

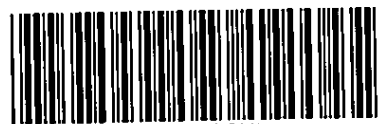
TOAST (MAIL ORDER) LIMITED

Directors' Report and Accounts

31 January 2007

Registered No: 3399254

THURSDAY



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COMPANIES HOUSE

DIRECTORS' REPORT

The Directors present their Annual Report and the audited accounts for the year ended 31 January 2007

Principal activity

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

Business review

Our business aim is to generate increased shareholder value through the retail of mail order clothing and accessories

We operate under one principal brand, *Toast*, a home-shopping based ladies' fashion range. The business operates both a catalogue and internet home shopping service in addition to three own branded retail stores and four concessions. In addition we operate a fulfillment service for the mail order business of our fellow subsidiary, French Connection Limited.

Our design team is based in Swansea and we arrange for the products to be manufactured in specialist facilities in Europe and Asia. The finished articles are available via our mail order business and through both our own retail stores and concessions.

Our approach to managing the business is to ensure that our resources are deployed in the most effective and efficient manner to support the elements of the business which have a direct impact on trading. Design and production of the ranges and maintenance of our mail order and retail operating standards are paramount for our managers who are given broad responsibility for their area of operation and are expected to generate continued improvements in results.

The main risks and uncertainties facing the business reflect the nature of the fashion business. Each year we produce two main ranges of fashions for each of our brands and the success of each of these is entirely dependent on the ability of our designers to accurately judge and attractively reflect the emerging trends in fashion.

Like all retailers we are susceptible to volatility in the propensity of consumers to spend, which is affected by macro-economic issues. Our retail business has a largely inflexible cost base giving rise to substantial operational gearing.

The principal treasury risks to the Company arise from exchange rate and interest rate fluctuations. The Board has approved policies for managing these risks, which are reviewed on a regular basis, including the use of financial instruments, principally forward foreign exchange contracts. These instruments are managed and reflected in the accounts of the parent Company, French Connection Group PLC. No transactions of a speculative nature are undertaken. Options are not used.

The business has encountered a mixed year in which our mail order revenues have grown significantly while our retail sales have contracted on a like-for-like basis. Our primary aim in the short term is to continue to grow our mail order sales volumes while maintaining or improving margins. In the retail business our aim is to improve sales densities in our existing portfolio which will be evidenced by our key performance indicator of growth in our like-for-like sales. We are also opening two new stores in 2008.

Key performance indicators

The Board considers that the key performance indicators for the business are

- total sales achieved in the mail-order channels,
- year-on-year comparison of retail sales on a same-store basis and excluding any periods of significantly different discounting activity, known as like-for-like sales growth,
- gross margin by division,
- net operating profit

TOAST (MAIL ORDER) LIMITED

DIRECTORS' REPORT (continued)

Key results

Mail order turnover increased by 14% to £6.7 million (2006 £5.9 million) with a particularly strong Spring 2006 catalogue in addition to an increase in retail sales of 23% to £2.7 million (2006 £2.2 million), however there was a like-for-like retail sales decline of 1.4%. The gross margins in both divisions fell with a decrease in mail order gross margin from 67.4% to 60.0% and a decrease in retail gross margin from 67.4% to 63.1%. The resulting operating profit (before other operating income) in the year was £5.7 million (2006 £5.4 million).

The balance sheet remains strong with net assets increasing to £3.4 million (2006 £2.4 million).

Results and dividends

The results for the year are set out in the profit and loss account on page 6. No dividends were paid during the year and the Directors do not recommend payment of a final dividend (2006 £Nil).

The retained profit transferred to reserves was £990,000 (2006 £1,262,000).

Directors and Directors' interests

The Directors who served during the year and their interests in the Company are stated below.

		Ordinary shares of £1 each	
		2007	2006
Stephen Marks	(Chairman and Managing Director)	-	-
Neil Williams	(Director)	-	-
Roy Naismith	(Director)	-	-
Jessica Seaton	(Director)	3,000	3,000
Jamie Seaton	(Director)	3,000	3,000

Stephen Marks, Neil Williams and Roy Naismith are Directors of the ultimate holding Company at 31 January 2007. At 31 January 2007, Stephen Marks held 40,081,690 ordinary shares (2006 40,081,690) of which 2,281,500 (2006 2,281,500) were held in family trusts, representing in aggregate 41.8% (2006 41.8%) of the total issued ordinary share capital of French Connection Group PLC. Neil Williams and Roy Naismith held no shares.

Supplier payment

The majority of the Company's creditors are suppliers with whom payment terms and conditions are agreed in advance. Where the supply of goods and services is satisfactory, it is the policy of the Company to pay creditors when they fall due for payment.

For the year ended 31 January 2007, the Company's average trade creditors represented 87 days purchases (2006 62 days).

Employees

It is the Company's established practice that all employees have access to their immediate superiors and ultimately to the Chairman, to discuss matters of concern to them as employees, and that the views of employees are sought and taken into account in making decisions which are likely to affect their interests. Furthermore the Company seeks to encourage both the involvement of employees in its performance and a common awareness on the part of all employees of factors affecting its performance. The Company provides equal opportunities and training to all employees and prospective employees including those who are disabled.

DIRECTORS' REPORT (continued)

Charitable and political donations

Charitable donations of £1,170 (2006 £660) were made during the year. No political donations were made in either 2007 or 2006.

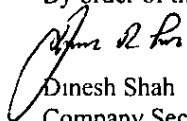
Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each 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.

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 2007.

By order of the Board



Dinesh Shah
Company Secretary

20-22 Bedford Row
London WC1R 4JS

8 June 2007

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 and applicable law (UK Generally Accepted Accounting Practice).

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 AUDITOR'S REPORT TO THE MEMBERS OF TOAST (MAIL ORDER) LIMITED

We have audited the financial statements of Toast (Mail Order) Limited for the year ended 31 January 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2007 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.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

15 June 2007

TOAST (MAIL ORDER) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2007**

	Note	2007 £'000	2006 £'000
Turnover	2	9,444	8,111
Cost of sales		(3,695)	(2,679)
Gross profit		5,749	5,432
Operating expenses	3	(4,319)	(3,606)
Operating profit		1,430	1,826
Net interest payable and similar items	4	-	(4)
Profit on ordinary activities before taxation	5	1,430	1,822
Tax on profit on ordinary activities	8	(440)	(560)
Retained profit for the financial year	16	990	1,262

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

The attached notes form part of these accounts

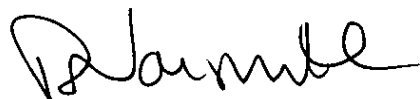
TOAST (MAIL ORDER) LIMITED

**BALANCE SHEET
AT 31 JANUARY 2007**

	Note	2007 £'000	2006 £'000
Fixed assets			
Intangible assets	9	11	14
Tangible assets	10	749	805
		<hr/>	<hr/>
		760	819
		<hr/>	<hr/>
Current assets			
Stocks	11	2,285	2,038
Debtors	12	2,175	1,498
Cash at bank and in hand		278	101
		<hr/>	<hr/>
		4,738	3,637
		<hr/>	<hr/>
Creditors: amounts falling due within one year	13	(2,095)	(1,997)
		<hr/>	<hr/>
Net current assets		2,643	1,640
		<hr/>	<hr/>
Total assets less current liabilities		3,403	2,459
		<hr/>	<hr/>
Provisions for liabilities and charges	14	(36)	(82)
		<hr/>	<hr/>
Net assets		3,367	2,377
		<hr/>	<hr/>
Capital and reserves			
Called-up share capital	15	24	24
Profit and loss account	16	3,343	2,353
		<hr/>	<hr/>
Equity shareholders' funds	17	3,367	2,377
		<hr/>	<hr/>

The attached notes form part of these accounts

These accounts were approved by the Board of Directors on 8 June 2007 and were signed on its behalf by



Roy Naismith
Director

TOAST (MAIL ORDER) LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2007**

	Note	2007		2006	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	18		811		963
Returns on investments and servicing of finance					
Interest paid		-		(4)	
Net cash outflow from returns on investments and servicing of finance			-		(4)
Tax paid			(502)		(445)
Capital expenditure and financial investment					
Purchase of tangible fixed assets			(132)		(539)
Increase/(decrease) in cash			177		(25)

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 intercompany debtors and creditors

In the previous financial statements, the following new standards had been adopted for the first time: FRS20 "Share-based payments", FRS21 "Events after the balance sheet date, the presentation requirements of FRS25 Financial Instruments presentation and disclosure", FRS26 "Financial instruments Measurement" and FRS28 "Corresponding amounts"

Turnover

Turnover represents goods sold to external customers, less returns and value added tax

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 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	- 10% straight line

Stocks

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

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

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. All exchange differences are dealt with through the profit and loss account

NOTES TO THE ACCOUNTS (continued)

1 Accounting policies (continued)

Operating leases

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

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

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2. Turnover

Turnover arises principally from the sale of retail and mail order clothing and accessories undertaken in the UK

3 Operating expenses

	2007 £'000	2006 £'000
Selling and distribution costs	3,325	2,997
Administrative expenses	994	609
	<hr/>	<hr/>
	4,319	3,606
	<hr/>	<hr/>

4. Interest payable and similar charges

	2007 £'000	2006 £'000
Bank interest payable	-	4
	<hr/>	<hr/>

TOAST (MAIL ORDER) LIMITED

NOTES TO THE ACCOUNTS (continued)

5 Profit on ordinary activities before taxation

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

	2007 £'000	2006 £'000
Operating lease rentals		
Leasehold properties	87	76
Amortisation of copyrights	3	3
Depreciation on owned assets	188	159
Auditor's remuneration	11	11
	<hr/>	<hr/>

6. Director's emoluments

During the year the Directors' emoluments arising in respect of their services to the Company were £274,000 (2006 £152,000). 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 -

	2007 Number	2006 Number
Selling, distribution and retail	93	76
Design, development and production management	14	6
Administration	5	7
	<hr/>	<hr/>
	112	89

The aggregate payroll costs of these people were as follows

	2007 £'000	2006 £'000
Wages and salaries	1,632	1,294
Social security costs	126	97
Other pension costs	21	4
	<hr/>	<hr/>
	1,779	1,395

TOAST (MAIL ORDER) LIMITED

NOTES TO THE ACCOUNTS (continued)

8. Tax on profit on ordinary activities

a) Analysis of charge in period

	2007 £'000	2006 £'000
Current tax		
UK corporation tax on profits of the period	437	494
Adjustment in respect of previous periods	49	8
Total current tax (Note 8b)	486	502
Deferred tax – origination and reversal of UK timing differences	2	57
Adjustment in respect of previous periods	(48)	1
Total deferred tax	(46)	58
Tax on profit on ordinary activities	440	560

b) Factors affecting tax charge for period

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

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	1,430	1,822
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	429	547
Effects of		
Expenses not deductible for tax purposes	10	4
Depreciation for period in excess of capital allowances and short term timing differences	(2)	(57)
Adjustment to tax charge in respect of previous periods	49	8
Current tax charge for the period (Note 8a)	486	502

TOAST (MAIL ORDER) LIMITED

NOTES TO THE ACCOUNTS (continued)

9. Intangible fixed assets

	Copyrights £'000
Cost	
At 1 February 2006 and 31 January 2007	30
Amortisation	
At 1 February 2006	16
Provided during the year	3
At 31 January 2007	19
Net book value	
At 31 January 2007	11
At 31 January 2006	14

10. Tangible fixed assets

	Plant equipment, fixtures and fittings £'000
Cost	
At 1 February 2006	1,119
Additions	132
At 31 January 2007	1,251
Depreciation	
At 1 February 2006	314
Charge for year	188
At 31 January 2007	502
Net book value	
At 31 January 2007	749
At 31 January 2006	805

None of the Company's fixed assets are held under finance leases

TOAST (MAIL ORDER) LIMITED

NOTES TO THE ACCOUNTS (continued)

11 Stocks

	2007 £'000	2006 £'000
Raw materials and consumables	4	-
Finished goods held for resale	2,281	2,038
	<u>2,285</u>	<u>2,038</u>

12 Debtors

	2007 £'000	2006 £'000
Trade debtors	168	293
Amounts owed by Group undertakings	1,727	804
Prepayments and accrued income	280	401
	<u>2,175</u>	<u>1,498</u>

13. Creditors amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	997	887
UK corporation tax	486	502
Other taxation and social security	392	342
Accruals and deferred income	220	266
	<u>2,095</u>	<u>1,997</u>

14. Provisions for liabilities and charges

The amount provided for deferred taxation and the full potential liability, calculated on the liability method, at 30% (2006 30%) is set out below

a) Represented by

	2007 £'000	2006 £'000
Deferred tax liability		
Accelerated capital allowances	36	82

b) Deferred tax movements

	Liability £'000
At 1 February 2006	82
Credit to the profit and loss account	(46)
	<u>36</u>
At 31 January 2007	

TOAST (MAIL ORDER) LIMITED

NOTES TO THE ACCOUNTS (continued)

15. Share capital

	2007 £'000	2006 £'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 2006	2,353
Retained profit for the financial year	990
At 31 January 2007	3,343

17. Reconciliation of movements in equity shareholders' funds

	2007 £'000	2006 £'000
Retained profit for the financial year	990	1,262
Opening shareholders' equity	2,377	1,115
Closing shareholders' equity	3,367	2,377

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

	2007 £'000	2006 £'000
Operating profit	1,430	1,826
Depreciation and amortisation	191	162
Increase in stocks	(247)	(1,319)
Increase in debtors	(677)	(471)
Increase in creditors	114	765
Net cash inflow from operating activities	811	963

NOTES TO THE ACCOUNTS (continued)

19 Commitments

At 31 January 2007 the Company had annual commitments under non-cancellable operating leases as follows

	2007 £'000	2006 £'000
Leasehold property		
Operating leases which expire		
Within one year	10	-
Between two and five years	95	67
After more than five years	-	20
	<hr/> 105	<hr/> 87

20 Pensions

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 2007			
French Connection Limited	Group Company	1,664	1,727
For the year ended 31 January 2006			
French Connection Limited	Group Company	2,518	804

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.