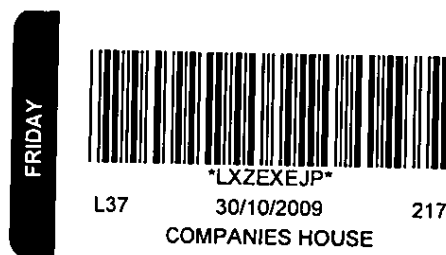


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CONDICI LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
Company Registration No. 1678961 (England and Wales)



SHELLEY STOCK HUTTER LLP
Chartered Accountants
1st Floor
7 - 10 Chandos Street
London
W1G 9DQ

CONDICI LIMITED

COMPANY INFORMATION

Directors	Mr D P Levy Mr M A Fallman
Secretary	Mrs W Brooker
Company number	1678961
Registered office	25 Manchester Square London W1U 3PY
Auditors	Shelley Stock Hutter LLP 1st Floor 7 - 10 Chandos Street London W1G 9DQ
Bankers	Bank of Scotland The Mound Edinburgh EH1 1YZ

CONDICI LIMITED

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CONDICI LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report and financial statements for the year ended 31 December 2008.

The company has taken advantage of the exemption from preparing an Enhanced Business Review applying to small companies in accordance with the provisions of s246(4) of the Companies Act 1985.

Principal activities and review of the business

The principal activity of the company continued to be that of wholesale suppliers, importers and exporters in the clothing and fashion trade.

The directors have continued to develop the business in the light of prevailing trading conditions and have experienced a positive start to 2009 which is expected to continue into the foreseeable future.

Following the movement of a branch in 2007 from Hong Kong to China, the fixed cost base of the business was reduced and margins improved in 2008. The benefits of this will continue to flow into the business in the foreseeable future.

The company is taking advantage of small company exemptions in order not to disclose the company's use of financial instruments, key performance indicators and non-financial key performance indicators.

Results and dividends

The results for the year are set out on page 5.

A dividend distribution of £nil was made during the year (2007: £150,000) (see note 6).

Directors

The following directors have held office since 1 January 2008:

Mr D P Levy
Mr M A Fallman

Auditors

The auditors, Shelley Stock Hutter LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

CONDICI LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

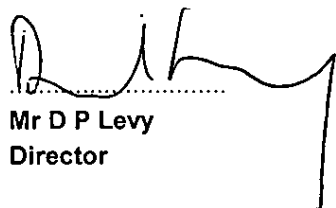
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare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

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

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Mr D P Levy
Director

18/6/2009
Date

CONDICI LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CONDICI LIMITED

We have audited the financial statements of Condici Limited for the year ended 31 December 2008 set out on pages 5 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

CONDICI LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF CONDICI LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Shelley Stock Hutter LLP

Shelley Stock Hutter LLP
Chartered Accountants
Registered Auditor

1st Floor
7 - 10 Chandos Street
London
W1G 9DQ

18/6/2009
Date

CONDICI LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £	2007 £
Turnover	2	2,364,417	2,091,133
Cost of sales		(1,036,920)	(1,011,664)
Gross profit		1,327,497	1,079,469
Distribution costs		(437,966)	(395,686)
Administrative expenses		(658,005)	(542,835)
Operating profit	3	231,526	140,948
Finance income (net)	4	11,337	20,818
Profit on ordinary activities before taxation		242,863	161,766
Tax on profit on ordinary activities	5	(58,173)	(51,585)
Profit for the year	12	184,690	110,181

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

There are no recognised gains and losses other than those passing through the profit and loss account.

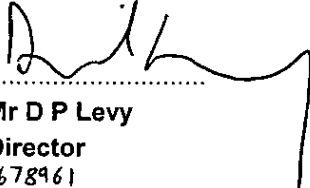
CONDICI LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 £	£	2007 £	£
Fixed assets					
Tangible assets	7		126,653		147,651
Current assets					
Stocks	8	109,672		103,670	
Debtors	9	1,199,100		1,273,277	
Cash at bank and in hand		26,977		55,396	
		<u>1,335,749</u>		<u>1,432,343</u>	
Creditors: amounts falling due within one year	10	<u>(601,630)</u>		<u>(894,705)</u>	
Net current assets			734,119		537,638
Total assets less current liabilities			<u>860,772</u>		<u>685,289</u>
Provisions for liabilities			-		(9,207)
			<u>860,772</u>		<u>676,082</u>
Capital and reserves					
Called up share capital	11		5,002		5,002
Profit and loss account	12		855,770		671,080
Shareholders' funds	13		<u>860,772</u>		<u>676,082</u>

Approved by the Board and authorised for issue on 18/6/2009


 Mr D P Levy
 Director
 1678961

Company Registration No

CONDICI LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	2 - 5 years straight line
Computer equipment	5 years straight line
Fixtures, fittings & equipment	10 years straight line

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock

Stocks are valued at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and sale. Provision is made for obsolete, slow moving or defective items where appropriate.

1.7 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is provided in full on material timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those which are included in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

CONDICI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

1 Accounting policies (continued)

1.8 Foreign currency translation

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

The company enters into foreign exchange contracts to hedge its foreign exchange risk. Any unrealised gains on foreign exchange forward contracts are not recognised until the contract is fulfilled. Any unrealised losses on foreign exchange contracts are recognised immediately in the financial statements.

2 Turnover

The company's turnover and profit before taxation arise from the design and distribution of ladies' occasion wear.

Geographical analysis of turnover by destination

	Turnover 2008 £	2007 £
United Kingdom	2,198,274	1,941,889
Other EC Countries	151,635	129,921
Other	14,508	19,323
	<u>2,364,417</u>	<u>2,091,133</u>

All turnover originated in the United Kingdom.

3 Operating profit

	2008 £	2007 £
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Operating profit is stated after charging:

Depreciation of tangible assets	22,891	17,930
Operating lease rentals	88,868	95,249
Management charge from parent undertaking	100,000	50,000
Fees payable to the company's auditor for the audit of the company's annual accounts	4,500	4,500
	<u>225,259</u>	<u>267,679</u>

4 Finance income (net)

	2008 £	2007 £
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Investment income		
Bank interest	5,993	5,219
Other interest	5,344	15,599
	<u>11,337</u>	<u>20,818</u>

CONDICI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

5	Taxation	2008	2007
		£	£
	Domestic current year tax		
	U.K. corporation tax	67,380	42,378
	Current tax charge	67,380	42,378
	Deferred tax charge/credit current year	(9,207)	9,207
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	242,863	161,766
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.50% (2007 - 30.00%)	69,216	48,530
	Effects of:		
	Non deductible expenses	108	165
	Depreciation in excess of capital allowances	(1,944)	(6,317)
		(1,836)	(6,152)
	Current tax charge	67,380	42,378
6	Dividends	2008	2007
		£	£
	Ordinary interim paid	-	100,000
	Ordinary final paid	-	50,000

CONDICI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

7 Tangible fixed assets

	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 January 2008	4,947	32,115	141,462	178,524
Additions	-	1,893	-	1,893
Disposals	-	(1,175)	-	(1,175)
At 31 December 2008	4,947	32,833	141,462	179,242
Depreciation				
At 1 January 2008	1,483	12,970	16,420	30,873
On disposals	-	(1,175)	-	(1,175)
Charge for the year	988	4,727	17,176	22,891
At 31 December 2008	2,471	16,522	33,596	52,589
Net book value				
At 31 December 2008	2,476	16,311	107,866	126,653
At 31 December 2007	3,464	19,145	125,042	147,651

8 Stocks

	2008 £	2007 £
Raw materials and consumables	26,219	12,009
Finished goods and goods for resale	83,453	91,661
	109,672	103,670

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

CONDICI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

9 Debtors	2008 £	2007 £
Trade debtors	955,512	765,379
Amounts owed by parent and fellow subsidiary undertakings	103,191	275,406
Other debtors	96,781	181,747
Prepayments and accrued income	43,616	50,745
	<u>1,199,100</u>	<u>1,273,277</u>

Amounts falling due after more than one year and included in the debtors above are:

	2008 £	2007 £
Other debtors	<u>87,810</u>	<u>-</u>

10 Creditors: amounts falling due within one year	2008 £	2007 £
Trade creditors	225,823	249,649
Amounts owed to parent and fellow subsidiary undertakings	10,229	352,069
Corporation tax	67,380	42,378
Other taxes and social security costs	73,451	54,271
Accruals and deferred income	224,747	196,338
	<u>601,630</u>	<u>894,705</u>

11 Share capital	2008 £	2007 £
Authorised		
100,000 Ordinary of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
5,002 Ordinary of £1 each	<u>5,002</u>	<u>5,002</u>

CONDICI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

12 Statement of movements on profit and loss account

Profit and
loss
account
£

Balance at 1 January 2008	671,080
Profit for the year	184,690
Balance at 31 December 2008	<u>855,770</u>

13 Reconciliation of movements in shareholders' funds

2008
£

2007
£

Profit for the financial year	184,690	110,181
Dividends	-	(150,000)
Net addition to/(depletion in) shareholders' funds	<u>184,690</u>	<u>(39,819)</u>
Opening shareholders' funds	676,082	715,901
Closing shareholders' funds	<u>860,772</u>	<u>676,082</u>

14 Financial commitments

At 31 December 2008 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2009:

Land and buildings

2008
£

2007
£

Operating leases which expire: Between two and five years	<u>79,548</u>	<u>76,201</u>
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15 Directors' emoluments

2008
£

2007
£

Emoluments for qualifying services	<u>116,319</u>	<u>90,243</u>
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D P Levy is remunerated by other group companies in respect of his services provided to group companies. The portion of this that relates to this company is £nil (2007: £nil).

CONDICI LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

16 Employees

Number of employees

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

	2008 Number	2007 Number
Administration and management	5	5
Distribution and sales	1	1
Production	8	12
	<u>14</u>	<u>18</u>

Employment costs

	2008 £	2007 £
Wages and salaries	<u>287,022</u>	<u>254,005</u>

17 Control

The directors consider the ultimate parent company to be Rapallo Limited and the immediate parent company to be Condicti Holdings Limited. Both companies are incorporated in Great Britain and registered in England and Wales. Rapallo Limited is the parent of the only group of which the company is a member and for which group accounts are prepared. Copies of the group accounts of Rapallo Limited are available from the Registrar of Companies, Crown Way, Maindy, Cardiff CF14 3UZ.

Kenwood International Inc owns the majority of the issued share capital of Rapallo Limited. The directors consider Mr J Lewis to be the ultimate controlling party, by virtue of him being the sole beneficiary of The Kenwood Trust which owns Kenwood International Inc, a company incorporated in the Bahamas and for which accounts are not publicly available.

18 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.