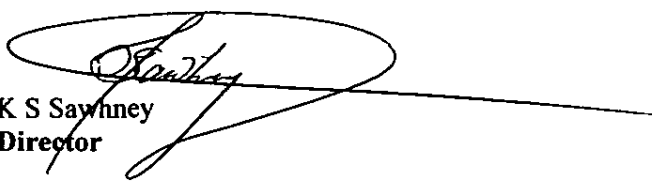
The notes on pages 9 to 24 form part of these financial statements

Whittard of Chelsea Limited

Balance sheet at 31 March 2007

	Note	31 March 2007 £'000	31 March 2007 £'000	31 March 2006 £'000	31 March 2006 £'000
Fixed assets					
Tangible assets	11		7,225		7,117
Current assets					
Stocks	13	5,995		5,384	
Debtors-due within one year	14	4,061		4,711	
Debtors-due after more than one year	14	2,140		-	
Total debtors		6,201		4,711	
		12,196		10,095	
Creditors: amounts falling due within one year	15	15,000		9,621	
Net current (liabilities)/assets			(2,804)		474
Total assets less current liabilities			4,421		7,591
Creditors: amounts falling due after more than one year	16		4		5
			4,417		7,586
Capital and reserves					
Called up share capital	17		1,263		1,263
Share premium account	18		6,394		6,394
Profit and loss account	18		(3,240)		(71)
Shareholders' funds	20		4,417		7,586

The financial statements were approved by the board of directors and authorised for issue on 13 December 2007


K S Sawhney
Director

The notes on pages 9 to 24 form part of these financial statements.

1 Accounting policies

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

The following principal accounting policies have been applied:

Going concern

The directors have prepared the financial statements on a going concern basis. The company has suffered a loss after taxation of £3,169,000 (2006 - £3,505,000) and has net current liabilities of £2,804,000 (£2006 - £474,000 net current assets) at the year end. The company's ultimate parent undertaking, Baugur Group hf, has provided a letter of support confirming that it will continue to support the operations of the company for, at least, one year from the date of approval of these financial statements by the directors. Accordingly, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Consolidated financial statements

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its intermediate parent company. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Barney Holdings Limited and the company is included in that company's consolidated financial statements.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and any impairment recognised.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties, freehold land and certain buildings, evenly over their expected useful lives. It is calculated at the following rates:

Plant & machinery	- 15%
Fixtures and fittings	- 10-15%
Office equipment	- 15-25%

Depreciation is provided on leasehold property to write off the cost over the life of the lease.

1 Accounting policies (*continued*)

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Finance costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

1 Accounting policies (*continued*)

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease

Reverse premiums and rent free periods received as inducements to enter into operating lease agreements are initially recorded as an other creditor and released to the profit and loss account over the period to the next rent review

Pension costs

Contributions to personal pension schemes of selected staff are charged to the profit and loss account in the period in which they become payable

Share based employee remuneration

In previous years when shares and share options were granted to employees a charge was made to the profit and loss account and a reserve created in capital and reserves to record the fair value of the awards in accordance with UITF Abstract 17 "Employee Share Schemes". Share based employee remuneration is now accounted for in accordance with Financial Reporting Standard 20, 'Share based payments'

Employee Share Ownership Trust

The cost of the company's shares held by the ESOT is deducted from shareholders' funds in the company balance sheet. Any cash received by the ESOT on disposal of the shares it holds is also recognised directly in shareholders' funds. Other assets and liabilities of the ESOT (including borrowings) are recognised as assets and liabilities of the company

Licence agreements

The company enters into license agreements relating to income originating from licence fees and royalties from the sale of the rights to trade in export markets throughout the world. Where there is no recourse, income from marketing contributions are taken to the profit and loss account in the period in which they are received. Where there is recourse, the profit and loss account is credited with the income over the period of the agreement

Impairment of fixed assets and goodwill

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use

Whittard of Chelsea Limited

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

1 Accounting policies (continued)

Related party disclosure

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8, 'Related party disclosures', not to disclose transactions with members or investees of the group headed by Barney Holdings Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements

2 Turnover

	Year ended 31 March 2007 £'000	10 months ended 31 March 2006 £'000
Analysis by class of business		
Retail	43,558	36,056
Wholesale	1,935	2,048
	<hr/>	<hr/>
	45,493	38,104
	<hr/>	<hr/>
Analysis by geographical market		
United Kingdom	44,169	36,656
Europe	445	285
Rest of the world	879	1,163
	<hr/>	<hr/>
	45,493	38,104
	<hr/>	<hr/>

3 Exceptional items

	Year ended 31 March 2007 £'000	10 months ended 31 March 2006 £'000
Costs associated with take over	-	640
Redundancies and reorganisation costs	103	782
Debtor write offs	-	182
Stock provisions and write offs	640	882
Impairment of fixed assets	245	-
Other	12	343
	<u>1,000</u>	<u>2,829</u>

Takeover costs are made up of legal, finance and broking fees in respect of the takeover of the Company by Java Acquisitions Ltd on January 2006

Following the takeover the new management conducted a review of the business and its assets. This resulted in a major reorganisation involving redundancies, write off of debts considered non recoverable plus write offs and provisions against old and obsolete stocks.

Other costs include redundancies made prior to the takeover, costs in respect of a previous and aborted takeover and other asset write offs

4 Operating loss

	Year ended 31 March 2007 £'000	10 months ended 31 March 2006 £'000
This is arrived at after charging		
Depreciation of tangible fixed assets	1,929	1,565
Hire of plant and machinery - operating leases	52	54
Hire of other assets - operating leases	8,513	8,153
Audit fee	55	51
Non-audit services - other taxation services	11	99
Impairment of fixed assets	245	-
	<u></u>	<u></u>

Depreciation includes £3,000 (2006 - £1,000) charged on assets held under finance leases and hire purchase contracts

Whittard of Chelsea Limited

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

5 Employees

Staff costs (including directors) consist of

	Year ended 31 March 2007 £'000	10 months ended 31 March 2006 £'000
Wages and salaries	8,326	7,397
Social security costs	637	750
Other pension costs	24	52
	<u>8,987</u>	<u>8,199</u>

The average number of employees (including directors) during the year was as follows:

	Year ended 31 March 2007 Number	10 months ended 31 March 2006 Number
Executive directors	1	4
Administration staff	21	22
Sales and warehouse (full and part time)	603	629
	<u>625</u>	<u>655</u>

6 Directors' remuneration

	Year ended 31 March 2007 £'000	10 months ended 31 March 2006 £'000
Directors' emoluments	60	386
Company contributions to money purchase pension schemes	5	52
Compensation for loss of office	-	393
	<u> </u>	<u> </u>

The company made payments into personal pension plans on behalf of 1 director during the period (2006 - 4)

The number of directors who exercised share options was nil (2006 - 3) A gain before tax of £nil (2006 - £767,000) was made on the exercise of those share options

The total amount payable to the highest paid director in respect of emoluments was £60,000 (2006 - £291,000) which includes compensation of loss of office amounting to £nil (2006 - £175,000) The company made payments of £5,000 (2006 - £17,000) to a personal pension plan on his behalf.

The highest paid director exercised share options during the previous year A gain before tax of £nil (2006 - £507,000) was made on the exercise of those share options

7 Other interest receivable and similar income

	Year ended 31 March 2007 £'000	10 months ended 31 March 2006 £'000
Bank deposits	36	3
Loans to group companies	57	-
	<u> </u>	<u> </u>
	93	3
	<u> </u>	<u> </u>

8 Interest payable and similar charges

	Year ended 31 March 2007 £'000	10 months ended 31 March 2006 £'000
Bank loans and overdrafts	342	174
Finance leases and hire purchase contracts	1	1
	<u> </u>	<u> </u>
	343	175
	<u> </u>	<u> </u>

9 Taxation on loss on ordinary activities

	Year ended 31 March 2007 £'000	10 months ended 31 March 2006 £'000
<i>UK Corporation tax</i>		
Current tax on profits of the year	-	(49)
Adjustment in respect of previous periods	(280)	(164)
	—	—
Total current tax	(280)	(213)
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	(88)
Adjustment in respect of previous periods	-	1
	—	—
Movement in deferred tax provision	-	(87)
	—	—
Taxation on loss on ordinary activities	(280)	(300)
	==	==

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below

	Year ended 31 March 2007 £'000	10 months ended 31 March 2006 £'000
Loss on ordinary activities before tax	(3,449)	(3,805)
	==	==
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 - 30%)	(1,035)	(1,142)
Effect of		
Expenses not deductible for tax purposes	31	204
Capital allowances for period in excess of depreciation	160	91
Decrease in general provision-pension	(16)	-
Adjustment to tax charge in respect of previous periods	(279)	(164)
Group relief	-	183
Capitalised revenue expenditure	(31)	-
Tax deduction on gains arising on exercise of share options	-	(235)
Difference in tax rates	-	29
Tax losses carried forward	890	821
	—	—
Current tax (credit) / charge for period	(280)	(213)
	==	==

9 Taxation on loss on ordinary activities (continued)

There are unutilised tax losses within the company of £6,395,000 (2006 - £2,737,000) available to relieve against future profits for which no deferred tax asset has been recognised on the basis that the unprovided deferred tax asset would not crystallise in the foreseeable future

10 Dividends

	Year ended 31 March 2007 £'000	10 months ended 31 March 2006 £'000
Ordinary shares		
Dividends paid of nil p (2006 - 2 5p) per share	-	570

Apart from a dividend of 0 001p per share, dividends in the prior year were waived by the Employee Share Ownership Trust.

11 Tangible fixed assets

	Leasehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
<i>Cost</i>					
At 1 April 2006	2,069	935	12,675	3,581	19,260
Additions	116	82	748	1,378	2,324
Disposals	(11)	(18)	(17)	(27)	(73)
At 31 March 2007	2,174	999	13,406	4,932	21,511
<i>Depreciation</i>					
At 1 April 2006	805	623	8,044	2,671	12,143
Provided for the year	144	78	1,045	662	1,929
Disposals	(6)	(8)	(12)	(5)	(31)
Impairment	-	-	245	-	245
At 31 March 2007	943	693	9,322	3,328	14,286
<i>Net book value</i>					
At 31 March 2007	1,231	306	4,084	1,604	7,225
At 31 March 2006	1,264	312	4,631	910	7,117

11 Tangible fixed assets (*continued*)

The net book value of tangible fixed assets includes an amount of £13,000 (2006 - £9,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £3,000 (2006 - £1,000)

12 Fixed asset investments

Subsidiary undertakings

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Country of incorporation or registration	Class of share capital held	Proportion of share capital held	Nature of business
Whittard and Company Limited	United Kingdom	Ordinary	100%	Dormant
Whittard Trading Company Limited	United Kingdom	Ordinary	100%	Dormant
The BestofBritish.com Limited	United Kingdom	Ordinary	100%	Dormant
Whittard of Chelsea Inc	USA	Ordinary	100%	Retail

13 Stocks

	31 March 2007 £'000	31 March 2006 £'000
Finished goods and goods for resale	5,995	5,384

There is no material difference between the replacement cost of stocks and the amounts stated above

Whittard of Chelsea Limited

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

14 Debtors

	31 March 2007 £'000	31 March 2006 £'000
Amounts receivable within one year		
Trade debtors	193	302
Amounts owed by group undertakings	614	355
Corporation tax recoverable	38	-
Other debtors	694	1,208
Prepayments and accrued income	2,522	2,846
	<u>4,061</u>	<u>4,711</u>
Amounts receivable after more than one year		
Amounts owed by group undertakings	2,140	-
	<u>6,201</u>	<u>4,711</u>

Amounts due from group undertakings are repayable on demand Of the above balances £2,140,000 (2006 - £nil) relates to a non-trading balance and is interest bearing

15 Creditors: amounts falling due within one year

	31 March 2007 £'000	31 March 2006 £'000
Bank overdraft (secured)	8,910	1,329
Trade creditors	4,200	5,349
Amounts owed to fellow subsidiaries	684	682
Corporation tax	-	100
Other taxation and social security	167	248
Obligations under finance lease and hire purchase contracts	5	3
Other creditors	403	779
Accruals and deferred income	631	1,131
	<u>15,000</u>	<u>9,621</u>

The bank overdraft is secured by a debenture and a cross guarantee between the company and its immediate parent company's bankers

Amounts due from group undertakings are non interest bearing and repayable on demand

Whittard of Chelsea Limited

Notes forming part of the financial statements for the year ended 31 March 2007 (Continued)

16 Creditors: amounts falling due after more than one year

	31 March 2007 £'000	31 March 2006 £'000
Obligations under finance lease and hire purchase contracts	4	5
	=====	=====

Maturity of debt

	Finance leases 31 March 2007 £'000	Finance leases 31 March 2006 £'000
In one year or less, or on demand	5	3
	=====	=====
In more than one year but not more than two years	4	3
In more than two years but not more than five years	-	2
	=====	=====
	4	5
	=====	=====

17 Share capital

	31 March 2007 £'000	31 March 2006 £'000
<i>Authorised</i>		
28,000,000 Ordinary shares of 5p each	1,400	1,400
	=====	=====
	31 March 2007 £'000	31 March 2006 £'000
<i>Allotted, called up and fully paid</i>		
25,257,215 (2006 - 25,257,215) Ordinary shares of 5p each	1,263	1,263
	=====	=====

18 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 April 2006	6,394	(71)
Loss for the year	-	(3,169)
	<hr/>	<hr/>
At 31 March 2007	6,394	(3,240)
	<hr/>	<hr/>

19 ESOT shares

The Employee Share Ownership Trust (ESOT) was set up under a Trust Deed in September 1999, the Trustees being Investec Trust Guernsey Limited.

During the previous year, the ESOT sold 45,113 shares in order to satisfy options exercised. The remaining 1,044,895 shares held by the ESOT were purchased by Java Acquisitions Limited at 90p per share on acquisition of the company (see note 20) in January 2006.

20 Reconciliation of movements in shareholders' funds

	Year ended 31 March 2007 £'000	10 months ended 31 March 2006 £'000
Loss for the year	(3,169)	(3,505)
Dividends	-	(570)
	<hr/>	<hr/>
	(3,169)	(4,075)
Issue of shares	-	68
Premium on shares issued during the year	-	375
Disposal of shares on exercise of options	-	56
Disposal of shares on change of ownership	-	1,292
Loss on disposal of shares on exercise of options	-	(31)
Loss on disposal of shares on change of ownership	-	(352)
	<hr/>	<hr/>
Net deductions from shareholders' funds	(3,169)	(2,667)
Opening shareholders' funds	7,586	9,683
Prior year adjustment - Restatement on adoption of FRS 21	-	570
	<hr/>	<hr/>
Opening shareholders' funds as restated	7,586	10,253
	<hr/>	<hr/>
Closing shareholders' funds	4,417	7,586
	<hr/>	<hr/>

21 Contingent liabilities

The company has guaranteed the bank borrowings of its immediate parent company. At the balance sheet date, this guarantee amounted to £25,589,000 (2006 - £24,590,000) but the directors do not expect a liability to crystallise

22 Pensions

During the period, the company made payments into personal pension plans amounting to £24,000 (2006 - £52,000) At the year end there were outstanding payments amounting to £2,000 (2006 - £14,000) and these are included in creditors.

23 Commitments under operating leases and contractual obligations

The company had annual commitments under non-cancellable operating leases as set out below

	31 March 2007 Land and buildings £'000	31 March 2007 Other £'000	31 March 2006 Land and buildings £'000	31 March 2006 Other £'000
Operating leases which expire				
Within one year	378	32	179	54
In two to five years	2,166	24	1,924	56
After five years	6,036	-	6,049	-
	<u>8,580</u>	<u>56</u>	<u>8,152</u>	<u>110</u>

The directors consider it prudent to cover known future and anticipated non-sterling purchases by taking out forward foreign exchange contracts

Forward exchange contracts to purchase US Dollars at the period end amounted to \$1,500,000 (2006 - \$1,400,000) Other non-sterling stock purchases are not considered to be a material risk

24 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Barney Holdings Limited on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

25 Ultimate parent company and parent undertaking of larger group

Ultimate control of the company rests with Baugur Group hf, incorporated in Iceland The company is a subsidiary undertaking of Java Acquisitions Limited, which is incorporated in Great Britain

The largest group in which the results of the company are consolidated is that headed by Baugur Group hf The smallest group in which they are consolidated is that headed by Barney Holdings Limited The consolidated accounts of this company are available to the public

26 Post balance sheet events

Since the balance sheet date, the group's operations have been refinanced as follows:

- Barney Holdings Limited has issued additional share capital amounting to £11.2m to its existing shareholders

Overall these additional funds have been used in part to repay bank borrowings amounting to approximately £9.0m and deal costs of approximately £1.0m, with the balance providing additional working capital for the group.

As part of this refinancing the company raised £7.5m of new bank debt, received £2.8m from its parent company for new share capital with the funds being used to repay £10.3m of existing bank debt