

Stylo plc

Annual Report and Accounts Year to 03 February 2007



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COMPANIES HOUSE

Company registration number 314740

DIRECTORS AND ADVISERS

DIRECTORS

Michael A Ziff

(Chairman and Chief Executive) (Age 53)

John M Weaving ACA (Age 47)

Ronald A Stark (Age 53)

David S Patrick (Age 51)

Richard P Bott FCA (Age 54)

David B Spitz (Non-Executive) (Age 64)

Barry S Morris (Non-Executive) (Age 59)

Howard T Stanton FCCA (Non-Executive) (Age 64)

Edward M Ziff (Non-Executive) (Age 47)

SECRETARY AND REGISTERED OFFICE

Ann E McGookin ACIS

**Harrogate Road, Apperley Bridge,
Bradford, West Yorkshire BD10 0NW**

Telephone (01274) 617761

Fax (01274) 616111

www.stylo.co.uk

COMPANY REGISTRATION NUMBER

314740

REGISTRARS

Lloyds TSB Registrars, The Causeway,

Worthing, West Sussex BN99 6DA

Telephone (0870) 600 3964 *Fax* (01903) 854031

BROKERS

Brewin Dolphin Securities Limited,

34 Lisbon Street,

Leeds LS1 4LX

Telephone (0113) 245 9341 *Fax* (0113) 243 5666

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP, Benson House,

33 Wellington Street, Leeds LS1 4JP

SOLICITORS

Walker Morris, Kings Court,

12 King Street, Leeds LS1 2HL

DLA Piper Rudnick Gray Cary UK LLP,

Princes Exchange, Princes Square,

Leeds LS1 4BY

BANKERS

Lloyds TSB Bank plc

Barclays Bank PLC

FINANCIAL ADVISER

Dawnay, Day Corporate Finance Limited

8-10 Grosvenor Gardens, London SW1W 0DH

TRADING SUBSIDIARIES

The companies listed below are the wholly owned principal trading subsidiaries included in the consolidated group accounts

Stylo Barratt Shoes Limited

Footwear retailer

Shelly's Shoes Limited

Footwear retailer

Stylo Barratt Properties Limited

Property company

Other Subsidiary Directors

Richard G Bower

Philip Clarkson

Brian D Field ARICS

C Graham Hardaker

Ann E McGookin ACIS

Simon Robson

Ian M Unwin

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW

I am disappointed to report that in the 53 week period ended 3 February 2007 the group has recorded a loss of £7.0m before taxation and exceptional items

The results reflect a particularly tough year in which we have seen a like for like fall in sales of 1.76%

RESULTS

The loss on ordinary activities before taxation and exceptional income of £7.0m compares with a loss in the previous year of £2.4m. Exceptional income of £2.5m (2006: £1.3m) relates to pension accounting credits of £0.8m and £1.7m profit on disposal of fixed assets (2006: £2.1m)

Net debt increased at the end of the year from £23.3m to £30.9m. Net assets reduced from £37.3m to £35.3m. Basic loss per share increased from 3.93p to 14.98p

Dividend

As in the previous year, no final dividend will be proposed at the forthcoming Annual General Meeting

REVIEW OF OPERATIONS

Group

The principal activity of the Stylo Group is that of footwear retailing, operating from 387 stores across the UK and 194 concessions across the UK and Eire. At 3 February 2007 the group consisted of the following fascias and number of stores: Barratts (169), PriceLess (207), Shellys (6) and Shutopia (5). The group also trades from concessions in 194 Dorothy Perkins stores.

Total group sales were £239.6m which were slightly up on last year's £238.1m but overall like for like sales showed a decrease of 1.76%

Retail performance in the year has been adversely affected by unseasonably mild weather in Autumn and Winter, the imposition of anti-dumping duty by the European Commission, increases in costs and the sluggish retail environment.

A key factor in achieving profitability is the success of the Autumn/Winter season that depends heavily on the ability to sell boots in large quantities. The mild weather was a major factor in reducing demand for boots and this, combined with an already flat retail environment, reduced our profitability considerably in this important period.

The introduction of anti-dumping duty on imports of leather goods from China and Vietnam not only increased our costs on these goods by between 5% and 16% but the staggered nature of its introduction encouraged us to distort our buying patterns to minimise its effect. The early arrival of the related stock impaired our ability to re-act to other potential opportunities.

Cost increases in the form of rents, business rates, minimum wage and power bills, together with increased costs associated with legislative compliance, have all impacted on margin.

Barratts

The poor boot performance, previously referred to, affected this division in particular, and this, along with a generally flat performance in the year, has led the Board to recognise the need not only to dispose of several loss-making stores but at the same time to invest in this fascia. It has approved a substantial programme of investment in the stores which will be incurred over the coming years. Some stores have already benefited from this programme and to date the general improvement in performance has been encouraging. In the forthcoming year we intend to refit 51 stores in total. The disposal of unprofitable stores has already commenced, the value of the assets in these stores has now been fully impaired within the current year.

During the year we opened two stores, 14 were closed and one was transferred to PriceLess.

Concessions

At the year end we traded from 194 Dorothy Perkins concessions. However, since the year end we have been notified by Dorothy Perkins that they wish to give us notice on 37 concession outlets in August 2007. These units contributed towards head office costs and will be closing in Autumn 2007.

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW

continued

PriceLess

We continue to look for opportunities, when the right sites become available, to expand this division and move into more profitable outlets whilst at the same time disposing of less profitable ones. Six stores were added in the year whilst five were closed. At the end of the year PriceLess traded from 207 stores. We have exchanged contracts to open three new PriceLess stores this year and it is planned to refit 30 of the existing stores in the coming year. As with Barratts we plan to dispose of several unprofitable stores in the coming year, the assets of these having been fully impaired in the current year.

During the course of the year the discount shoe retail market was exceptionally competitive with competition coming not only from individual shoe shops but also from supermarkets and multiples. To ensure we have a competitive advantage we are seeking new sources of supply.

Shellys

The turnaround of Shellys which we were expecting failed to materialise in the year, albeit we have seen significant improvement in the product base. Under those circumstances we have decided to concentrate this chain on its London base and two unprofitable stores outside London have been closed. Further stores are earmarked for disposal in the coming year, of which two have already been contracted to close. Shellys has seen growth during the year in sales through the Barratts division, through wholesale of its product overseas and through increased volume of sales via its website.

Shutopia

Shutopia traded from five stores at the end of the year. During the year the concept was introduced to three retail parks in Borehamwood, Rotherham and Belfast York Gate where results to date are encouraging. We are actively seeking sites in the right locations to expand the concept further.

FUTURE PROSPECTS

The poor performance of the group is a reflection of an exceptionally difficult shoe market. There is no indication that this market will be any easier in the foreseeable future. In the light of that, the Board conducted a review of the group's activities in the Autumn of last year and set about a strategic recovery programme intended to deliver improved results over the course of the next few years. However, it is not easy to predict the outcome of these actions in what has become a low growth, yet very competitive, retail environment.

The strategic plan sets out three main objectives these being, the disposal of unprofitable stores (already referred to), a substantial investment programme and an emphasis on new sources of supply that enable us to achieve higher margins.

The investment programme over the next few years will involve not only the retail stores, in terms of refits and planned new outlets, but also upgrades to the computer systems on which the business relies along with further enhancements to the website.

A lot of time and effort has been spent reviewing our sources of supply and the Board has embarked on a programme of increasing the amount of directly sourced supply from China and India. To achieve success in direct sourcing we have developed a shipping department together with additional design capability and improved quality control within the factories. All of this also requires an investment in time and money.

Over the following years I consider the key challenges affecting the group as follows:

- To ensure that we get increased market share from the high street,
- Management of the supply chain,
- Improving our sources of supply and margins,
- Developing our website activities in conjunction with our stores, and
- A continued investment in the retail property portfolio to ensure our properties are well maintained and our stores are clean and fresh to support continued improvement in branch performance.

CHAIRMAN'S STATEMENT AND BUSINESS REVIEW

continued

BUSINESS RISKS

The shoe industry remains highly competitive with barriers to entry being exceptionally low leading to heightened competition in this market place. We are faced with increasing costs in the form of rents, business rates, minimum wage and power costs along with the exposure to currency risk. In addition, recent increases in inflation and interest rates will continue to put sales under pressure. We are further affected by the problems that unseasonal weather patterns have on what is a fashion business. Exposure to business risks is minimised by managing weekly performance against budgets for all aspects of the business.

Key performance indicators ('KPIs')

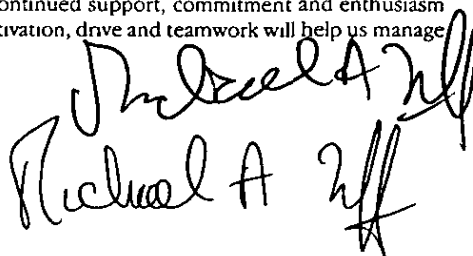
The Board uses a series of KPIs to monitor and manage performance against budgets and strategic objectives. The principal KPIs are as follows: branch weekly sales are compared with performance last year and against budget, the worst branches are analysed to establish the cause for their under performance and appropriate action taken, and sales are analysed further by product, which in turn are analysed by cash return and the adequacy or otherwise of forward stock cover in the light of changes in weather and or fashion. Costs are managed against tightly set budgets with variances to those budgets explained within monthly board reports. All orders placed in foreign currency for the future supply of goods are hedged by forward currency contracts.

SUPPLIERS

At this time I want to take the opportunity of thanking our suppliers for their continued support in a very difficult environment and hope that those suppliers who we have earmarked as major partners will see their business grow with ours over the course of the next few years.

PEOPLE

I am as grateful as ever to colleagues for their continued support, commitment and enthusiasm to the business and I am confident that their motivation, drive and teamwork will help us manage the business through this uncertain period.

A handwritten signature in black ink, appearing to read 'Michael A Ziff', with a stylized flourish at the end.

Michael Ziff
Chairman and Chief Executive

FINANCIAL REVIEW

SUMMARY OF RESULTS

In the 53 week period ended 3 February 2007, the group recorded a loss before taxation and exceptional items of £7.0m (2006 loss of £2.4m). After tax and exceptional items the loss is £4.7m (2006 loss of £1.3m).

PROFIT AND LOSS ACCOUNT

Turnover

Total sales (excluding VAT) for the 53 week period were £239.6m compared to £238.1m for the 52 week period ended 28 January 2006. A decline in like for like sales was experienced in each of our fascias resulting in an overall like for like sales reduction of 1.76%, in line with the overall decline in the footwear market over the equivalent period.

Gross profit

Gross profit of £17.0m was £3.9m below last year and was adversely impacted by continued increases in rent and rates, energy costs and the full year impact of the minimum wage increases introduced last year.

Net operating costs

Net operating costs, comprising distribution costs and administrative expenses, before exceptional items were £0.9m above last year. Distribution costs were £0.4m (5.5%) above last year's level principally due to the full year impact of the increase in volumes due to the growth of the PriceLess fascia in the previous year. Exceptional administrative income comprises £0.4m relating to the one-off FRS 17 gain arising on the closure of the pension scheme and a further £0.4m credit arising as a result of A-Day changes following the Finance Act 2006.

Total operating profit

Operating loss was £2.5m (2006 profit of £0.1m), a significant reduction compared to the previous year. This was due to the reduction in gross margin of £3.9m detailed above, other operating income of £0.7m relating to the receipt of lease premiums on surrender of leasehold properties (2006 £nil), an increase of £0.9m pre-exceptional net operating costs, exceptional income of £0.8m relating to the pension credits detailed above, and the non-recurrence of the exceptional operating charge incurred in 2006 of £0.8m relating to a one-off pension payment.

Profit on disposal of fixed assets

The exceptional profit on disposal of fixed assets of £1.7m (2006 £2.1m) has been generated from property sales. The proceeds from these disposals are held as restricted cash deposits and are held for re-investment in further freehold properties.

Net interest payable

Net interest costs of £3.7m are £0.4m higher than last year, principally due to average borrowings of £35.7m, including the £30m First Mortgage Debenture Stock which bears interest at a fixed rate of 11.5%, being £9.9m higher than the average borrowings of £25.8m last year. Average borrowings are higher as a result of the trading performance and the £5.8m pension payments made during the year. Included within the interest charge of £3.7m is interest income of £0.3m (2006 £nil) comprising the FRS 17 return on pension assets in excess of the interest cost on the pension liabilities.

Profit on ordinary activities before and after taxation

The resulting loss on ordinary activities before taxation was £4.5m (2006 loss of £1.1m). The increase is due to the reduction in operating profit of £2.5m, a reduction in the profit on disposal of fixed assets of £0.4m and an increase in the interest charge of £0.4m.

The taxation charge for the year was £0.2m (2006 £0.2m), comprising overseas tax due on our operations in Ireland and Jersey. There is no dividend charge in the year (2006 £0.4m) and the resultant loss for the year of £4.7m has been deducted from reserves (2006 £1.8m loss deducted from reserves).

FINANCIAL REVIEW

continued

BALANCE SHEET

Fixed assets and capital expenditure

Tangible fixed assets of £62.0m are £4.7m below 2006. Capital expenditure of £4.7m was incurred in the year (2006: £7.0m), reflecting the on-going investment in the retail portfolio. Additionally, properties with a carrying value of £3.0m were disposed of during the year and the depreciation charge of £6.3m was slightly higher than the previous year of £5.4m, reflecting the on-going investment in the property portfolio.

Property valuation

In 2001 the group adopted the transitional accounting arrangements under FRS 15, Tangible Fixed Assets. As a result, the valuation at that time was incorporated within the accounts but subsequent increases in property valuations have not been adopted. A recent valuation at 31 January 2007 valued the group's properties at £32.7m higher than they are currently shown in the balance sheet. Deferred taxation on this increase in the valuation would be £9.8m based on a tax rate of 30%.

Stocks and working capital

Stock holdings of £22.9m are 10.7% below the 2006 level of £25.6m, reflecting the good clearance rates of stock put into the end of year Sale. Average stock holdings during the year were £31.4m, slightly above the previous year of £30.8m. Stock levels have continued to be tightly controlled during the year to keep working capital to low, but manageable, levels in the business. Stock turn was 3.3 times (2006: 3.6 times).

The movements in working capital generated a cash outflow of £6.1m (2006: inflow of £5.2m), as a result of a £2.7m decrease in stocks, an increase in debtor levels of £1.1m and a decrease in creditors of £7.8m.

Borrowings and net assets

The net cash outflow for the year was £9.1m (2006: outflow of £5.0m). At 3 February 2007 the borrowing requirement was £30.9m (2006: £23.3m) comprising the £30m First Mortgage Debenture Stock, the £2.1m Term Loan, restricted cash deposits of £5.3m (2006: £1.8m) and net cash borrowings of £4.1m. Gearing at 3 February 2007 was 88% (2006: 62%) and average borrowings during the year were £35.7m (2006: £25.8m). If the Debenture Stock had been redeemed at the year end, a redemption premium of approximately £10.6m would have been payable to the debenture holder.

The net assets of the group at 3 February 2007 were £35.3m (2006: £37.3m) representing net assets per share of 102.2p (2006: 107.8p).

Profit and loss account reserve

The movement from the profit and loss account reserve at 28 January 2006 of £2.9m to £3.7m at 3 February 2007 reflects the loss for the financial year of £4.7m, the FRS 17 actuarial gain of £3.0m, the transfer from the revaluation reserve of £2.8m following property disposals, and a movement of £0.3m relating to shares held by the Employee Benefit Trusts.

PENSION FUND

As previously reported, the Stylo Group Pension Scheme ('the scheme') was closed to future accrual with effect from 5 April 2006 and the company made a one-off cash contribution of £5.0m into the scheme. At 3 February 2007 there is a FRS 17 pension scheme surplus of £5.1m (2006: deficit of £4.3m) principally arising as a result of an increase in bond yields and a recovery in the global equity markets. In accordance with accounting standards, this is not recognised on the balance sheet as the scheme is now closed.

DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The group's principal financial instruments comprise bank loans, debenture loans, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial instruments such as trade debtors and creditors, which arise directly from its operations.

FINANCIAL REVIEW

continued

The group also enters into derivative transactions (principally forward currency contracts), the purpose of which is to manage the interest rate and currency risks arising from the group's operations

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken

The required disclosures in respect of derivatives and other financial instruments are detailed in note 15

BANK FACILITIES

The company has agreed new banking facilities which comprise a revolving credit facility of £5.0m and standby facility of £6.0m committed until October 2008, a multi-option facility of £2.5m renewable in March 2008, and a three-year term loan of £3.2m of which £2.1m was outstanding at 3 February 2007 and is repayable in full by December 2008

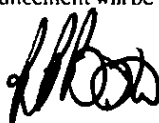
ACCOUNTING POLICIES

The financial statements have been prepared on a basis consistent with that employed in prior periods and comply with UK accounting standards

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS')

As a company quoted on the Alternative Investment Market ('AIM'), the company will produce its financial statements for the year ending 2 February 2008 in accordance with IFRS. The group is reviewing the changes to its current accounting policies that will be required on the adoption of IFRS and an IFRS restatement announcement will be made prior to the release of the 2008 interim results

Richard Bott
Group Director of Finance



REPORT OF THE DIRECTORS

The directors submit their report and accounts for the fifty-three weeks ended 3 February 2007 ('the financial year')

Principal activities of the group

The principal activity of the company and its subsidiaries ('the group') during the financial year remained that of footwear retailing and the related holding of properties. Comments on the results for the year and on future developments are contained in the Chairman's Statement and Business Review and the Financial Review on pages 2 to 7

Review of the Business

A review of the business of the group, including details of the development and performance of the business, key performance indicators and future outlook appears in the Chairman's Statement and Business Review on pages 2 to 4 which forms part of this report

Results for the financial year and dividend

The loss on the ordinary activities of the group after taxation for the financial year ended 3 February 2007 was £4,696,000 (2006 loss of £1,345,000)

The directors do not propose a final dividend for the financial year (2006 nil) and the retained loss of £4,696,000 (2006 loss of £1,776,000) has been deducted from reserves

Employees

The directors have continued their policy of consulting and informing employees of all matters affecting them and of the financial performance of the group, which has been accredited with the Investors in People award

The company, as an equal opportunities employer, seeks to create an environment that will generate and develop a quality, diverse and varied workforce

It is the company's policy to encourage the employment, training and career development of disabled persons. If employees become disabled, every effort is made for them to continue in employment or receive appropriate training. In order to safeguard its employees, the company pursues a policy designed to provide secure working environments and training standards at all operating locations

Charitable donations

Donations to charitable organisations amounted to £11,970 (2006 £18,310). No political contribution has been made by the company or any of its subsidiaries in the period

Substantial shareholdings

The company has been notified of the following substantial shareholdings at 26 April 2007

Limited voting ordinary shares

	Percentage of total of limited voting ordinary
Number shares	
Mrs M E Ziff	4,483,794 13.5%
Mrs A L Manning	1,937,170 5.8%
Stylo Employee Benefit Trust	1,685,469 5.1%
Stylo 2002 Employee Benefit Trust	1,445,000 4.3%

In addition to the above shareholdings, Mrs M E Ziff and Mrs A L Manning are trustees of trust funds holding a total of 699,116 Stylo plc Limited Voting Ordinary Shares

Shareview registration details and dealing

Our share registrar, Lloyds TSB Registrars, offers a service that provides shareholders with online internet access to details of their shareholdings, including recent movements in the number of shares held, dividend payment details and indicative share prices together with a competitive share dealing service online or by telephone. Address and dividend mandates can be updated online. You can register on line to view your Stylo shareholding details and set up your personal portfolio details by going to www.shareview.co.uk, click on 'Create a Portfolio' and complete the simple on screen registration process. You will need to enter your surname, postcode, e-mail address and the shareholder reference number which can be found on your share certificate

Fixed assets

The group's properties were revalued at 31 December 1998. Details of the valuation at 31 December 1998 and of a subsequent valuation at 31 January 2007, which has not been adopted in these accounts, and of movements in tangible fixed assets are set out in note 10 to the financial statements

Derivatives and other financial instruments

Full details of the group's risk management objectives and policies and its exposure to financial risk are set out in the Chairman's Statement and Business Review and in note 15 to the financial statements

Policy on payment of suppliers

The group does not operate a defined code of practice regarding the payment of creditors. The group's policy is to agree terms with its suppliers at the start of the trading relationship and to pay suppliers in accordance with those agreed terms

Creditor days for the group represent 47 days of average purchases for the year (2006 49 days). The company is itself a holding company and, therefore, has no trade creditors at the year end

Special business

There are four items of special business at the annual general meeting relating to the company's share capital and communication with members

REPORT OF THE DIRECTORS

continued

Under item 7 by way of an ordinary resolution the directors are seeking an authority to allot relevant securities pursuant to section 80 of the Companies Act 1985 up to an aggregate number of 11,415,612 shares, representing one third of the issued share capital of the company. This authority would replace a similar authority granted to the directors at the annual general meeting of the company held on 26 June 2006. This authority is expressed to expire at the conclusion of the forthcoming annual general meeting.

The directors have no present intention of exercising this authority.

As in previous years, under item 8 directors are seeking the power to allot shares wholly for cash otherwise than in accordance with the pre-emption rights conferred by section 89(1) Companies Act 1985. The special resolution proposes to disapply these statutory rights of pre-emption in respect of rights issues or open offers or otherwise up to a maximum limit of 1,664,198 limited voting ordinary shares of 2 pence each representing 5% of the current issued ordinary share capital. This disapplication will expire 15 months after the date of the passing of the resolution or, if earlier, at the conclusion of the next annual general meeting of the company.

It is proposed under item 9 by way of a special resolution to renew the authority of the company to purchase its own issued limited voting ordinary shares of 2 pence each up to an aggregate number of 4,992,593 shares, representing 15% of the issued ordinary share capital, at a maximum price of 105% of the average middle market quotation as derived from the AIM appendix to the London Stock Exchange Daily Official List for the five business days prior to purchase. Such authority was granted at the annual general meeting held on 26 June 2006 to expire at the forthcoming annual general meeting. The directors would propose to exercise such authority only where the expected effect of further share purchases would be to increase earnings and/or assets per share and be in the best interest of shareholders generally. The authority which will expire 18 months after the date of the passing of the resolution or, if earlier, at the conclusion of the next annual general meeting of the company.

It is proposed under item 10 by way of ordinary resolution that the company may send and supply documents or information to members by electronic means.

Directors

A list of directors is given on page 1, each of whom served throughout the year apart from David B Spitz and Richard P Bott who were appointed directors on 1 September 2006 and 27 June 2006 respectively. In accordance with the company's articles of association, David S Patrick and Barry S Morns retire by rotation and, being eligible, offer themselves for re-election.

Michael A Ziff became Chairman and Chief Executive on 11 August 2000 with responsibility for the strategic direction and performance of the group. After previous experience in retailing and corporate finance, he joined the company in 1978 and was appointed Chief Executive in 1991. As Chief Executive, he is exempt under the company's articles of association from the requirement to retire by rotation.

John M Weaving was appointed to the Board on 18 May 1998 as Group Finance Director and additionally became Chief Operating Officer on 2 January 2003. He is a chartered accountant. Previously he was with Barclays Bank, latterly as Finance Director Business Banking.

Ronald A Stark is Managing Director of PriceLess Shoes, a division of Stylo Barratt Shoes Limited. He joined the group in 1997, having previously worked at Clarks for 27 years, latterly responsible for creating the factory shopping division.

David S Patrick was appointed to the Board on 2 February 2004, and is Managing Director of the Barratts division of Stylo Barratt Shoes Limited. After 21 years' previous service with the Stylo group of companies, David Patrick left in 1998 to take up the position of chief executive officer, firstly with The John David Group plc and subsequently Allsports (Retail) Limited until 2003.

Barry S Morns was appointed to the Board as a non-executive director on 3 September 2001 after 30 years' experience in the retail industry. From 1994 to 2000, he was an executive director of Marks and Spencer plc with responsibility at different times for womenswear, foods and home.

Richard P Bott was appointed to the Board on 27 June 2006. He is a chartered accountant and joined the Stylo Group in 1982 having previously held various financial positions at Waddingtons Videomaster, Waddingtons House of Games, Stylo Pennywise and NAT Nielson. Prior to his appointment to the Board his role was Group Director of Finance.

Howard T Stanton was appointed to the Board on 1 October 2003. He is a certified accountant and is a business consultant to a range of businesses. Over the last 20 years he has held a number of directorships with several quoted companies, including being Chairman and previously Managing Director of Allied London Properties PLC, when it was a fully listed property investment company. He is also non-executive Chairman of Anglo Scottish Properties plc, and a non-executive director of O Twelve Estates Limited.

Edward M Ziff became a non-executive director in July 2004. He is chairman and chief executive of Town Centre Securities PLC for whom he has worked for 24 years. Edward Ziff is also a non-executive director of Stylo Barratt Properties Limited and a non-executive director of the Leeds and Holbeck Building Society.

REPORT OF THE DIRECTORS

continued

David B Spitz was appointed to the Board as a non-executive director on 1 September 2006. He has been involved in shoe retailing for the last 48 years, during which time he established and sold four successful shoe retailing businesses. He founded A&D Spitz in South Africa in 1959, and in 1977 was appointed as Managing Director of Carvela and Kurt Geiger. Kurt Geiger was subsequently sold to House of Fraser in 1985 when he was then appointed as Managing Director of HoF's footwear division. In 1990 he founded the Shoe Studio Group, which was acquired by Nine West Inc in 1997, subsequent to which he served as non-executive chairman until 2006.

At no time during the year has any director had any material interest in any significant contract with the company or any of its subsidiaries.

The beneficial interests of the directors and their families in the shares of the company together with their interests as trustees of family settlements are shown below. Any share options granted to directors are detailed in the report of the Remuneration Committee.

Limited voting ordinary shares

	28 January 2006	3 February 2007	26 April 2007
Michael A Ziff			
Beneficial	3,139,867	3,299,867	3,299,867
Options	193,400	33,400	33,400
John M Weaving			
Beneficial	363,721	423,721	423,721
Options	40,000	—	—
Ronald A Stark			
Beneficial	1,000	10,000	10,000
Options	124,600	3,600	3,600
David S Patrick			
Beneficial	1,490	1,490	1,490
Barry S Morris			
Beneficial	13,900	13,900	13,900
Howard T Stanton			
Beneficial	13,900	13,900	13,900
Edward M Ziff			
Beneficial	2,036,753	2,104,253	2,104,253
Richard P Bott			
Beneficial	—	5,626	5,626
David B Spitz			
Beneficial	—	50,000	50,000

Management shares

	28 January 2006	3 February 2007	26 April 2007
Michael A Ziff	1,052,789	1,052,790	1,052,790
Edward M Ziff	256,020	256,020	256,020

Michael A Ziff and Edward M Ziff are trustees of trust funds holding 5,138,559 Stylo Limited Voting Ordinary Shares.

The above information is as set out in the register maintained in accordance with Section 325 of the Companies Act 1985. This register is kept at the company's registered office and is open to inspection in accordance with the Act.

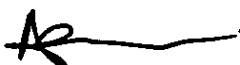
Provision of information to auditors

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will not be seeking re-appointment at the annual general meeting. A resolution to appoint BDO Stoy Hayward LLP as auditors will be proposed at the annual general meeting, in accordance with Section 385 of the Companies Act 1985.



On behalf of the Board
Ann E McGookin
Secretary

26 April 2007

CORPORATE GOVERNANCE

Stylo plc is an AIM quoted company and is not required to comply with the 2003 Financial Reporting Council Combined Code. All disclosures contained in this report are entirely voluntary and do not cover all aspects of the 2003 Combined Code.

The directors recognise that the Board is collectively responsible for the success of the company and implicit in achieving this is a commitment to a high standard of corporate governance and risk control. This statement and the following reports outline the principles of governance as applied in the operation and management of the company.

THE BOARD AND ITS COMMITTEES

The composition of the Board is four non-executive directors and five executive directors, including the chief executive officer, whose role continues to be combined with that of chairman. Howard T Stanton is the senior non-executive director. The Board considers that all non-executive directors should be regarded as independent.

The Board meets regularly during the year with the purpose of reviewing trading performance, ensuring adequate funding, setting and monitoring strategy and periodically reporting to shareholders.

The following Committees deal with specific aspects of the group's affairs.

Remuneration Committee

The Remuneration Committee comprises two non-executive directors, Barry S Morris (Chairman) and Howard T Stanton. Meetings are also attended, by invitation, by both the Chairman and Chief Executive and the Chief Operating Officer. The Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the company's framework of executive remuneration and its cost. It determines the contract terms, remuneration and other benefits for each of the executive directors, including performance related bonus schemes, share awards, pension rights and compensation payments. Executive directors meet to determine the remuneration of the non-executive directors.

Further details of the company's policies on remuneration are given under the heading Remuneration Committee on pages 13 to 15.

Nomination Committee

The Board delegates the responsibility for nominations to a committee, comprising the Chairman and Chief Executive and members of the Remuneration Committee. That committee is also responsible for proposing candidates for appointment to the Board, having regard to the overall balance and structure of the Board. In appropriate cases, recruitment consultants may be used to assist the process.

Audit Committee

The Audit Committee is chaired by Howard T Stanton and its other members are Barry S Morris and David B Spitz. All members are non-executive directors. The Committee assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place. It also reviews the announcements of the interim and final results prior to submission to the Board and monitors the independence and objectivity of the auditors, PricewaterhouseCoopers LLP, who also attend these meetings. Meetings are attended, by invitation, by the Chairman and Chief Executive, the Chief Operating Officer and the Group Director of Finance. This Committee meets at least twice during the financial year, normally around the time of the announcement of the group's interim and final results.

RELATIONS WITH SHAREHOLDERS

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. The Chairman and Chief Executive aims to ensure that the chairmen of the Audit and Remuneration committees are available at Annual General Meetings to answer questions. Details of resolutions to be proposed at the Annual General Meeting on 26 June 2007 can be found in the Notice of the Meeting on pages 38 and 39.

Howard T Stanton has been nominated as the senior independent non-executive director to whom any areas of concern may be addressed.

CORPORATE GOVERNANCE

continued

INTERNAL CONTROL

An ongoing process for identifying, evaluating and managing the significant risks faced by the group has been in place throughout the year and up to the date of this report. That process is regularly reviewed by the Board.

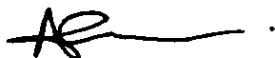
Key risks and their controls have been identified as a result of a programme of work put in place by the executive committee. The performance of existing controls is monitored on a regular basis, and any weaknesses in control identified by the ongoing review of risks are addressed. Risk management forms part of the ongoing activities of all members of staff.

Key elements of the control framework are:

- Risk management and control embedded within the operations of the group
- A framework of high level authorities
- A top down risk management framework setting out the principles adopted by the group
- A planning and budgeting process which sets out detailed operating objectives and milestones
- A system of monthly management reporting to the Board to measure performance against agreed budgets. This includes monthly updates of profit and cash flow forecasts
- Defined regulations governing appraisal and approval of business opportunities and capital expenditure to pre-determined limits
- Regular stock counts at all stores by dedicated teams of stock-checkers

Going Concern

After making appropriate enquiries, the directors are satisfied that the group has adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.



Ann E McGookin
Secretary

26 April 2007

REMUNERATION COMMITTEE

Unaudited Information

Directors' Remuneration

The remuneration of the executive directors is set by the Remuneration Committee. Remuneration levels are set by reference to responsibilities held, performance and market comparisons.

Individual salaries are reviewed annually, together with associated benefits.

The remuneration of the non-executive directors is set by the Board. Non-executive directors do not receive the non-cash benefits available to executive directors and are not eligible to participate in the company's share option schemes or stakeholder pension scheme.

Bonus Scheme

The Remuneration Committee determines performance levels that would trigger a bonus payment. All executive directors can earn a bonus if certain pre-tax profit targets are achieved. The amount of bonus payments is calculated as a percentage of basic salary once the trigger point is reached, but these are limited to pre-determined maximum profit levels and percentage of basic salary. Bonus payments are not pensionable.

Under deferred bonus plans introduced in 2006 certain executive directors have the opportunity to receive annual bonus awards which include an option to receive an award as limited voting ordinary shares of the company. The awards are subject to, inter alia, meeting stretching performance conditions set by the Remuneration Committee. No deferred bonus awards under the 2002 deferred bonus plan were made in respect of the financial year ended 28 January 2006. No bonus awards under the 2006 deferred bonus plans will be made in respect of the financial year ended 3 February 2007.

Directors' Pension Scheme

With effect from 5 April 2006 the Stylo Group Pension Scheme has been closed to future accrual with members, including directors, being invited to join the Stylo Stakeholder Scheme for future service.

Prior to the closure of the Scheme, the company contributed 10.7% of executive directors' basic salaries into the company defined benefit pension scheme, the Stylo Group Pension Scheme. Directors' contributions were 6%. Where relevant, company contributions were limited in accordance with government capping limits prevailing at the time.

For service accrued prior to 30 April 2003, the Scheme provides the directors with a target pension of up to two thirds of pensionable salary on retirement at age 62, subject to their having completed at least 20 years' service with the group. This is reduced in the proportion that completed service bears to potential service. For service accrued after 30 April 2003, the Scheme provides a pension of one sixtieth of pensionable salary for each year of completed service up to a normal retirement age of 65. The Scheme also provides a lump sum death in service benefit for dependents of members on their death in service or following retirement.

Following the closure of the Stylo Group Pension Scheme, the company contributes up to 15% of executive directors' basic salaries into a defined contribution scheme, subject to government capping limits prevailing at the time. As detailed on page 14, no pension contributions are made into a defined contribution scheme for M A Ziff.

Directors' Service Contracts

No executive director's service contract includes a period of notice of more than twelve months on the part of the company and more than six months on the part of the director.

The non-executive directors do not have service contracts.

Share Options

The company operates an approved Executive Share Option Scheme and an unapproved Executive Share Option Scheme both of which were established in June 1997, and under which options over limited voting ordinary shares of the company are granted, on a periodic basis, to management personnel within the group, including executive directors. Options are normally exercisable no earlier than the third anniversary of the date of their granting and such exercise is subject to a specified performance target, relating to increased pre-tax earnings per share, being achieved. The aggregate value of share options granted to an individual cannot exceed four times that individual's emoluments. Details of all share options held by each director under share option schemes are set out on page 15. No share options have been granted since 15 October 2002.

REMUNERATION COMMITTEE

continued

Audited Information

Directors' Remuneration

	Salaries/ Fees		Taxable benefits		Performance related bonuses		Deferred share bonuses		Pension contributions		Total emoluments	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
CHAIRMAN AND CHIEF EXECUTIVE												
M A Ziff ⁽¹⁾	378	311	77	78	—	—	—	106	—	800	455	1,295
EXECUTIVE DIRECTORS												
J M Weaving	195	187	16	17	—	—	—	67	26	—	237	271
D S Patrick	148	145	16	19	—	—	—	47	20	—	184	211
R A Stark	151	141	17	19	—	—	—	47	19	—	187	207
R P Bott ⁽²⁾	62	—	9	—	—	—	—	—	7	—	78	—
	556	473	58	55	—	—	—	161	72	—	686	689
NON-EXECUTIVE DIRECTORS												
B Morris	40	40	—	—	—	—	—	—	—	—	40	40
H T Stanton	40	39	—	—	—	—	—	—	—	—	40	39
E M Ziff	36	32	—	—	—	—	—	—	—	—	36	32
D B Spitz ⁽²⁾	18	—	—	—	—	—	—	—	—	—	18	—
	134	111	—	—	—	—	—	—	—	—	134	111
	1,068	895	135	133	—	—	—	267	72	800	1,275	2,095

⁽¹⁾ From date of appointment on 27 June 2006

⁽²⁾ From date of appointment on 1 September 2006

⁽³⁾ At 28 January 2006, a one off payment of £800,000 by the group was awaiting transfer into a Small Self-Administered Occupational Pension Scheme for M A Ziff. The 2007 salary of M A Ziff includes an allowance for the fact that no pension contributions are paid by the company into a defined contribution scheme.

Details of share options exercised by the directors during the year and the gain arising thereon are detailed on page 15.

REMUNERATION COMMITTEE

continued

Directors' Pensions

	Age at 3 February 2007	Increase in accrued pension during the year £000	Accumulated total accrued pension at 3 February 2007 £000	Increase in transfer value during the year (excluding member contributions) £000	Transfer value of accrued benefit at 3 February 2007 £000	Transfer value of accrued benefit at 28 January 2006 £000
M A Ziff	53	—	—	—	—	2,204
J M Weaving	47	1	20	54	234	179
R A Stark	53	—	14	31	170	138
R P Bott	54	1	44	125	678	552
D S Patrick	51	—	35	50	470	420

Notes

- (1) The transfer value has been calculated on actuarial advice and excludes directors' contributions
- (2) The increase in accrued pension during the year excludes any increase for inflation
- (3) The accumulated total accrued pension is that which would be paid annually on retirement based on service at the end of the year
- (4) The actuarially reduced transfer value of the accrued benefit of M A Ziff was transferred out of the Stylo Group Pension Scheme with effect from 31 January 2006

Options on Ordinary Shares

	28 January 2006	3 February 2007	Exercise price (p)	Earliest exercise date	Latest exercise date
M A Ziff	33,400	33,400	84 84	22 Oct 2000	21 Oct 2007
" "	80,000	—	25 33	31 Oct 2004	30 Oct 2008
" "	80,000	—	24 50	15 Oct 2005	14 Oct 2009
J M Weaving	40,000	—	25 33	31 Oct 2004	30 Oct 2008
R A Stark	3,600	3,600	84 84	22 Oct 2000	21 Oct 2007
" "	7,500	—	48 84	28 July 2001	27 July 2008
" "	15,000	—	34 33	3 Dec 2001	2 Dec 2008
" "	20,000	—	25 00	25 Oct 2003	24 Oct 2007
" "	20,000	—	25 33	31 Oct 2004	30 Oct 2008
" "	20,000	—	24 50	15 Oct 2005	14 Oct 2009

D S Patrick and R P Bott have no outstanding options as at 3 February 2007

In the financial year ended 3 February 2007 two directors exercised options granted under the Unapproved Executive Share Option Scheme. J M Weaving exercised options for 40,000 shares and R A Stark exercised options for 121,000 shares. The gains on the exercises, calculated as the difference between the option price and the mid market price on the date of exercise of the option were £16,868 and £48,639 respectively. No other directors exercised share options during the year. M A Ziff cancelled options for 160,000 ordinary limited voting shares, and the payment in lieu of the cancelled options was £65,736.

The market price of the company's ordinary shares at the year end was 63 5p. During the year the market price ranged between 53 5p and 69 5p.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and of the group at the end of each financial period and of the profit or loss and cash flows of the group for that financial 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group 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 of the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that the financial statements comply with the above requirements.

By order of the Board



Ann E McGookin
Secretary

26 April 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STYLO PLC

We have audited the group and parent company financial statements (the "financial statements") of Stylo plc for the 53 week period ended 3 February 2007 which comprise the consolidated profit and loss account, the group and company balance sheets, the consolidated cash flow statement, the statement of consolidated total recognised gains and losses, the reconciliation of shareholders' funds 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 Annual Report and 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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. We also report to you whether in our opinion the information given in 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 Chairman's Statement and Business Review 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. The other financial information comprises only the Report of the Directors, the unaudited part of the directors' remuneration report, the Chairman's Statement and Business Review, the Financial Review and the Corporate Governance Statement. 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.

Basis of audit opinion

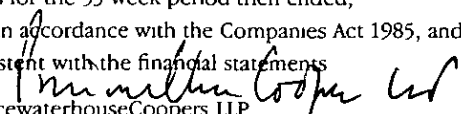
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 group's and the parent company's affairs as at 3 February 2007 and of the group's loss and cash flows for the 53 week period 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.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Benson House, 33 Wellington Street, Leeds LS1 4JP

26 April 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the fifty-three weeks ended 3 February 2007

	Notes	2007			2006		
		Before Exceptionals £000	Exceptionals £000 (Note 4)	Total £000	Before Exceptionals £000	Exceptionals £000	Total £000
Turnover		239,565	—	239,565	238,099	—	238,099
Cost of sales		(222,568)	—	(222,568)	(217,159)	—	(217,159)
Gross profit		16,997	—	16,997	20,940	—	20,940
Distribution costs		(8,267)	—	(8,267)	(7,834)	—	(7,834)
Administrative expenses		(12,719)	790	(11,929)	(12,223)	(800)	(13,023)
Other operating income	2	749	—	749	—	—	—
Operating (loss)/profit	3	(3,240)	790	(2,450)	883	(800)	83
Profit on disposal of fixed assets		—	1,665	1,665	—	2,062	2,062
Net interest payable and similar charges	5	(3,715)	—	(3,715)	(3,294)	—	(3,294)
Loss on ordinary activities before taxation		(6,955)	2,455	(4,500)	(2,411)	1,262	(1,149)
Taxation	7	(196)	—	(196)	(196)	—	(196)
Loss on ordinary activities after taxation		(7,151)	2,455	(4,696)	(2,607)	1,262	(1,345)
Dividend paid	8			—			(431)
Deducted from reserves	18			(4,696)			(1,776)
Basic loss per share – pence	9			(14 98)			(3 93)
Diluted loss per share – pence	9			(14 98)			(3 93)

The results shown in the profit and loss account above derive wholly from continuing operations

The profit and loss account and associated notes represents trading for the 53 week period ended 3 February 2007 (2006 52 week period ended 28 January 2006)

NOTES TO THE PROFIT AND LOSS ACCOUNT

for the fifty-three weeks ended 3 February 2007

Statement of consolidated total recognised gains and losses		2007	2006
	Note	£000	£000
Loss for the financial year		(4,696)	(1,345)
FRS 17 actuarial gain/(loss) on pension scheme	21	2,991	(2,646)
Total recognised losses relating to the period		<u>(1,705)</u>	<u>(3,991)</u>
Note of consolidated historical cost profits and losses		2007	2006
		£000	£000
Loss on ordinary activities before taxation		(4,500)	(1,149)
Difference between actual depreciation charge for the period and charge based on historic cost		464	505
Realisation of property revaluation gains of previous years		2,336	2,774
Historical cost (loss)/profit on ordinary activities before taxation		<u>(1,700)</u>	<u>2,130</u>
Historical cost (loss)/profit for the year retained after taxation and dividend		<u>(1,896)</u>	<u>1,503</u>
Reconciliation of movements in consolidated equity shareholders' funds		2007	2006
	Note	£000	£000
At beginning of year		37,303	47,035
Loss for the year		(4,696)	(1,776)
FRS 17 actuarial gain/(loss)	21	2,991	(2,646)
Purchase of own shares	18	—	(5,260)
Consideration paid for own shares by EBT	18	(306)	(83)
Consideration received for EBT shares	18	47	100
Deferred share bonuses equity payment	18	—	(67)
At end of year		<u>35,339</u>	<u>37,303</u>

BALANCE SHEETS

as at 3 February 2007

	Notes	The Group		The Company	
		2007 £000	2006 £000	2007 £000	2006 £000
Fixed assets					
Tangible assets	10	62,050	66,729	—	—
Investments	11	—	—	43,692	44,635
		<u>62,050</u>	<u>66,729</u>	<u>43,692</u>	<u>44,635</u>
Current assets					
Stocks	12	22,869	25,616	—	—
Debtors	13	13,203	12,106	47,635	37,715
Cash at bank and in hand	14	5,545	7,380	—	11,395
		<u>41,617</u>	<u>45,102</u>	<u>47,635</u>	<u>49,110</u>
Creditors due within one year					
Borrowings	14	5,467	654	3,909	1
Other creditors	16	31,861	39,570	21,079	26,441
		<u>37,328</u>	<u>40,224</u>	<u>24,988</u>	<u>26,442</u>
Net current assets		<u>4,289</u>	<u>4,878</u>	<u>22,647</u>	<u>22,668</u>
Total assets less current liabilities		<u>66,339</u>	<u>71,607</u>	<u>66,339</u>	<u>67,303</u>
Creditors due after one year					
Borrowings	14	31,000	30,000	31,000	30,000
Net assets excluding pension liability		<u>35,339</u>	<u>41,607</u>	<u>35,339</u>	<u>37,303</u>
Pension liability	21	—	4,304	—	—
Net assets including pension liability		<u>35,339</u>	<u>37,303</u>	<u>35,339</u>	<u>37,303</u>
Capital and reserves					
Called up share capital	17	692	692	692	692
Share premium account	18	41	41	41	41
Capital redemption reserve	18	174	174	174	174
Revaluation reserve	18	30,694	33,494	32,262	33,661
Profit and loss account	18	3,738	2,902	2,170	2,735
Equity shareholders' funds		<u>35,339</u>	<u>37,303</u>	<u>35,339</u>	<u>37,303</u>

The financial statements on pages 18 to 37 were approved by the Board on 26 April 2007 and were signed on its behalf by

Michael A Ziff }
John M Weaving } Directors

Michael A Ziff
John Weaving

CONSOLIDATED CASH FLOW STATEMENT

for the fifty-three weeks ended 3 February 2007

	Notes	2007	2006
		£000	£000
Net cash (outflow)/inflow from operating activities	22(1)	(3,280)	5,199
Returns on investment and servicing of finance			
Interest received		200	302
Interest paid		<u>(4,190)</u>	<u>(3,615)</u>
Net cash outflow from returns on investment and servicing of finance		(3,990)	(3,313)
Taxation		(116)	(116)
Capital expenditure and financial investment			
Purchase of tangible assets		(4,673)	(7,008)
Sale of tangible assets		<u>4,670</u>	<u>6,072</u>
Net cash outflow from capital expenditure and financial investment		(3)	(936)
Equity dividends paid		—	(431)
Cash (outflow)/inflow before financing		(7,389)	403
Financing			
Purchase of own shares		—	(5,260)
Net receipt of bank loans		2,100	—
Cash paid into restricted cash deposits		(3,523)	(199)
Purchase of shares for Employee Benefit Trust ('EBT')		(306)	(83)
Consideration received for EBT shares		<u>47</u>	<u>100</u>
		(1,682)	(5,442)
Decrease in cash		(9,071)	(5,039)
Reconciliation of net cash flow movement to movement in net debt			
Decrease in cash		(9,071)	(5,039)
Increase in bank loans		(2,100)	—
Increase in restricted cash deposits		3,523	199
Change in net debt from cash flows		(7,648)	(4,840)
Net debt at beginning of period		(23,274)	(18,434)
Net debt at end of period	22(2)	(30,922)	(23,274)

NOTES TO THE ACCOUNTS

1 Accounting policies

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain properties and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies of the group is as follows.

Basis of consolidation

Group accounts are made up to the Saturday nearest to 31 January for the parent company and its subsidiaries. Results of subsidiaries acquired and disposed of are accounted for under the acquisition method of accounting and consolidated from the date on which control passes. The company has adopted the alternative accounting rules with investments in subsidiary undertakings being stated at the book amount of the net assets of these subsidiary undertakings, with movements being dealt with either through the revaluation reserve or the profit and loss account.

Turnover

Turnover represents the sale of goods and services, excluding value added tax and is recognised at the date of sale.

Segmental analysis

The group operates only one class of business and in one principal geographical segment.

Fixed assets

The group applied the transitional arrangements set out in FRS 15 'Tangible fixed assets' and consequently interests in freehold properties and in leasehold properties with 50 years or more to run at the time of the introduction of the standard are stated at the professional valuation using an open market value for existing use basis that was available at that date. In accordance with FRS 15, these valuations have been retained and not updated. Freehold and long leasehold properties purchased since FRS 15 was introduced are held at cost. Any impairment in the value of freehold and long leasehold properties, based on their open market value, is charged to the revaluation reserve to the extent of any previous revaluation with any excess charged to the profit and loss account.

Depreciation

Freehold and long leasehold properties are depreciated over 50 years to their estimated residual values. Freehold land is not depreciated. Other leasehold properties with fewer than 50 years to run at the balance sheet date are amortised over the residual lives of the leases. Repairs expenditure is charged to the profit and loss account as incurred. Branch fixtures, equipment and vehicles are depreciated on a straight line basis at rates of between 10% and 25% per annum on gross book amounts.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value. Cost is arrived at after including overhead expenditure incurred in bringing the stock to its present location.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision is made for deferred taxation resulting from timing differences between profits computed for taxation purposes and profits stated in the financial statements to the extent that there is an obligation to pay more tax in the future as a result of the reversal of those timing differences. Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured on a non-discounted basis.

Goodwill

In accordance with the transitional arrangements under FRS 10, all goodwill arising on acquisitions prior to the introduction of FRS 10 and previously written off to reserves at the time of acquisition, was not reinstated but transferred from the goodwill reserve to the profit and loss account. Goodwill arising after the adoption of FRS 10 is capitalised in the balance sheet and written off to the profit and loss account over its useful life.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account as incurred except where incentives to sign the leases have been received. Such incentives are spread on a straight line basis over the lease term or, if shorter, the period to the next open market rent review date.

Share based payments

In accordance with the transitional arrangements of FRS 20, share options granted after 7 November 2002 are required to be measured at fair value with a corresponding charge recognised in the profit and loss account. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The fair values of these payments are measured at the dates of grants and is recognised over the period during which employees become unconditionally entitled to the awards. As at 3 February 2007 there were no options granted therefore there is no charge in the profit and loss account.

Impairment of assets

Assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

NOTES TO THE ACCOUNTS

1 Accounting policies (continued)

Foreign currency

Assets and liabilities expressed in foreign currencies are translated into sterling at rates applicable at the year end and trading results at average rates during the year. Exchange gains and losses of a trading nature are dealt with in arriving at the profit or loss before taxation.

Financial instruments

Gains and losses on hedges of payments or receipts are deferred and only recognised as they crystallise. Gains and losses on forward currency contracts entered into as hedges of future purchases denominated in foreign currency are carried forward and are recognised as part of the purchase cost on maturity. Receipts and payments from interest rate swaps used to manage interest on borrowings or deposits are accrued to match the income or expense of the underlying borrowing or deposit.

Pension and post retirement benefits

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses. As the pension scheme is closed to future accrual, surpluses are not recognised. Deficits are recognised in full and presented on the face of the balance sheet net of related deferred tax.

2 Other operating income	2007 £000	2006 £000
	749	—

Other operating income comprises the profit on receipt of lease premiums, net of costs arising on the early surrender of leasehold properties during the period.

3 Operating (loss)/profit	2007 £000	2006 £000
Operating (loss)/profit	(2,450)	83
Stated after charging		
Wages and salaries	41,725	41,014
Social security costs	2,533	2,300
A-Day credit arising from Finance Act 2006	(370)	—
Pension scheme curtailment credit	(420)	—
Other pension costs	672	1,398
Depreciation – owned assets	6,347	5,405
Operating lease rentals – land and buildings	40,815	37,959
– other	119	161

Services provided by the group's auditors

During the year the group obtained the following services from the group's auditor at costs as detailed below:

	2007 £000	2006 £000
Audit services		
Fees payable to company auditor for the audit of parent company and consolidated accounts	31	30
Non-Audit services		
Fees payable to the company's auditor and its associates for other services	36	35
The audit of Stylo plc's subsidiaries pursuant to legislation	38	38
Other services pursuant to legislation	84	65
Tax services		
	189	168
	2007 £000	2006 £000
Fees in respect of the Stylo Group Pension Scheme Audit	4	4

NOTES TO THE ACCOUNTS

3 Operating (loss)/profit (continued)

The average number of employees (including directors) employed by function by the group was

	2007 Number	2006 Number
Sales	6,132	5,895
Administration	297	296
	<u>6,429</u>	<u>6,191</u>

The company had no employees (2006 nil)

4 Exceptional items

	2007 £000	2006 £000
Administrative expenses		
A-Day credit arising from Finance Act 2006 (note 21)	370	—
Pension scheme curtailment gain (note 21)	420	—
Pension charge	—	(800)
	<u>790</u>	<u>(800)</u>
Profit on disposal of fixed assets	1,665	2,062
Total exceptional items	<u>2,455</u>	<u>1,262</u>

Profit on disposal of fixed assets relates to the net profit arising on property disposals in the period

The pension charge in 2006 relates to the one-off payment by the group into a Small Self-Administered Occupational Pension Scheme for M A Ziff

The tax effect of the exceptional items is £nil (2006 £nil)

5 Net interest payable and similar charges

	2007 £000	2006 £000
Payable		
On bank overdrafts and loans	740	165
On debentures, mortgages and secured loan stock	3,450	3,450
Receivable on deposits	(200)	(302)
Other financial income (note 21)	(275)	(19)
	<u>3,715</u>	<u>3,294</u>

6 Directors' emoluments

A detailed analysis of directors' remuneration is provided under the heading of Remuneration Committee on page 14

	2007 £000	2006 £000
Aggregate emoluments	1,203	1,287
Pension contributions to defined contribution schemes	72	808
Gains made on exercise of share options	66	94

M A Ziff was the highest paid director in both 2007 and 2006. His emoluments are shown on page 14

Aggregate directors' emoluments and pension contributions to defined contribution schemes in 2006 include £800,000 in respect of the one-off payment by the group into a Small Self-Administered Occupational Pension Scheme for M A Ziff

One of the directors (2006 One) waived emoluments amounting in aggregate to £1,000 (2006 £1,000)

NOTES TO THE ACCOUNTS

7 Taxation	2007	2006
	£000	£000
Current taxation		
UK Corporation tax payable at 30% (2006 30%)	—	—
Overseas Corporation tax payable	65	196
Overseas taxation – adjustment in respect of prior period tax charge	131	—
Taxation charge	196	196

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

	2007	2006
	£000	£000
Loss on ordinary activities before tax	(4,500)	(1 149)
Tax credit on loss on ordinary activities at 30%	(1,350)	(345)
Effects of		
Expenses not deductible for tax	382	285
Net pension (relief)/charge in excess of pension cost (relief)/charge	(898)	72
Profit on disposal of properties in excess of capital gains	251	(111)
Capital allowances in excess of depreciation	(16)	(239)
Overseas taxation	65	196
Losses not utilised	1,631	338
Overseas taxation – adjustment in respect of prior period tax charge	131	—
Current corporation tax charge for the period	196	196

The group did not have any provision for deferred tax liabilities at 3 February 2007 (28 January 2006 £Nil)
The potential unrecognised deferred tax asset at 30% (2006 30%) is as follows

	2007	2006
	£000	£000
Capital allowances	652	672
Losses	5,181	3,306
Pensions	1,125	3,031
Short term timing differences	—	130
Total	6,958	7 139

The directors do not consider it appropriate to recognise the deferred tax assets relating to capital allowances losses, pensions and short term timing differences as shown above at 3 February 2007

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets Such tax would become payable only if the properties were sold without it being possible to claim roll over relief The total amount unprovided for is £8.9m (2006 £9.6m)

Cumulative advance corporation tax written off for accounting purposes amounting at 3 February 2007 to £3.4m (2006 £3.4m) may be recoverable by way of reduction in future corporation tax liabilities subject to the provisions of the shadow ACT regime

NOTES TO THE ACCOUNTS

8 Dividends paid and proposed

	2007 £000	2006 £000
Equity dividends on Limited Voting Ordinary Shares declared and paid during the year		
Final dividend for 2006 nil (2005 1.25 pence per share)	—	431
	<u>—</u>	<u>431</u>
	2007 £000	2006 £000
Proposed for approval by shareholders at the AGM		
Final dividend for 2007 nil pence per share (2006 nil)	—	—
	<u>—</u>	<u>—</u>

9 Loss per share

	Loss £000	2007 Weighted average number of shares '000	Loss per share Pence	Loss £000	2006 Weighted average number of shares '000	Loss per share Pence
Basic EPS						
Earnings and earnings per share	(4,696)	31,355	(14.98)	(1,345)	34,223	(3.93)
Effect of dilutive securities						
Options	—	65	—	—	429	—
Diluted EPS	<u>(4,696)</u>	<u>31,420</u>	<u>(14.98)</u>	<u>(1,345)</u>	<u>34,652</u>	<u>(3.93)</u>

Basic loss per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year excluding those held in the employee share trust which are treated as cancelled.

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, comprising those ordinary shares issued under the share option scheme which would notionally be exercisable at the year end by reference to the share price at that date. In 2006 and 2007 basic and diluted earnings per share are the same as a loss has been incurred and therefore, all potentially diluted shares are non-dilutive.

NOTES TO THE ACCOUNTS

10 Tangible assets

Group	Land and buildings £000	Fixtures, equipment and vehicles £000	Total £000
Cost or valuation			
At 29 January 2006	60,540	53,980	114,520
Additions	210	4,463	4,673
Disposals	(3,923)	(984)	(4,907)
At 3 February 2007	56,827	57,459	114,286
At cost	10,895	57,459	68,354
At valuation	45,932	—	45,932
	56,827	57,459	114,286
Accumulated depreciation			
At 29 January 2006	7,469	40,322	47,791
Disposals	(967)	(935)	(1,902)
Charge for the year	834	5,513	6,347
At 3 February 2007	7,336	44,900	52,236
Net book amount			
At 3 February 2007	49,491	12,559	62,050
At 28 January 2006	53,071	13,658	66,729

The depreciation charge for the year of £6,347,000 (2006 £5,405,000) includes an impairment charge of £580,000 (2006 £nil)

The net book amount of land and buildings comprises	2007	2006
	£000	£000
Freehold properties	40,542	43,965
Long leasehold properties	591	635
Short leasehold properties	8,358	8,471
	49,491	53,071

The group's properties were revalued at 31 December 1998 by an external valuer Healey and Baker, Real Estate Consultants, on an existing use value basis. This valuation formed the basis of the FRS 15 'Tangible fixed assets' professional open market valuation for which the value of freehold and leasehold properties were stated and not subsequently updated. A further open-market valuation of the group's properties was performed by Cushman and Wakefield at 31 January 2007. This most recent valuation has not been adopted in these financial statements but had it been adopted, the increase in the value of land and buildings would have been £32.7m (2006 £27.0m)

The directors estimate that, on an historical cost basis, tangible fixed assets would have been included at the following amounts

	2007	2006
	£000	£000
Cost	75,632	73,530
Aggregate depreciation	(50,185)	(46,204)
Net book amount	25,447	27,326
Future capital expenditure of the group not provided in the accounts		
Authorised by the directors and contracted	1,790	170

There are no assets of the group held under finance leases (2006 £nil)

The company has no fixed assets (2006 £nil)

NOTES TO THE ACCOUNTS

11 Investments

	2007 £000	2006 £000
Company		
Shares in group companies	<u>43,692</u>	<u>44,635</u>

The cost of investments in group companies, based on the earliest available records, is estimated at £50,797,000 (2006 £50,797,000), provisions against the book value of the investments amount to £45,188,000 (2006 £45,188,000), and the increase in revaluation above cost amounts to £38,083,000 (2006 £39,026,000)

The carrying value of investments is revalued each year in accordance with the alternative accounting rules to the net asset value of the group's subsidiaries with changes above and below cost dealt with through the revaluation reserve and profit and loss account respectively. As detailed in note 18 the revaluation of the carrying value of investments has resulted in £1,399,000 (2006 £4,112,000) being charged against the revaluation reserve and £2,953,000 (2006 £5,460,000) charged to the profit and loss account. There has been no movement in the investment provision held against shares in group companies during the year (2006 £3,179,000)

The directors consider net assets of the subsidiaries to be the most appropriate valuation and are of the opinion that the investments are worth at least the amounts at which they are included in the balance sheet

Information is given on page 1 concerning active subsidiaries, all of which are wholly owned, registered and operate in England and Wales and all of which have coterminous year ends. This is not an exhaustive list of subsidiaries and a full list will be appended to the next annual return

12 Stocks

	2007 £000	2006 £000
Finished goods and goods for resale	<u>22,869</u>	<u>25,616</u>

The company has no stock (2006 £nil)

13 Debtors

	The group		The company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade debtors	8,510	7,577	—	—
Amounts owed by group undertakings	—	—	46,595	36,458
Corporation tax recoverable – group relief	—	—	—	341
Other debtors	79	57	1,040	916
Prepayments and accrued income	4,614	4,472	—	—
	<u>13,203</u>	<u>12,106</u>	<u>47,635</u>	<u>37,715</u>

All trade debtors are recoverable within one year

The amounts owed by group undertakings have no fixed repayment terms, are interest free and are not expected to be settled within one year

NOTES TO THE ACCOUNTS

14 Borrowings

	The group		The company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Borrowing due within one year				
Bank overdrafts	4,367	654	3,909	1
Bank borrowings	1,100	—	—	—
	5,467	654	3,909	1
Borrowing due after one year				
11 50% First mortgage debenture stock 2014	30,000	30,000	30,000	30 000
Bank borrowings	1,000	—	1,000	—
	31,000	30 000	31,000	30 000
Cash balances				
Cash balances	(213)	(304)	—	—
Cash balances with right of set off	—	(5,267)	—	(11,395)
	(213)	(5,571)	—	(11,395)
Restricted cash	(5,332)	(1 809)	—	—
	(5,545)	(7,380)	—	(11,395)

The mortgage debenture stocks in the holding company are repayable wholly after 5 years and are secured on certain of the group's properties. If the debenture stocks had been redeemed at the year end redemption premia of approximately £10.6m (2006: £14.5m) would have been payable to the debenture holders. These premia are calculated by reference to the capital value of the differences between the fixed rate on the debentures and the yield on long term government treasury stock. It is not the current intention of the company to repay the debentures before the due dates.

The bank borrowings of £2.1m (2006: £nil), comprising £1.1m due within one year and £1.0m due after one year bear interest at floating rates and are secured on the underlying assets of the group.

The facilities in place as at 3 February 2007 are secured by way of fixed and floating charges over the group's assets. These facilities include a committed line which expires in October 2008.

Borrowings are repayable as follows:

	Bank loans and overdrafts		Other borrowings	
	2007	2006	2007	2006
	£000	£000	£000	£000
Due within one year	5,467	654	—	—
Due in more than one but not more than two years	1,000	—	—	—
Due in five years or more	—	—	30,000	30,000
	6,467	654	30,000	30,000
Cash balances	(213)	(5,571)	—	—
Restricted cash	(5,332)	(1,809)	—	—
	922	(6 726)	30,000	30 000

Following the disposal in the period of certain freehold properties previously acting as security for the first mortgage debenture stocks and bank account facilities, the cash proceeds of £5,332,000 (28 January 2006: £1,809,000) are restricted and held for re-investment in further freehold properties, which then would form part of the related security. The cash is not available for any other purpose.

NOTES TO THE ACCOUNTS

15 Financial instruments

(a) Treasury policy

The most significant treasury exposures faced by the group are raising finance and managing interest rate and currency positions

The Board has an established overall treasury policy and has approved procedures and authority levels within which it operates. The group does not enter into speculative arrangements, all transactions in financial products are matched to an underlying business requirement such as planned purchases. Regular reports covering these activities are provided to senior management.

A number of the group's costs are exposed to movements in financial markets that are outside the group's control. In particular, interest rates can move, affecting the cost of borrowing, and foreign exchange movements can impact the cost of goods sourced from abroad. In order to mitigate this exposure, the group uses different financial instruments to cover its position going forward.

The disclosures detailed below exclude short term debtors and creditors as permitted by FRS 13. Derivatives and other financial instruments – disclosures. Other creditors greater than one year are also excluded as they are not within the disclosure requirements of FRS 13.

(b) Currency risk

The group hedges a proportion of its transactional exposures by taking out forward exchange contracts up to six months forward against its anticipated purchases. Imports are paid for primarily in US Dollars and Euro currencies.

The decision to hedge is influenced by the size of exposure, the certainty of it arising and the current exchange rate. At the year end, the group had forward contracts with a nominal value amounting to £7.4m (2006: £8.9m) covering the next 4 months.

Except for the cash balances noted below, and after taking into account the effect of forward exchange contracts, the group has no significant financial assets or liabilities denominated in currency other than Sterling.

(c) Interest risk

The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, which earn interest at a floating rate. Interest bearing liabilities include overdraft balances and bank borrowings which accrue interest at a floating rate and the £30m debentures entered into in 1989 which bear a fixed rate of interest at 11.5% for 25 years.

(d) Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations.

(e) Financial (assets) and liabilities

The group's borrowings facilities are in Sterling. The maturity profile of the group's cash and borrowings, after taking account of financial instruments, is as follows:

	2007			2006		
	Floating rate £000	Fixed rate £000	Total £000	Floating rate £000	Fixed rate £000	Total £000
Due within one year	5,467	—	5,467	654	—	654
Due between one and two years	1,000	—	1,000	—	—	—
Due between two and five years	—	—	—	—	—	—
Due over five years	—	30,000	30,000	—	30,000	30,000
	<u>6,467</u>	<u>30,000</u>	<u>36,467</u>	<u>654</u>	<u>30,000</u>	<u>30,654</u>
Cash balances	(213)	—	(213)	(5,571)	—	(5,571)
Restricted cash	(5,332)	—	(5,332)	(1,809)	—	(1,809)
Total	922	30,000	30,922	(6,726)	30,000	23,274

The year end weighted average interest rate attributable to fixed rate borrowings was 11.5% (2006: 11.5%) and the weighted average time for which these borrowings are fixed is 7 years (2006: 8 years). Floating rate borrowings are linked to LIBOR.

NOTES TO THE ACCOUNTS

15 Financial instruments (continued)

The group had £5.0m (2006: £5.0m) of undrawn committed borrowing facilities at the year end all of which expire within one year.

The company has agreed new banking facilities which comprise a revolving credit facility of £5.0m and standby facility of £6.0m committed until October 2008, a multi-option facility of £2.5m renewable in March 2008 and a three-year term loan of £3.2m of which £2.1m was outstanding at 3 February 2007 and is repayable in full by December 2008.

(f) Fair value of financial instruments

Detailed below is an analysis of the fair value and book value of the group's financial instruments by category. Where available, market values have been used to determine fair values.

	Book value 2007 £000	Fair value 2007 £000	Book value 2006 £000	Fair value 2006 £000
Derivatives				
Forward currency contracts	—	(269)	—	(237)
Assets				
Cash at bank and in hand	5,545	5,545	7,380	7,380
Liabilities				
Short term debt	(5,467)	(5,467)	(654)	(654)
Debenture	(30,000)	(40,600)	(30,000)	(44,500)
Other debt due in excess of one year	(1,000)	(1,000)	—	—

Forward foreign currency contracts have been marked to market to produce a fair value figure.

For the purpose of the above table, the fair value of short term debt, cash at bank and in hand and other debt due in excess of one year approximates to book value due to the short maturity of these instruments.

The fair value of the debenture has been calculated by reference to the capital value of the same effective return on long term government treasury stock.

(g) Hedges of forward contracts

At 3 February 2007, there were £269,000 of net losses (2006: £237,000 net losses) on forward currency transactions. These net losses are expected to be dealt with in the profit and loss account next year. During the financial year ended 3 February 2007, the £237,000 of net losses not recognised at 28 January 2006 were dealt with in the profit and loss account.

16 Other creditors due within one year

	The group		The company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade creditors	20,953	22,853	—	—
Corporation tax	65	116	—	—
Amounts owed to group undertakings	—	—	20,928	26,351
Other tax and social security	817	823	—	—
Other creditors	4,778	10,275	—	—
Accruals and deferred income	5,248	5,503	151	90
	31,861	39,570	21,079	26,441

The amounts owed to group undertakings have no fixed repayment terms and are interest free.

Other creditors at 28 January 2006 included the one-off cash contribution of £5.0m payable by the group into the Stylo Group Pension Scheme and the one-off cash contribution of £0.8m payable by the group into a Small Self-Administered Occupational Pension Scheme for M A Ziff.

NOTES TO THE ACCOUNTS

17 Share capital

	2007 Authorised £000	2007 Allotted and fully paid £000	2006 Authorised £000	2006 Allotted and fully paid £000
Limited voting ordinary shares of 2 pence each (2006 2 pence each)	1,580	666	1,580	666
Management shares of 2 pence each (2006 2 pence each)	74	26	74	26
	<u>1,654</u>	<u>692</u>	<u>1,654</u>	<u>692</u>

The total number of shares allotted at 3 February 2007 was 34,592,766 (2006 34,592,766)

Limited voting ordinary shares attract one vote per share whilst management shares attract 16 votes per share in the event of a poll

During the year 38,500 options were allowed to lapse, 208,000 options were exercised, 164,500 options were surrendered, none were issued. No options have been issued subsequent to the year end

Share options in issue at 3 February 2007 were as follows

Date granted	Scheme	Price pence	Period exercisable	Number outstanding at 3 February 2007
1997	Approved	84 84	2000 to 2007	72 300
1998	Approved	48 84	2001 to 2008	20 600
1998	Approved	34 33	2001 to 2008	43 500
2000	Unapproved	25 00	2003 to 2007	14 000
2001	Unapproved	25 33	2004 to 2008	32 000
2002	Unapproved	24 50	2005 to 2009	25 000
Number at 3 February 2007				207,400
Number at 28 January 2006				618 400

All share options are subject to performance criteria that is set in accordance with guidelines issued by the Association of British Insurers

18 Reserves

Group	Share capital £000	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 29 January 2006	692	41	174	33,494	2,902	37,303
Loss for the financial year	—	—	—	—	(4 696)	(4,696)
Actuarial gain on pension scheme	—	—	—	—	2 991	2,991
Realisation of property revaluation gains of previous years	—	—	—	(2,336)	2,336	—
Difference between actual depreciation charge for the period and charge based on historic cost	—	—	—	(464)	464	—
Consideration paid for own shares by EBT	—	—	—	—	(306)	(306)
Consideration received for EBT shares	—	—	—	—	47	47
At 3 February 2007	692	41	174	30,694	3,738	35,339

NOTES TO THE ACCOUNTS

18 Reserves (continued)

The group has

- an Employee Benefit Trust (EBT), the purpose of which is to hold shares in the company for subsequent transfer to employees under various Inland Revenue approved and other schemes, including the share option schemes and the long service award scheme,
- a 2002 Employment Benefit Trust (2002 EBT), the purpose of which is to hold shares in the company for the benefit of employees under the company's share schemes, including to satisfy awards to executive directors under the deferred share plan, and
- a 2006 Employee Benefit Trust (2006 EBT), the purpose of which is to hold shares in the company for the benefit of employees under the company's share schemes, including to satisfy awards to executive directors under the deferred share plan

The number of shares held by each EBT, together with the aggregate nominal and market value are as follows

	2007 Number of shares	2006 Number of shares
EBT	1,685,469	1,726,513
2002 EBT	1,445,000	1,445,000
2006 EBT	326,091	—
	3,456,560	3,171,513
Aggregate nominal value	69,131	63,430
Aggregate market value	2,194,916	1,823,620

No dividends have been waived by the EBT. Costs of administration are included in the profit and loss account as they accrue.

In accordance with UITF 38 'Accounting for ESOP trusts' the consideration paid for the shares has been deducted from the profit and loss account reserves.

Company	Share capital £000	Share premium £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 29 January 2006	692	41	174	33,661	2,735	37,303
Profit for the financial year	—	—	—	—	2,647	2,647
Revaluation of investment in subsidiaries	—	—	—	(1,399)	(2,953)	(4,352)
Consideration paid for own shares by EBT	—	—	—	—	(306)	(306)
Consideration received for EBT shares	—	—	—	—	47	47
At 3 February 2007	692	41	174	32,262	2,170	35,339

The revaluation reserve is net of £5,909,000 (2006: £5,909,000) of accumulated capitalised scrip issues as in prior years.

Consideration paid and received for own shares relates to the cost of shares acquired by the EBT and proceeds received on the exercise of share options.

Cumulative goodwill relating to acquisitions made prior to 31 January 1998 which has been eliminated against reserves amounts to £2,744,000 (2006: £2,744,000).

In the company's accounts, investments in subsidiary undertakings have been revalued to their net assets, with increases above original cost held in the revaluation reserve and provisions for decreases below original cost charged to the profit and loss account.

Stylo plc has not prepared its own profit and loss account as permitted by Section 230(1) of the Companies Act 1985. The amount of the profit on ordinary activities after taxation for the financial year dealt with in the accounts of the holding company is a profit of £2,647,000 (2006: profit £5,581,000).

NOTES TO THE ACCOUNTS

19 Contingent liabilities

The company has guaranteed the amounts due to banks of certain subsidiary companies, which at 3 February 2007 amounted to £1,345,000 (2006 £nil)

In addition, group companies have entered into certain guarantees and forward foreign exchange contracts at 3 February 2007 amounting to £7.4m (2006 £8.9m) and letters of credit in the normal course of business. The directors do not anticipate any loss to arise in respect of these contingent liabilities.

20 Commitments

Annual commitments under non-cancellable operating leases

	Land and buildings		Others	
	2007	2006	2007	2006
	£000	£000	£000	£000
The group				
Expiring				
– within one year	365	385	44	11
– between two and five years	11,668	5,864	56	130
– after five years	28,431	33,033	—	—
	<u>40,464</u>	<u>39,282</u>	<u>100</u>	<u>141</u>

The company has no commitments under non-cancellable operating leases (2006 £nil)

21 Pension commitments

(a) Defined benefit scheme

The group sponsors the Stylo Group Pension Scheme which is a defined benefit arrangement. The Scheme is funded with the assets being held by the Trustees separately from the assets of the employer. The Scheme closed to new members with effect from 30 April 2001 and the Scheme closed to future accrual with effect from 5 April 2006. As a result, the average age of the active membership will gradually increase.

The contributions made by the group over the period have been £590,900. The contributions paid before the Scheme closed to future Pensionable Service on 5 April 2006 were equivalent to 7% of pensionable pay plus fixed monthly contributions of £64,200. Since 1 May 2006 the group has paid fixed monthly contributions of £30,800. This contribution rate is currently being reviewed as the Trustees consider the results of the valuation of the Scheme as at 5 April 2006.

The last actuarial valuation of the Scheme was carried out by a qualified independent actuary as at 5 April 2005. A further valuation is being carried out as at 5 April 2006. The 5 April 2005 valuation, together with the preliminary results of the 5 April 2006 valuation have been used and updated on an approximate basis to 3 February 2007. This review has been conducted by Jardine Lloyd Thompson Benefit Solutions Ltd, the group's independent qualified actuary.

The major assumptions used by the actuary as at that date were

	At 3 February 2007	At 28 January 2006	At 29 January 2005
Discount rate	5.40%	4.70%	5.25%
Inflation rate increase	3.05%	2.90%	2.80%
Rate of increase in salaries	—	Nil 2003–2006	Nil 2003–2006
	—	2.9% thereafter	2.8% thereafter
Rate of increase in salaries (Directors pre 1999)	—	4.40%	4.30%
Rate of increase in pensions in payment	2.95%	2.90%	2.80%

NOTES TO THE ACCOUNTS

21 Pension commitments (continued)

The assets in the scheme and expected rate of return were

	Expected long-term rate of return at 3 February 2007	Market Value at 3 February 2007 £000	Expected long-term rate of return at 28 January 2006	Market Value at 28 January 2006 £000	Expected long-term rate of return at 29 January 2005	Market Value at 29 January 2005 £000
Equities	7.30%	30,602	6.60%	26,955	7.10%	21,926
Cash	4.85%	523	4.10%	3,566	4.60%	85
Gilts	4.85%	3,865	4.10%	3,646	4.60%	2,951
Bonds	5.40%	9,393	4.70%	7,454	5.25%	6,084
Total market value of scheme assets		44,383		41,621		31,046
Actuarial value of liabilities		(39,296)		(45,925)		(38,263)
Pension surplus/(deficit)		5,087		(4,304)		(7,217)
Surplus not recoverable		(5,087)		—		—
Net pension deficit		—		(4,304)		(7,217)

Movement in market value of scheme assets

	2007 £000	2006 £000
Market value of scheme assets at beginning of year	41,621	31,046
Movement in year		
Expected return on assets	2,388	2,019
Benefits paid	(1,897)	(2,897)
Contribution from plan participants	44	282
Contributions by employer	591	6,006
Actual return less expected return on assets	1,636	5,165
Market value of scheme assets at end of year	44,383	41,621

Movement in actuarial value of liabilities

	2007 £000	2006 £000
Actuarial value of liabilities at beginning of year	(45,925)	(38,263)
Movement in year		
Current service cost	(343)	(466)
Interest cost	(2,113)	(2,000)
Actuarial gains/(losses) due to changes in assumptions	6,136	(9,209)
Benefits paid	1,897	2,897
Contribution from plan participants	(44)	(282)
A-Day credit arising from Finance Act 2006	370	—
Experience gains and losses on liabilities	306	1,398
Curtailment gain	420	—
Actuarial value of liabilities at end of year	(39,296)	(45,925)

Analysis of the amount credited/(charged) to operating profit

	2007 £000	2006 £000
Current service cost	(343)	(466)
Curtailment gain	420	—
A-Day credit arising from Finance Act 2006	370	—
	447	(466)

NOTES TO THE ACCOUNTS

21 Pension commitments (continued)

Analysis of the amount credited to other financial income

	2007 £000	2006 £000
Expected return on pension scheme assets	2,388	2,019
Interest on pension liabilities	(2,113)	(2,000)
Net return	275	19

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2007 £000	2006 £000
Actual return less expected return on assets	1,636	5 165
Experience gains and losses on liabilities	306	1 398
Changes in assumptions	6,506	(9,209)
Pension asset not recognised	(5,087)	—
A-Day credit arising from Finance Act 2006	(370)	—
Actuarial gain/(loss) recognised in STRGL	2,991	(2 646)

Movement in deficit during the year

	2007 £000	2006 £000
Deficit in scheme at beginning of year	(4,304)	(7,217)
Movement in year		
Contributions	591	6,006
Current service cost	(343)	(466)
Net return on assets	275	19
Actuarial gain/(loss)	2,991	(2,646)
Curtailment gain	420	—
A-Day credit arising from Finance Act 2006	370	—
Deficit in scheme at end of year	—	(4 304)

History of experience gains and losses

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Difference between expected and actual return on scheme assets amount (£000's)	1,636	5 165	1 241	4 607	(10,438)
percentage of scheme assets	4%	12%	4%	17%	-50%
Experience gains and losses on scheme liabilities amount (£000's)	306	1,398	—	—	(349)
percentage of scheme liabilities	1%	3%	0%	0%	-1%
Total amount recognised in statement of total recognised gains and losses amount (£000's)	2,991	(2 646)	(442)	2 937	(10,830)
percentage of scheme liabilities	8%	-6%	-1%	8%	-34%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities (£000's)	6,506	(9 209)	(1,683)	(1 670)	(43)
percentage of scheme liabilities	17%	(20%)	(4%)	(5%)	0%

NOTES TO THE ACCOUNTS

21 Pension commitments (continued)

(b) Defined contribution scheme

The group also operates a defined contribution scheme. The group's maximum funding rate under this scheme is 3% per annum for the vast majority of members and a 15% maximum for senior management and executive director members. During the year the group made contributions to defined contribution schemes of £329,100 (2006: £124,000). There were no amounts outstanding to defined contribution schemes at 3 February 2007 (2006: £nil).

(c) Triennial actuarial valuation as at 5 April 2005

The triennial actuarial valuation of the scheme at 5 April 2005 revealed a scheme deficit of £9.3m.

Following the implementation of certain plans agreed between the group and the Trustees of the Scheme, including a one-off cash contribution of £5.0m into the Stylo Scheme, the transfer of the actuarially reduced pension value of £1.8m relating to M A Ziff, and the closure of the scheme to future accrual with effect from 5 April 2006, a full actuarial valuation has been performed at 5 April 2006. The results of this valuation are currently being reviewed by the Trustees and the valuation is expected to reveal a modest surplus.

22 (1) Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	2007 £000	2006 £000
Operating (loss)/profit	(2,450)	83
Depreciation charge	6,347	5,405
Difference between pension charge and cash contributions	(1,038)	(5,540)
Decrease in stocks	2,747	1,227
Increase in debtors	(1,097)	(1,958)
(Decrease)/increase in creditors	(7,789)	5,982
Net cash (outflow)/inflow from operating activities	(3,280)	5,199

22 (2) Analysis of net debt

	At 28 January 2006 £000	Cashflows £000	At 3 February 2007 £000
Cash at bank and in hand	5,571	(5,358)	213
Bank overdrafts	(654)	(3,713)	(4,367)
	4,917	(9,071)	(4,154)
Restricted cash	1,809	3,523	5,332
Bank loans due within one year	—	(1,100)	(1,100)
Bank loans due after one year	(30,000)	(1,000)	(31,000)
Total	(23,274)	(7,648)	(30,922)
Average net debt	£25.8m		£35.7m

23 Related party transactions

M A Ziff is a non-executive director of Town Centre Securities PLC, and E M Ziff is chairman and chief executive of Town Centre Securities PLC. During the year the group paid rental and service charge payments of £61,600 (2006: £57,200) for properties leased from Town Centre Securities PLC. At 3 February 2007 Stylo plc owed Town Centre Securities PLC £nil (2006: £nil).

NOTICE OF MEETING

Notice is hereby given that the seventy first annual general meeting of Stylo plc (the "company") will be held at the registered office of the company on 26 June 2007 at 12 noon for the following purposes

Ordinary business

- 1 To receive the annual accounts, directors' report and the auditor's report for the financial year ended 3 February 2007
- 2 To elect Mr Richard Phillip Bott as a director of the company
- 3 To elect Mr David Barry Spitz as a director of the company
- 4 To re-elect Mr David Stephen Patrick as a director of the company
- 5 To re-elect Mr Barry Simon Morris as a director of the company
- 6 To appoint BDO Stoy Hayward LLP as auditors of the company in place of the retiring auditors and to authorise the directors to fix their remuneration

Special business

As special business, to consider and, if thought fit, pass the resolutions numbered 7, 8, 9 and 10 of which resolutions 7 and 10 will be proposed as an ordinary resolution and resolutions 8 and 9 will be proposed as special resolutions

- 7 That in substitution for all existing authorities, the directors of the company be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the company to allot and make offers or agreements to allot relevant securities (within the meaning of section 80 of the Act) in the capital of the company up to an aggregate number of 11,415,612 such securities, being 10,983,705 limited voting ordinary shares of 2 pence each and 431,907 management shares of 2 pence each, provided that this power shall expire at the end of the period expiring fifteen months from the date of this resolution or, if earlier, at the conclusion of the next annual general meeting of the company after the passing of this resolution (save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired)
- 8 That, subject to the passing of resolution 7 and in substitution for all existing authorities, the directors of the company be empowered pursuant to section 95 of the Companies Act 1985 (the "Act"), to allot equity securities (within the meaning of section 94 of the Act) as if sub-section (1) of section 89 of the Act did not apply to any such allotment provided that this power shall be limited
 - 8.1 to the allotment of equity securities in connection with an offer for securities, open for acceptance for a period fixed by the directors, by way of rights, open offer or otherwise to holders of limited voting ordinary shares and such other equity securities as the directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached to them (but subject to such exclusions or other arrangements necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise however), and
 - 8.2 the allotment (otherwise than pursuant to sub-paragraph 8.1 above) of limited voting ordinary shares, up to an aggregate number of 1,644,198provided that this power shall expire fifteen months after the date of the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the company after the passing of this resolution except that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired
- 9 That the company be generally and unconditionally authorised for the purpose of section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of section 163(3) of the Act) of limited voting ordinary shares of 2 pence each in the company ("ordinary shares") provided that
 - 9.1 the maximum number of ordinary shares authorised to be purchased is 4,992,593,
 - 9.2 the minimum price which may be paid for an ordinary share is 2 pence,
 - 9.3 the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the AIM appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased, and

NOTICE OF MEETING

- 94 the authority hereby conferred by this resolution shall expire at the conclusion of the next annual general meeting of the company after the passing of this resolution or eighteen months from the date of this resolution, whichever is the earlier, but a contract for purchase may be made before such expiry which may be completed wholly or partly thereafter and a purchase of ordinary shares may be made in pursuance of any such contract
- 10 That, with effect from the passing of this resolution, the company may send or supply documents or information to members by making them available on a website or other electronic means

Registered Office
Harrogate Road
Apperley Bridge
Bradford
BD10 0NW

By Order of the Board
Ann E McGookin
Secretary

16 May 2007

Notes

- 1 A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend, and on a poll, to vote instead of him. A proxy need not be a member of the company. A proxy card is enclosed. To be valid, forms of proxy must be lodged at Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL by 12 00 noon on 24 June 2007.
- 2 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the company gives notice that only those shareholders registered in the register of members of the company as at 6 pm on 24 June 2007 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6 pm on 24 June 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 3 Copies of the company's service contracts with executive directors and the register of the interests of each director in the share capital of the company will be available for inspection at the company's registered office during the annual general meeting, and on any weekday from the date of this notice until the date of the meeting.
- 4 Resolution 10 empowers the company to communicate with its members via a website or other electronic means. With effect from 20 January 2007, the Companies Act 2006 has enabled companies to communicate with its members via a website if a member has agreed to this method of communication and either the company has passed a resolution empowering the company to communicate in this way or the company's articles of association permit it to do so. Resolution 10, if passed, will give the company this power. In addition, each member has been sent a letter seeking individual agreement to this method of communication. Failure to notify the company within 28 days of a member's disagreement to this form of communication will mean that that member is deemed to have accepted communication via the company's website. Any member who notifies his, her or its disagreement to these proposals will still be entitled to receive notices and other information in hard copy. There are potentially great cost savings to the company in being able to communicate and place information on its website rather than providing hard copies of such information to shareholders. However, notwithstanding this, all shareholders will be notified of the presence of the information on the website as and when it appears and will still be entitled to request a hard copy of information placed on the company's website.