TOAST (MAIL ORDER) LIMITED

Directors' Report and Accounts

31 January 2006

Registered No: 3399254

DIRECTORS' REPORT

The Directors present their Annual Report and the audited accounts for the year ended 31 January 2006.

Principal activity

The principal activity of the Company is the sale of retail and mail order clothing.

Results and dividends

The results for the period are set out in the profit and loss account on page 4. The Directors do not recommend a final dividend for the year (2005: £Nil).

The retained profit transferred to reserves was £1,262,000 (2005: £1,064,000).

Directors and Directors' interests

The Directors who served the during the period and their interests in the company are stated below:

		Ordinary shares	
		2006	**2005**
Stephen Marks	(Chairman and Managing Director)	-	-
Neil Williams		-	-
Roy Naismith		-	-
Jessica Seaton		3,000	3,000
Jamie Seaton		3,000	3,000

Stephen Marks, Neil Williams and Roy Naismith are Directors of the ultimate holding Company at 31 January 2006 and their interests in the shares of Group companies are disclosed in the Directors' report of that Company.

Auditors

The company has taken advantage of Section 386(1) of the Companies Act 1985, as amended, to dispense with the obligation to appoint an auditor annually. The auditor, KPMG Audit Plc, is willing to continue in office and will be deemed to be reappointed on the expiry of its term in office in respect of the year ended 31 January 2006.

By order of the Board

Dinesh Shah
Company Secretary

20-22 Bedford Row
London WC1R 4JS

31 May 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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 elected to prepare the financial statements in accordance with UK Accounting Standards.

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 these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TOAST (MAIL ORDER) LIMITED

We have audited the financial statements on pages 4 to 14. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 January 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc KPMG Audit Plc
Registered Auditor
London

2 June 2006

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2006

	Note	2006 £'000	2005 £'000
Turnover	2	**8,111**	6,198
Cost of sales		**(2,679)**	(2,006)
Gross profit		**5,432**	4,192
Operating expenses	3	**(3,606)**	(2,659)
Operating profit		**1,826**	1,533
Net interest payable and similar items	5	**(4)**	(6)
Profit on ordinary activities before taxation	4	**1,822**	1,527
Tax on profit on ordinary activities	8	**(560)**	(463)
Retained profit for the financial year	16	**1,262**	1,064

The attached notes form part of these accounts.

There were no recognised gains or losses in either period other than the results shown above.

The Company's results were entirely from continuing operations.

BALANCE SHEET
AT 31 JANUARY 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Intangible assets	9	**14**	17
Tangible assets	10	**805**	425
		819	442
Current assets			
Stocks	11	**2,038**	719
Debtors	12	**1,498**	1,027
Cash at bank and in hand		**101**	126
		3,637	1,872
Creditors: amounts falling due within one year	13	**(1,997)**	(1,175)
Net current assets		**1,640**	697
Total assets less current liabilities		**2,459**	1,139
Provisions for liabilities and charges	14	**(82)**	(24)
Net assets		**2,377**	1,115
Capital and reserves			
Called-up share capital	15	**24**	24
Profit and loss account	16	**2,353**	1,091
Shareholders' equity	17	**2,377**	1,115

The attached notes form part of these accounts.

These accounts were approved by the Board of Directors on 31 May 2006 and were signed on its behalf by:

Roy Naismith
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2006

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Net cash inflow from operating activities	18		**963**		486
Returns on investments and servicing of finance					
Interest paid		**(4)**		(6)	
Net cash outflow from returns on investments and servicing of finance			**(4)**		(6)
Tax paid			**(445)**		(115)
Capital expenditure and financial investment					
Purchase of tangible fixed assets			**(539)**		(323)
(Decrease)/increase in cash			**(25)**		42

The attached notes form part of these accounts.

NOTES TO THE ACCOUNTS

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's accounts.

Basis of preparation
The Company has elected to prepare its financial statements in accordance with UK GAAP.

Basis of accounting
The accounts have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards. In preparing the Company accounts, the Directors have elected to offset all inter-company debtors and creditors.

The Company has adopted the following accounting standards in the year:

- Financial Reporting Standard No. 20 "Share-Based Payments" (FRS20). Under FRS20, the Company is required to reflect share-based payments in the profit and loss account. The provisions of FRS20 have been applied to options granted after 7 November 2002. The adoption of FRS20 had no effect on the Company's profit or net assets.

- Financial Reporting Standard No. 21 "Events after the Balance Sheet Date" (FRS21). The major effect of FRS21 is to change the approach to dividends declared after the balance sheet date in respect of the year under review such that these dividends are no longer accrued for in the balance sheet. The adoption of FRS21 had no effect on the Company's profit or net assets.

- Financial Reporting Standard No. 23 "The Effects of Changes in Foreign Exchange Rates" (FRS23). FRS23 sets out additional guidance on the translation method for transactions in foreign currencies and on determining the functional and presentation currencies. The adoption of FRS23 had no effect on the Company's profit or net assets.

- Financial Reporting Standards No. 25 "Financial Instruments: Disclosure and Preparation" (FRS25). FRS25 sets out the requirements for the presentation of, and disclosures relating to, financial instruments. The adoption of FRS25 had no effect on the Company's profit or net assets.

- Financial Reporting Standards No. 26 "Financial Instruments: Measurement" (FRS26). FRS26 sets out the requirements for measurement, recognition and derecognition of financial instruments. The adoption of FRS26 had no effect on the Company's profit or net assets.

- Financial Reporting Standards No. 28 "Corresponding Amounts" (FRS28). FRS28 sets out the requirements for the disclosure of corresponding amounts for items shown in an entity's primary financial statements and the notes to the financial statements. The adoption of FRS28 had no effect upon the Company's profit or net assets.

Turnover
Turnover represents goods sold to external customers, less returns and value added tax. The turnover arises from the sale of retail and mail order clothing.

Copyrights
Copyrights are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual installments over their estimated useful life of 10 years.

Depreciation
Depreciation is provided to write off the cost or valuation less estimated residual value of each fixed assets by equal annual instalments over their useful lives, which are estimated to be as follows:

Office equipment	-	25% reducing balance
Website Design Costs	-	50% straight line
Shop Fittings	-	33% straight line

NOTES TO THE ACCOUNTS (continued)

1. **Accounting policies** (continued)

Stocks
Stocks are valued at the lower of cost and estimated net realisable value. Cost comprises materials, direct labour and a proportion of production overheads.

Foreign exchange
Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the balance sheet date. Transactions during the period are translated into Sterling at the rates of exchange ruling on the date of transaction or at hedged rates. Exchange differences are dealt with through the profit and loss account.

Operating leases
Annual rentals are charged to the profit and loss account in the period to which they relate.

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

Full provision has been made for deferred taxation arising from timing differences between the recognition of income and expenditure for taxation and accounting purposes. Deferred tax amounts are not discounted.

Pension costs
Pension costs charged to the profit and loss account represent the amount of contributions payable to defined contribution and personal pension schemes in respect of the period.

2. **Turnover**

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the UK.

3. **Operating expenses**

	2006	2005
	£'000	£'000
Selling and distribution costs	**2,997**	2,170
Administrative expenses	**609**	489
	3,606	2,659

4. **Profit on ordinary activities before taxation**

The profit on ordinary activities before taxation is stated after charging the following:-

	2006	2005
	£'000	£'000
Operating lease rentals		
Leasehold properties	**76**	23
Amortisation of copyrights	**3**	3
Depreciation on assets	**159**	28
Loss on disposal of fixed assets	**-**	3
Auditor's remuneration	**11**	10

NOTES TO THE ACCOUNTS (continued)

5. Interest payable and similar charges

	2006 £'000	2005 £'000
Bank interest payable	**4**	6

6. Director's emoluments

During the year the Directors' emoluments arising in respect of their services to the Company were £152,000 (2005: £180,000). These emoluments exclude pension contributions and include benefits in kind. The emoluments of Stephen Marks, Neil Williams and Roy Naismith are borne by French Connection Group PLC and are disclosed in the financial statements of the Company.

7. Staff numbers and costs

The average number of persons employed by the Company during the year, including Directors, was as follows:-

	2006 No	2005 No
Selling, distribution and retail	**76**	60
Administration	**7**	7
Design, development and production management	**6**	4
	89	71

The aggregate payroll costs of these people were as follows:

	2006 £'000	2005 £'000
Wages and salaries	**1,294**	973
Social security costs	**97**	92
Other pension costs	**4**	7
	1,395	1,072

NOTES TO THE ACCOUNTS (continued)

8. Tax charge on profit on ordinary activities

a) Analysis of charge in period

	2006 £'000	2005 £'000
Current tax		
UK corporation tax on profits of the period	**494**	437
Adjustment in respect of previous periods	**8**	-
Total current tax (Note 8b)	**502**	437
Deferred tax – origination and reversal of UK timing differences	**57**	25
Adjustment in respect of previous periods	**1**	1
Total deferred tax	**58**	26
Tax on profit on ordinary activities	**560**	463

b) Factors affecting tax charge for period

The tax charged for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	**1,822**	1,527
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	**547**	458
Effects of:		
Expenses not deductible for tax purposes	**4**	4
Capital allowances for period in excess of depreciation and short term timing differences	**(57)**	(25)
Adjustment to tax charge in respect of previous periods	**8**	-
Current tax charge for the period (Note 8a)	**502**	437

NOTES TO THE ACCOUNTS (continued)

9. Intangible fixed assets

	Copyrights £'000
Cost	
At 1 February 2005 and 31 January 2006	**30**
Amortisation	
At 1 February 2005	13
Provided during the year	3
At 31 January 2006	**16**
Net book value	
At 31 January 2006	**14**
At 31 January 2005	17

10. Tangible fixed assets

	Plant equipment, fixtures and fittings £'000
Cost	
At 1 February 2005	580
Additions	539
At 31 January 2006	**1,119**
Depreciation	
At 1 February 2005	155
Charge for year	159
At 31 January 2006	**314**
Net book value	
At 31 January 2006	**805**
At 31 January 2005	425

NOTES TO THE ACCOUNTS (continued)

11. Stocks

	2006	2005
	£'000	£'000
Raw materials and consumables	**-**	4
Finished goods held for resale	**2,038**	715
	2,038	719

12. Debtors

	2006	2005
	£'000	£'000
Trade debtors	**293**	122
Amounts owed by Group undertakings	**804**	724
Prepayments and accrued income	**401**	181
	1,498	1,027

13. Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Trade creditors	**887**	461
UK corporation tax	**502**	437
Other taxation and social security	**342**	217
Accruals and deferred income	**266**	60
	1,997	1,175

14. Provisions for liabilities and charges

a) Represented by

	2006	2005
	£'000	£'000
Deferred tax liability		
Accelerated capital allowances	**82**	24

b) Deferred tax movements

	Liability
	£'000
At 1 February 2005	24
Charge in the profit and loss account	58
At 31 January 2006	**82**

NOTES TO THE ACCOUNTS (continued)

15. *Called up share capital*

	2006 £'000	2005 £'000
Equity		
Authorised:		
100,000 ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid:		
24,000 ordinary shares of £1 each	**24**	24

16. Reserves

	Profit and loss account £'000
At 1 February 2005	1,091
Retained profit for the financial year	1,262
At 31 January 2006	**2,353**

17. Reconciliation of movements in equity shareholders' funds

	2006 £'000	2005 £'000
Retained profit for the financial year	**1,262**	1,064
Opening shareholders' equity	**1,115**	51
Closing shareholders' equity	**2,377**	1,115

18. Reconciliation of operating profit to net cash inflow from operating activities

	2006 £'000	2005 £'000
Operating profit	**1,826**	1,533
Depreciation and amortisation	**162**	31
Loss on disposal	**-**	3
Increase in stocks	**(1,319)**	(199)
Increase in debtors	**(471)**	(699)
Increase/(decrease) in creditors	**765**	(183)
Net cash inflow from operating activities	**963**	486

NOTES TO THE ACCOUNTS (continued)

19. Operating leases

At the end of the financial year the Company had annual commitments under non-cancellable operating leases as follows:

	2006 £'000	2005 £'000
Buildings		
Operating leases expiring within two to five years	**67**	80
Operating leases expiring after five years	**20**	-
	87	80

20. Pension costs

The Group operated a Group Personal Pension Scheme during the year and contributed to a number of personal pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. The particulars of these schemes are disclosed within the accounts of the ultimate holding company, French Connection Group PLC. The pension cost charged in the profit and loss account during the year is disclosed in Note 7.

21. Related party transactions

Name of party	Relationship	Purchases within financial year £'000	Amounts due from related party at year end £'000
For the year ended 31 January 2006			
French Connection Group PLC	Group Company	5,941	804
For the year ended 31 January 2005			
French Connection Group PLC	Group Company	1,249	724

22. Ultimate holding Company

The controlling interest of the Company is held by French Connection Group PLC, which is incorporated in Great Britain and registered in England and Wales. Copies of the Group accounts may be obtained from 20-22 Bedford Row, London WC1R 4JS.