Registered No. 02717838

Matchesfashion Limited
(formerly Lucky Joe Limited)
Annual report
for the year ended 31 December 2012

Matchesfashion Limited
(Formerly Lucky Joe Limited)

Company Information

Directors	T W Chapman R E Chapman F L Greiner (appointed 29 March 2012) A P Davison (appointed 9 July 2012) S Brooks (appointed 9 November 2012) U Jerome (appointed 11 February 2013)
Company secretary	R E Chapman
Company number	02717838
Registered office	Unit 15a Welmar Mews 154 Clapham Park Road London SW4 7DD
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH
Bankers	HSBC Bank Plc West End CBC 70 Pall Mall London SW1Y 5EY
Lawyers	Standley and Co Solicitors 1612 High Street Knowle Solihull B93 0JU White and Black Legal LLP Chalford Park Oxford Road Old Chalford Oxfordshire OX7 5QR

Matchesfashion Limited

(Formerly Lucky Joe Limited)

Company Registration No 02717838 (England & Wales)

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Matchesfashion Limited

(Formerly Lucky Joe Limited)

Company Registration No 02717838 (England & Wales)

Directors' report for the year ended 31 December 2012

The directors present their report and the audited financial statements of Matchesfashion Limited (formerly Lucky Joe Limited) (the 'company') for the year ended 31 December 2012 These financial statements represent the 12 month period from 1 January 2012 to 31 December 2012

Change of company name

On 22 March 2013 the company changed its name from Lucky Joe Limited to Matchesfashion Limited

Principal activity and business review

The principal activity of the company continued to be that of fashion retailing, operating from the UK under the principal brand of Matchesfashion com There have been no major changes in the company's core activities in the year under review

2012 has been a year of considerable investment and growth The profit and loss set out on page 6 of the report and financial statements shows turnover for the year of £45,975k (2011 £33,163k) representing an increase of 39% and operating profit before exceptional items of £1,352k (2011 £923k) The EBITDA before exceptional items of £1,688k (2011 £1,092k) was impacted by the continued investment in the distribution centre, a significant investment in people and operational structure to prepare for the future growth plans, as well as the launch of a new web platform in March 2012

The company incurred Exceptional items of £1,301k relating to capital raising and restructuring costs The company's loss for the year was £1,144k (2011 £558k)

During the year the company issued 254,079 series A shares with a nominal value of £0 05 The total cash consideration for the shares was £13,999,800 realising a premium on the issue of £13,987,096

The company ended the year free of debt, the cash balance at the end of the year was £8,693k (2011 £716k) This level of cash is sufficient to finance the company's immediate growth plans and meet the seasonal working capital needs of the business

During the year the company set up and granted an Enterprise Management Incentive share option scheme at an option price of £25 each The directors view the fair value at grant date to be in line with the market value A total of 15 employees were part of this scheme as at 31 December 2012 The options are exercisable on floatation or sale of the company Options are forfeited if the employee leaves the company before they become exercisable

Key performance indicators

Management drives business performance through the setting of clearly defined and measured key performance indicators (KPI's), taking appropriate action where required to enhance the financial results of the business

The key financial performance indicators that are used to monitor and manage the business are primarily

- Year on year turnover growth
- EBITDA by sales channel and EBITDA as a percentage of sales
- Turnover and margin by store, channel and product category
- Like for like sales growth
- Percentage to sales for warehousing and delivery, magazine costs, occupancy and staff costs
- Average transaction value, traffic and conversion (Average transaction value being the average value of each purchase made by our customers)
- Stock turn
- Cash generation

We also focus on head office overheads with the target of continually improving the cost efficiency of the business

Directors' report for the year ended 31 December 2012 (continued)

Future developments

The company is planning continued growth in both the UK and rest of the world through its e-commerce platform underpinned by investment in stock, marketing and logistics activity

The company remains vigilant in light of the current economic downturn but the directors are confident that the company has the right business model and product offering to continue to build on its success

Dividends

No dividends were proposed or paid during 2012 (2011 nil)

Donations

Charitable donations of £1,665 were made during the year (2011 £690)

Directors

The directors who held office throughout the year and up to the date of signing were
TW Chapman
RE Chapman
FL Greiner was appointed on 29 March 2012
A P Davison was appointed on 9 July 2012
J C Griffin was appointed on 9 July 2012 and resigned on 9 November 2012
S Brooks was appointed on 9 November 2012

Financial risk management policy

The company's financial assets and liabilities, such as cash, trade creditors, trade debtors and intercompany balances, arise directly from the company's operating activities

The main risks associated with the company's financial assets and liabilities are set out below

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities Interest bearing assets include cash balances, all of which earn interest at a fixed rate The company has a policy of maintaining debt at a fixed rate to ensure certainty of future interest cash flows The directors will revisit the appropriateness of this policy should the company's operations change in size or nature

Credit risk

The company has external debtors, however, the company undertakes assessments of its customers in order to ensure that credit is not extended where there is a likelihood of default Cash deposits are held with HSBC Bank plc who has a 'AA-' class credit rating

Liquidity risk

The company aims to mitigate liquidity risk by managing cash generated by its operations

Foreign currency risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to movements between Sterling, US Dollars and Euros Exposure is monitored and addressed on a regular basis by entering into forward contracts to hedge the risk on purchases

Directors' report for the year ended 31 December 2012 (continued)

Research and Development

The company is currently undertaking research and development into its website During the year the company has capitalised £699,897 of website related expenses The directors believe that this development will lead to future profits for the company

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees whenever appropriate

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through internal media in which employees have also been encouraged to present their suggestions and views on the company's performance Regular meetings are held between local management and employees to allow a free flow of information and ideas

The company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the company plays a major role in maintaining its growth

Directors' report for the year ended 31 December 2012 (continued)

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In accordance with Section 418, each director in office at the date the directors' report is approved, that

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that he ought to have taken as a director in order 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, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed

On behalf of the board of Directors

TW Chapman
Director
22 March 2013

Unit 15A Welmar Mews
154 Clapham Park Road
London SW4 7DD

Matchesfashion Limited

(Formerly Lucky Joe Limited)

Company Registration No 02717838 (England & Wales)

Independent auditors' report to the members of Matchesfashion Limited (formerly Lucky Joe Limited)

We have audited the financial statements of Matchesfashion Limited (Lucky Joe Limited) for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Craig Skelton (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 March 2013

Matchesfashion Limited
(Formerly Lucky Joe Limited)

Company Registration No 02717838 (England & Wales)

Profit and loss account for the year ended 31 December 2012

	Note	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Turnover	2	**45,974,558**	33,162,672
Cost of sales		**(24,608,411)**	(17,869,886)
Gross profit		**21,366,147**	15,292,786
Administrative expenses		**(15,099,047)**	(11,515,084)
Distribution costs		**(5,024,335)**	(2,975,309)
Other operating income		**108,840**	120,609
Operating profit before exceptional items	3	**1,351,605**	923,002
Exceptional items	4	**(1,301,438)**	(604,695)
Operating profit after exceptional items		**50,167**	318,307
Interest payable and similar charges	7	**(1,225,884)**	(880,621)
Loss on ordinary activities before Taxation		**(1,175,717)**	(562,314)
Tax on loss on ordinary activities	8	**32,155**	4,372
Loss for the financial year		**(1,143,562)**	(557,942)

All of the activities of the company relate to continuing operations

There are no material differences between the loss on ordinary activities before taxation and the loss for the year stated above and their historical cost equivalents

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

Matchesfashion Limited

Company Registration No 02717838 (England & Wales)

(Formerly Lucky Joe Limited)

Balance sheet as at 31 December 2012

	Note	2012 £	2011 £
Fixed assets			
Tangible assets	9	**3,967,951**	3,662,192
Intangible assets	10	**1,771,418**	1,575,861
		5,739,369	5,238,053
Current assets			
Stocks	11	**12,325,825**	8,959,708
Debtors	12	**1,694,724**	1,084,460
Cash at bank and in hand	13	**8,693,026**	715,800
		22,713,575	10,759,968
Creditors amounts falling due within one year	14	**(13,992,595)**	(14,199,605)
Net current assets / (liabilities)		**8,720,980**	(3,439,637)
Total assets less current liabilities		**14,460,349**	1,798,416
Creditors. amounts falling due after more than one year			
Bank loans	15	-	(1,159,450)
Finance leases	16	**(50,666)**	(92,026)
Loan from directors	21	**(1,089,446)**	-
Provisions for liabilities and charges	17	**(235,223)**	(318,364)
Net assets		**13,085,014**	228,576
Capital and reserves			
Called up share capital	22	**62,904**	50,000
Share Premium account	23	**13,987,096**	-
Profit and loss account	23	**(964,986)**	178,576
Total shareholders' funds	24	**13,085,014**	228,576

The financial statements on pages 6 to 25 were approved by the board and authorised for issue on 22st March 2013

TW Chapman
Director
Registered No 02717838

Cash flow statement for the year ended 31 December 2012

	Note	2012 £	2012 £	2011 £	2011 £
Net cash (outflow)/inflow from operating activities	18		**(1,349,265)**		2,695,930
Returns on investments and servicing of finance					
Interest paid		**(1,217,894)**		(870,467)	
Interest element of finance lease payments		**(7,990)**		(10,154)	
Net cash outflow from returns on investments and servicing of finance			**(1,225,884)**		(880,621)
Taxation			**(32,053)**		(240,867)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(923,366)**		(807,506)	
Purchase of intangible fixed assets		**(722,799)**		(451,890)	
Sales of tangible fixed assets		**150**		-	
Net cash outflow for capital expenditure and financial investment			**(1,646,015)**		(1,259,396)
Net cash (outflow)/inflow before financing			**(4,253,217)**		315,046
Financing					
Issue of shares capital		**14,000,000**		-	
Finance leases repaid		**(58,177)**		(59,967)	
Decrease in borrowings		**(1,340,428)**		(175,019)	
Increase in loan from director		**660,750**		600,000	
Net cash inflow from financing			**13,262,145**		365,014
Increase in net cash			**9,008,928**		680,060
Reconciliation of net cash/(debt)	19				
Net debt at 1 January			**(2,239,948)**		(2,425,164)
Increase in net cash			**9,008,928**		680,060
Movement in borrowings			**737,855**		(494,844)
Net cash/(debt) at 31 December			**7,506,835**		(2,239,948)

Notes to the financial statements for the year ended 31 December 2012

1. Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year and with the prior year, are set out below The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate controlling party

Turnover
Turnover represents amounts receivable for goods, less allowances, net of VAT Turnover is recognised at the point at which the company has fulfilled its contractual obligations and the risks and rewards attaching to the product, such as obsolescence, have been transferred to the customer The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

Tangible fixed assets and depreciation
Tangible fixed assets are stated at historic purchase cost less accumulated depreciation, or valuation Land and Buildings are held at historic purchase cost less accumulated depreciation

Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life, as follows

Land and buildings	25 years straight line from completion
Leasehold improvements	Over term of respective lease
Furniture and fittings	Over term of respective lease
Office equipment	7 years straight line
Computer equipment	4 years straight line
Motor vehicles	5 years straight line

Assets under construction are not depreciated

Cost is defined as purchase price, plus any incidental costs incurred in bringing the asset into a useable condition The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account Profits and losses on disposal of fixed assets is the difference between net selling prices and net book value at the date of disposal

Intangible assets
Where websites are expected to generate future revenues in excess of the costs of developing those websites, expenditure on the functionality of the website is capitalised and treated as an intangible fixed asset Expenditure incurred on maintaining websites and expenditure incurred on developing websites used only for advertising and promotional purposes are written off as incurred

Amortisation is provided, at 20% straight line from the month of acquisition, to write off the cost of each asset evenly over its expected useful life

Notes to the financial statements for the year ended 31 December 2012 (continued)

Goodwill
Goodwill arose on the acquisition of the Max Mara Partnership This purchased goodwill relates to the Max Mara Franchise Partnership's market position and the brand establishment The goodwill has been capitalised and it is being amortised over its estimated useful economic life of ten years, the period over which the company expects to benefit from Max Mara's reputation, contacts and skills, using the straight line method

On the acquisition of a business, fair values are attributed to the company's share of the identifiable assets and liabilities Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition On acquisition, directors make estimates to the fair values of the assets acquired If necessary, these are revised in the year after acquisition Capitalised purchased goodwill is included within intangible fixed assets

Patents and Trademarks
The cost of patents and trademarks are capitalised as they have been purchased separately from a business They are amortised over ten years which is the economic benefits of the legal rights

Leasing and hire purchase commitments
Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each year

Rental payments, where substantially all of the benefits and risks of ownership remain with the lessor, are charged straight line against operating profit over the period of the lease

Rent free periods or other similar incentives are recognised straight line in the profit and loss account over the period to the first rent review

Vacant property provision
Onerous contract provisions are made for the future net costs of leasehold properties which are vacant, loss making or sub-let below passing rent Provisions are based on discounted future net cash outflows

Stocks
Stocks are stated at the lower of cost and net realisable value Stocks consist of raw materials relating to our own label Freda and finished goods relating to other brands Provision is made for slow moving and defective stocks

Exceptional item
The company has adopted an accounting policy and income statement format that seeks to highlight significant items of income and expense for the year The Directors believe that this presentation provide a more helpful analysis as it highlights one-off items Such items may include significant restructuring costs, profits or losses on disposal or termination of operations, litigation costs and settlements, profit or loss on disposal of investment, significant impairment of assets and unforeseen gains/losses arising on derivative instruments

Other operating income
Other operating income is recognised on an accruals basis in accordance with the substance of the relevant agreement

Notes to the financial statements for the year ended 31 December 2012 (continued)

Foreign currencies
Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the related forward contract rate Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction or, where forward foreign currency contracts have been taken out, at contractual rates All differences on exchange are taken to the profit and loss account

Financial instruments
Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities The company does not apply fair value accounting nor has sought to early adopt FRS 26

Pensions
The company operates a defined contribution scheme for the benefit of its employees Contributions payable are charged to the profit and loss account in the year they are payable There is no contribution charge for this financial year

Share based payments
The company operates an equity-settled share-based payment scheme The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, excluding the impact of any non-market vesting conditions

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when options are exercised No expense is recognised for awards that are not expected to ultimately vest

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is regarded as recoverable and therefore recognised only when, 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 taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the period in which timing differences reverse, based on taxation rates and laws enacted at the balance sheet date

Finance Cost
In accordance with FRS 4, costs associated with raising loan finance and equity shares are recorded against the loan principal and share premium account respectively Loan finance costs are amortised to the profit and loss account over the life of the relevant loan at a constant rate of return on the carrying amount

Research and development
Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred with the exception of expenditure on the development of certain major new product projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility Such expenditure is capitalised and amortised over a period not longer than five years commencing in the year sales of the product are first made

Notes to the financial statements for the year ended 31 December 2012 (continued)

2. Turnover

The company's store activities relate solely to the retailing of fashion goods in the United Kingdom The company's online activities relate to the retailing of fashion goods in the United Kingdom and the rest of world

Analysis of turnover by classes of business	**Year ended 31 December 2012**		Year ended 31 December 2011	
	£	**%**	£	%
Retail stores activities	**19,959,619**	**43**	19,390,431	58
Online activities	**26,014,939**	**57**	13,772,241	42
Total Turnover	**45,974,558**	**100**	33,162,672	100

Analysis of turnover by geographical market	**Year ended 31 December 2012**		Year ended 31 December 2011	
	£	**%**	£	%
United Kingdom	**32,894,077**	**72**	27,563,300	83
Rest of world	**13,080,481**	**28**	5,599,372	17
Total Turnover	**45,974,558**	**100**	33,162,672	100

Notes to the financial statements for the year ended 31 December 2012 (continued)

3. Operating profit and EBITDA

Operating profit before exceptional items is stated after charging

	Year ended 31 December 2012	Year ended 31 December 2011
	£	£
Depreciation of tangible assets – own assets	**558,005**	452,717
– lease assets	**66,669**	62,351
Amortisation of intangible assets	**402,735**	128,229
Amortisation of goodwill & trademarks	**124,507**	120,369
Profit on disposal of fixed assets	**(150)**	-
Operating lease charges – plant & machinery	**50,775**	20,386
– others	**1,730,280**	1,637,141
Exchange rate gain	**(438,701)**	(473,801)
Salaries & wages	**9,430,589**	7,466,409
Auditors' remuneration	**33,000**	35,000
Other income*	**(108,840)**	(120,609)

* Other income comprises commission received and one off items such as insurance claims settled and marketing contribution

EBITDA before exceptional items is calculated as follows -

	Year ended 31 December 2012	Year ended 31 December 2011
	£	£
Operating profit before exceptional items	**1,351,605**	923,002
Bank charges & credit card charges	**(807,833)**	(585,006)
Finance lease charges	**(7,990)**	(10,154)
Depreciation of tangible assets	**624,674**	515,068
Amortisation of intangible assets	**402,735**	128,229
Amortisation of goodwill & trademarks	**124,507**	120,369
EBITDA before exceptional items	**1,687,698**	1,091,508

Notes to the financial statements for the year ended 31 December 2012 (continued)

4. Exceptional items

Included within operating profit are the following items which are deemed to be exceptional

	Year ended 31 December 2012	Year ended 31 December 2011
	£	£
Capital raising costs	**1,030,710**	-
Restructuring expenses	**270,728**	-
Impairment charge	**-**	604,695
	1,301,438	604,695

Restructuring expenses relates to the one-off cost of moving banking facilities to HSBC Bank Plc, the write off of the previous website platform and organisational restructuring costs

5. Directors' emoluments

	Year ended 31 December 2012	Year ended 31 December 2011
	£	£
Aggregate emoluments	**409,667**	96,000

The amounts in respect of the highest paid director are as follows

	Year ended 31 December 2012	Year ended 31 December 2011
	£	£
Highest emoluments	**149,000**	48,000

As at 31 December 2012 there were three (2011 two) directors receiving emoluments namely, TW Chapman, RE Chapman and FL Greiner

Notes to the financial statements for the year ended 31 December 2012 (continued)

6. Employee information

The monthly average number of persons (including directors) employed by the company during the year was

	Year ended 31 December 2012	Year ended 31 December 2011
	Number	Number
By activity		
Production	**2**	1
Selling & distribution	**185**	176
Administration	**108**	82
Total	**295**	259

The aggregate payroll cost incurred in respect of these employees was

	Year ended 31 December 2012	Year ended 31 December 2011
	£	£
Wages & salaries	**8,710,796**	6,894,787
Social security costs	**719,793**	571,622
	9,430,589	7,466,409

No contributions were made for the defined contribution pension scheme during this financial year (2011 nil)

7. Interest payable and similar charges

	Year ended 31 December 2012	Year ended 31 December 2011
	£	£
Interest payable on overdrafts & bank loans	**169,661**	285,461
Collar early redemption interest	**240,400**	-
Bank charges and credit card charges	**807,833**	585,006
Finance lease interest	**7,990**	10,154
	1,225,884	880,621

Notes to the financial statements for the year ended 31 December 2012 (continued)

8. Tax on loss on ordinary activities

	Year ended 31 December 2012	Year ended 31 December 2011
	£	£
Current tax		
UK corporation tax on profits for the year	**49,547**	46,120
Adjustment in respect of prior year	**1,439**	(32,566)
Total current tax charge	**50,986**	13,554
Deferred tax		
Origination & reversal of timing differences	**(19,357)**	27,165
Adjustment in respect of prior year	**(139)**	(21,795)
Effect of tax rate change on opening balance	**(63,645)**	(23,296)
Total deferred tax credit	**(83,141)**	(17,926)
Tax on loss on ordinary activities	**(32,155)**	(4,372)

The tax assessed for the year is lower (2011 higher) than the standard rate of corporation tax in the UK The differences are explained below

Loss on ordinary activities before tax	**(1,175,717)**	(562,314)
Tax on loss on ordinary activities at standard CT rate in the UK 20% (2011 20 25%)	**(235,143)**	(113,849)
Effects of		
Expenses not deductible for tax purposes – fixed assets	**57,222**	177,256
Expenses not deductible for tax purposes	**208,103**	-
Amounts credited directly to STRGL or otherwise	**9**	-
Other permanent differences	**-**	4,714
Adjustments in respect of prior year	**1,439**	(32,566)
Capital allowance in excess of depreciation	**19,357**	(22,000)
Unexplained difference	**(1)**	(1)
Total current tax charge	**50,986**	13,554

Notes to the financial statements for the year ended 31 December 2012 (continued)

9. Tangible fixed assets

	Land & Buildings	Leasehold Improvements	Furniture & Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Total
	£	£	£	£	£	£	£
Cost							
At 01 January 2012	1,804,695	1,126,384	4,054,374	96,139	546,891	143,480	7,771,963
Additions	-	271,665	288,261	67,900	294,486	8,121	930,433
Disposal	-	(80,000)	-	-	-	(13,647)	(93,647)
At 31 December 2012	**1,804,695**	**1,318,049**	**4,342,635**	**164,039**	**841,377**	**137,954**	**8,608,749**
Accumulated Depreciation							
At 01 January 2012	604,695	745,551	2,413,199	39,691	256,991	49,644	4,109,771
Charge for the year	72,188	99,941	273,225	17,949	130,477	30,894	624,674
Disposal	-	(80,000)	-	-	-	(13,647)	(93,647)
At 31 December 2012	**676,883**	**765,492**	**2,686,424**	**57,640**	**387,468**	**66,891**	**4,640,798**
Net book amount at 31 December 2012	**1,127,812**	**552,557**	**1,656,211**	**106,399**	**453,909**	**71,063**	**3,967,951**
Net book amount at 31 December 2011	1,200,000	380,833	1,641,175	56,448	289,900	93,836	3,662,192

Assets held under finance leases and capitalised in furniture & equipment, computer equipment and motor vehicles

	2012	2011
	£	£
Cost	**215,081**	277,967
Accumulated depreciation	**(66,669)**	(62,351)
Net book amount	**148,412**	215,616

Notes to the financial statements for the year ended 31 December 2012 (continued)

10. Intangible fixed assets

	DVF Website	Freda Website	Matches Website	Goodwill	Patents & Trademarks	Total
	£	£	£	£	£	£
Cost						
At 01 January 2012	72,721	17,350	868,679	1,200,000	22,163	2,180,913
Additions	-	-	699,897	-	22,902	722,799
Disposal	(72,721)	(17,350)	(560,052)	-	-	(650,123)
At 31 December 2012	-	-	**1,008,524**	**1,200,000**	**45,065**	**2,253,589**
Accumulated Depreciation						
At 01 January 2012	72,721	17,350	324,612	190,000	369	605,052
Charge for the year	-	-	402,735	120,000	4,507	527,242
Disposal	(72,721)	(17,350)	(560,052)	-	-	(650,123)
At 31 December 2012	-	-	**167,295**	**310,000**	**4,876**	**482,171**
Net book amount at 31 December 2012	-	-	**841,229**	**890,000**	**40,189**	**1,771,418**
Net book amount at 31 December 2011	-	-	544,067	1,010,000	21,794	1,575,861

Goodwill relates to the acquisition of the Max Mara Partnership There was no impairment review triggered during the year

Notes to the financial statements for the year ended 31 December 2012 (continued)

11. Stock

	2012	2011
	£	£
Raw materials	**93,464**	200,258
Finished goods & goods for resale	**12,232,361**	8,759,450
	12,325,825	8,959,708

12. Debtors

	2012	2011
	£	£
Trade debtors	**282,503**	118,024
Other debtors	**246,891**	139,281
Prepayments & accrued income	**1,165,330**	827,155
	1,694,724	1,084,460

13. Cash at bank and in hands

	2012	2011
	£	£
Cash at bank and in hand	**8,693,026**	715,800

Cash at bank and in hand includes cash received from credit card companies within three workings days of the financial year end

Notes to the financial statements for the year ended 31 December 2012 (continued)

14. Creditors: amounts falling due within one year

	2012	2011
	£	£
Bank overdraft	-	1,031,702
Trade creditors	12,026,419	10,090,721
Taxation and social security	942,513	1,566,965
Other creditors	436,969	512,603
Accruals	586,694	568,918
Directors loans	-	428,696
	13,992,595	14,199,605

15. Bank loans

	2012	2011
	£	£
In more than one year but less than 2 years	-	80,600
In more than two years but less than 5 years	-	251,150
In more than five years	-	827,700
	-	1,159,450

During the year the company has repaid all of its bank loans

Notes to the financial statements for the year ended 31 December 2012 (continued)

16. Finance leases

	2012	2011
	£	£
Future minimum payments under finance leases are as follows		
In one year or less	**46,079**	62,896
In more than one year but less then five years	**50,666**	92,026
Total gross payments	**96,745**	154,922
Less finance charges included above	**(3,984)**	(11,511)
	92,761	143,411

17. Provisions for liabilities and other charges

	Deferred tax provision	
	2012	2011
	£	£
Opening balance	**318,364**	336,290
Profit and loss charge	**(83,141)**	(17,926)
Closing balance	**235,223**	318,364
Accelerated capital allowances	**235,223**	318,364
	235,223	318,364

Notes to the financial statements for the year ended 31 December 2012 (continued)

18. Cash generated from operations

	2012	2011
	£	£
Operating profit	**50,167**	318,307
Add non cash items		
Depreciation of tangible assets	**624,674**	515,068
Amortisation of intangible assets	**527,242**	248,598
Impairment charges	-	604,695
Increase in debtors	**(610,264)**	(82,493)
Increase in creditors	**1,425,033**	3,776,920
Increase in stock	**(3,366,117)**	(2,685,165)
Net cash flow from operating activities	**(1,349,265)**	2,695,930

19. Analysis of net cash/(debt)

	At 1 January 2012 £	Cash movement £	At 31 December 2012 £
Cash in hand and at bank	715,800	7,977,226	**8,693,026**
Overdrafts	(1,031,702)	1,031,702	-
Bank loan due within one year	(180,978)	180,978	-
Bank loan due after one year	(1,159,450)	1,159,450	-
Finance lease due within one year	(62,896)	16,817	**(46,079)**
Finance lease due after one year	(92,026)	41,360	**(50,666)**
Director's loan	(428,696)	(660,750)	**(1,089,446)**
Net debt	**(2,239,948)**	**9,746,783**	**7,506,835**

Notes to the financial statements for the year ended 31 December 2012 (continued)

20. Operating lease commitments

At 31 December 2012 the company had annual commitments under non cancellable operating leases for assets other than land and buildings expiring as follows

	2012	2012	2011	2011
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Within one year	-	-	111,910	-
Within two to five years	**318,786**	**50,775**	283,253	20,386
After five years	**1,508,556**	-	1,124,386	-
	1,827,342	**50,775**	1,519,549	20,386

21. Related party transactions

During the year the following related party transactions took place within the normal course of business

The Max Mara Partnership is an unincorporated business in which the directors Mr TW Chapman and Mrs RE Chapman are partners

As at the balance sheet date, a balance of £nil (2011 £9,992) existed with Max Mara Partnership

As at the balance sheet date, the net loan balance from TW Chapman stands at £1,089,446 (2011 £428,696) During the year TW Chapman provided a loan to the company for £1,000,000 (2011 £600,000) of which £339,250 was repaid

During the year goods were purchased by TW Chapman and RE Chapman at cost price amounting to a reduction of £11,444 in sales

22. Called up share capital

	2012	2011
Authorised	**£**	**£**
1,381,500 ordinary/series A shares of £0 05 each and 20,000 redeemable shares of £0 01 each (2011 50,000 ordinary shares of £1 each)	**69,275**	50,000
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	**-**	50,000
891,110 ordinary shares of £0 05 each	**44,556**	-
362,969 series A shares of £0 05 each	**18,148**	-
20,000 redeemable shares of £0 01 each	**200**	-
	62,904	50,000

The company redesignated 50,000 ordinary shares as series A shares on 10 July 2012 During the year the company issued 254,079 series A shares with a nominal value of £0 05 The total cash consideration for the shares was £13,999,800 realising a premium on the issue of £13,987,096

During the year the company also issued 20,000 redeemable shares with a nominal value of £0 01 The total cash consideration for the shares was £200 The redeemable share has no voting rights and no rights to receive dividend, this can only be redeemed after 8 July 2017 at £1,000 per redeemable share

23. Reserves

Movement in reserves were as follows

	Share premium account	Profit and loss account
	£	**£**
At 1 January 2012	**-**	**178,576**
Premium on ordinary shares issued	**13,987,096**	**-**
Loss for the financial year (note 24)	**-**	**(1,143,562)**
At 31 December 2012	**13,987,096**	**(964,986)**

Notes to the financial statements for the year ended 31 December 2012 (continued)

24. Reconciliation of movements in shareholders' funds

	2012	2011
	£	£
Loss for the year	(1,143,562)	(557,942)
Loss for the financial year	(1,143,562)	(557,942)
Net reduction to shareholders' funds	(1,143,562)	(557,942)
Increase to share capital and share premium	14,000,000	-
Opening shareholders' funds	228,576	786,518
Closing shareholders' funds	13,085,014	228,576

25. Share based payments

An enterprise management incentive share option scheme was set up during the year in which 18,420 ordinary share options were granted under the scheme at an exercise price of £25 each The directors view the fair value at grant date to be in line with the market value A total of 15 employees were part of this scheme as at 31 Dec 2012 The options are exercisable on floatation or sale of the company Options are forfeited if the employee leaves the company before they become exercisable

Year of grant	Exercise price	Number granted	Number granted not exercised at 31 December 2012	Number exercised during the year	Balance
2012	£25 00	18,420	18,420	-	18,420

26. Contingent liabilities

The company has contingent liability in the form of guarantee for supplier payment to the value of £100,000 (2011 £100,000) provided by its banker

27. Financial commitments

At the year end the company had outstanding forward foreign exchange foreign contracts amounting to Euro 2,640,000 (2011 Euro 2,000,000)

28. Ultimate controlling party

The company is controlled by director Mr TW Chapman by virtue of his shareholding

29. Events since the balance sheet date

There has been no significant event since the balance sheet date