

JASMINE DI MILO LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
53 Weeks to 3 February 2007



Registered Number: 4360319

Jasmine Di Milo Limited

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DIRECTORS' REPORT

The Directors present their annual report and the financial statements of the company for the period from 29 January 2006 to 3 February 2007

Principal Activity

The Company's principal activity is as a designer and retailer of ladies fashion clothing and accessories

Directors and their Interests

The Directors who served during the period and who are also the current Directors of the company are

Mr J Byrne
Ms J L Fayed

By virtue of being the ultimate controlling party of Jasmine Di Milo Limited via Gemini Holdings Limited Inc, Ms J L Fayed held a beneficial interest in 100% of the shares of Jasmine Di Milo Limited at 29 January 2006 and 3 February 2007. No Director has had a material interest directly or indirectly at any time during the period in any contract significant to the business of the Company.

Results and Dividends

The loss after taxation for the period from 29 January 2006 and 3 February 2007 amounted to £2,785,778 (2006 loss of £1,193,400)

The Directors do not recommend the payment of a dividend and an amount of £2,785,778 has been transferred out of reserves.

Review of Business

The success of the Company's Autumn Winter '06 and Spring Summer '07 collections, launched at the high profile Paris Fashion Show was a clear indication that the Company's strategy of developing its own presence in the fashion market was correct and showing the first signs of long term success. After due consideration the Directors concluded that the retail Boutique would be more effective if it gave far greater presence to the Company's own brand of product, rather than running many different external brands. The decision was therefore taken to gradually withdraw from representing third party brands, whilst simultaneously increasing the profile and presence of the Company's own brand. This process took place from the summer of 2006 and concluded in January 2007 with the relocation of the boutique to a new purpose built area within the host store, officially launching in mid February 2007. This has required considerable investment, as has the work necessary to continue to expand the main product range. The Directors are confident that with the focus on own brand the Company will achieve its long term objectives.

Jasmine Di Milo Limited

DIRECTORS' REPORT....cont'd

Auditors

In accordance with Section 249A(1) of the Companies Act 1985, the Company, being eligible, has not appointed Auditors.

Statement of Directors' Responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period

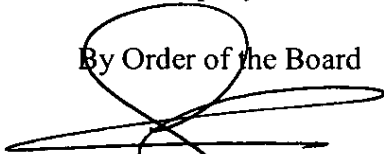
The Directors have prepared the financial statements on pages 3 to 11 on a going concern basis and consider that the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed

The Directors have responsibility for ensuring that the Company keeps accounting records, which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985

The Directors 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

The Directors are responsible for ensuring that the directors' report is prepared in accordance with company law in the United Kingdom.

By Order of the Board



Simon Dean
Secretary
23 November 2007

87-135 Brompton Road,
Knightsbridge,
London
SW1X 7XL

Jasmine Di Milo Limited

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 29 JANUARY 2006 TO 3 FEBRUARY 2007

Note

		Period to 3/2/07 £'000	Period to 28/1/06 £'000
2	TURNOVER	1,252	826
	Cost of Sales	(903)	(731)
	GROSS PROFIT/LOSS	349	95
	Design and Development expenses	(878)	(363)
	Administration expenses	(2,179)	(895)
	Distribution costs	(78)	(48)
	Operating Loss	(2,786)	(1,211)
	Profit on sale of fixed assets	-	18
3	Loss on Ordinary Activities before and after Interest	(2,786)	(1,193)
12	Loss on Ordinary Activities after Tax, transferred to reserves	(2,786)	(1,193)

All profits and losses derive from continuing operations

There were no recognised gains or losses other than those shown above. The movements on reserves are shown in Note 12.

Jasmine Di Milo Limited

**BALANCE SHEET
AT 3 FEBRUARY 2007**

Note	At 3/02/07 £'000	At 28/01/06 £'000
FIXED ASSETS		
6 Tangible Assets	338	382
CURRENT ASSETS		
7 Stocks	429	190
8 Debtors (Amounts falling due within the period)	226	183
Cash at bank and in hand	163	30
	<u>818</u>	<u>403</u>
9 CREDITORS (Amounts falling due within the period)	(395)	(159)
NET CURRENT ASSETS/(LIABILITIES)	<u>423</u>	<u>244</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	761	626
10 CREDITORS (Amounts falling due after more than one year)	(5,608)	(2,687)
	<u>(4,847)</u>	<u>(2,061)</u>
CAPITAL AND RESERVES		
11 Share Capital	-	-
12 Profit and loss reserves	(4,847)	(2,061)
13 SHAREHOLDER'S DEFICIT	<u>(4,847)</u>	<u>(2,061)</u>

For the year from 29 January 2006 to 3 February 2007 the Company was entitled to the exemption under section 249(A)(1) of the Companies Act 1985. Members have not required the company to obtain an audit in accordance with section 249(B)(2) of the Companies Act 1985.

The directors acknowledge their responsibility for

- (i) ensuring the company keeps accounting records which comply with section 221; and
- (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with section 226, and which otherwise comply with the requirements of the Companies Act 1985 relating to accounts, so far as applicable to the company.

The Company has not acted as an agent for any person during the accounting period.

Approved by the Board on 23 November 2007 and signed on their behalf by.

Ms J L Fayed

Director

The notes on pages 5 to 11 form an integral part of these accounts

NOTES TO THE ACCOUNTS

1 Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and comply with the disclosure requirements of the Companies Act 1985 and applicable accounting standards

Going concern

The Company has a deficit of shareholder's funds at 3 February 2007 and since that date the Company has continued to make losses. The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. In concluding that it is appropriate to adopt the going concern basis in preparing these financial statements the Directors have had regard to the indications received from the ultimate parent company, Gemini Holdings Limited Inc, and the verbal indications received from Mr M Al Fayed, that continued funding will be made available to finance the Company's working capital requirements for the foreseeable future. Although there is no legal obligation for either Gemini Holdings Limited Inc or Mr Al Fayed to provide this continued support, the Directors are confident that such funding will be forthcoming.

Depreciation of Tangible Fixed Assets

Depreciation is provided by the Company in order to write down to estimated residual value, if any, the cost of tangible fixed assets over their estimated useful lives by equal annual instalments, on the following basis:

Computer equipment	33%
Plant & Machinery	20%
Leasehold Improvements	14%

Deferred Taxation

Deferred taxation is provided on material timing differences between the incidence of income and expenditure for taxation and accounts purposes using a full provision basis in accordance with the provisions set out in Financial Reporting Standard No 19 "Deferred Tax". This represents a change in accounting policy but no material change arises to the current or previous period's deferred tax provision under the new policy. Deferred tax assets are only recognised when they arise from timing differences where their recoverability in the short-term is regarded as more likely than not.

Foreign Currency

Transactions denominated in foreign currency are translated at exchange rates ruling at the transaction date. Realised gains and losses are dealt with in the profit and loss account.

Stock

Stocks are stated at the lower of cost and net realisable value.

NOTES TO THE ACCOUNTS.....contd

1 Accounting Policies....contd

Leasing

Assets acquired under finance leases and hire purchase contracts are capitalised and depreciated over their useful lives. The interest element of the rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pension Costs

The cost of defined contribution pensions represent the contributions payable by the group during the year.

2 TURNOVER

Turnover represents the total amount receivable for goods sold excluding VAT and is derived from the UK.

3 OPERATING LOSS

	29/01/06 to 03/02/07 £'000	30/01/05 to 28/01/06 £'000
Operating Loss is stated after charging		
- Staff costs	586	397
- Operating leased equipment	2	-
- Depreciation of tangible fixed assets	376	79
	<u>586</u>	<u>397</u>

4 STAFF COSTS AND DIRECTORS' EMOLUMENTS

	29/01/06 to 03/02/07 £'000	30/01/05 to 28/01/06 £'000
Wages and salaries	532	361
Social Security costs	52	36
Other Pension costs	2	-
	<u>586</u>	<u>397</u>

NOTES TO THE ACCOUNTS.....contd

4 STAFF COSTS AND DIRECTORS' EMOLUMENTS....cont'd

No Director earned any salaries, fees, emoluments or received the benefit of any pension contributions during the period (2006: nil)

	29/01/06 to 03/02/07	30/01/05 to 28/01/06
The average weekly number of employees (per activity) during the period was		
Office	6	2
Design	2	2
Workshop	7	6
Buying	-	1
Boutique	5	5
	<u>20</u>	<u>16</u>

5 TAXATION

No taxation charge has been provided in the accounts, based on the results of the period
This can be reconciled to the theoretical tax credit based on the standard rate of tax as follows

	29/01/06 to 3/02/07 £'000	30/01/05 to 28/01/06 £'000
Loss on ordinary activities before tax	<u>(2,785)</u>	<u>(1,193)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK (19%)	(529)	(227)
Effects of:		
Depreciation in excess of capital allowances	63	7
Expenses not deductible for tax purposes	-	(7)
Unutilised tax losses carried forward	466	227
Current tax charge for the period	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The company has losses available to carry forward for offset against future profits of the same trade. At 3 February 2007 this represents a potential deferred tax asset at 19% of £883,121 based on tax losses carried forward of £4,648,004. This asset has not been recognised in the financial statements because, in the opinion of the directors, there is insufficient evidence of future taxable profits arising against which to utilise these losses.

NOTES TO THE ACCOUNTS....cont'd

6 FIXED ASSETS

Tangible Assets	Leasehold Improvements	Computer Equipment	Plant & Machinery	Fixtures & Fittings	Total
	£	£	£	£	£
Cost					
At 29/1/06	-	12	11	518	541
Additions	219	9	-	104	332
At 3/2/07	219	21	11	622	873
Accumulated Depreciation					
At 29/1/06	-	5	5	149	159
Charge for year	2	4	2	368	376
At 3/2/07	2	9	7	517	535
Net Book Value					
At 3/2/07	217	12	4	105	338
At 28/1/06	-	7	6	369	382

7 STOCK

	As at 3/02/07	As at 28/01/06
	£'000	£'000
Work in progress	311	-
Manufactured stock	117	111
Purchased stock	1	79
	429	190

8 DEBTORS

	As at 3/02/07	As at 28/01/06
	£'000	£'000
Trade debtors	189	91
Prepayments	19	5
Other	18	87
	226	183

Jasmine Di Milo Limited

NOTES TO THE ACCOUNTS....cont'd

9 CREDITORS (Amounts falling due within one year)

	As at 3/02/07	As at 28/01/06
	£'000	£'000
Trade creditors	202	104
Accruals	192	54
Other	1	1
	<u>395</u>	<u>159</u>

10 CREDITORS (Amounts falling due after more than one year)

	As at 3/02/07	As at 28/01/06
	£'000	£'000
Amounts owed to M Al Fayed	847	847
Amounts owed to parent undertaking	4,761	1,840
	<u>5,608</u>	<u>2,687</u>

11 SHARE CAPITAL

	3/02/07	28/01/06
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Issued, allocated and fully paid	-	-
1 ordinary share of £1	<u>1</u>	<u>1</u>

12 PROFIT AND LOSS RESERVES

	As at 3/02/07	As at 28/01/06
	£'000	£'000
At the beginning of the period	(2,061)	(868)
Transfer from profit and loss account for the period	<u>(2,786)</u>	<u>(1,193)</u>
At end of period	<u>(4,847)</u>	<u>(2,061)</u>

NOTES TO THE ACCOUNTS....cont'd

13 RECONCILIATION IN SHAREHOLDER'S DEFICIT

	As at 3/02/07	As at 28/01/06
	£'000	£'000
Loss for the financial period	(2,786)	(1,193)
Opening shareholders' funds – deficit	(2,061)	(868)
Closing shareholders' funds - deficit	<u>(4,847)</u>	<u>(2,061)</u>

14 OPERATING LEASE COMMITMENTS

The Group had annual commitments under non-cancellable operating leases as set out below

	As at 3/02/07	As at 28/01/06
	£'000	£'000
Operating leases which expire Between 2 and 5 years	<u>3</u>	<u>-</u>

15 PENSIONS

The Company participates in the Liberty Publishing & Media Group Personal Pension Plan, which is a money purchase scheme

The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge of £2,068 (2006 £Nil) represents contributions by the Company to the pension fund

16 RELATED PARTIES

As part of their employment, Directors and senior employees of the Company can purchase goods from Harrods using a staff account card. The amounts of goods purchased by the Directors are not considered to be material either to the Company or the individuals. There are no other transactions between these individuals and the Company, other than as shown in Note 4 to the financial statements

NOTES TO THE ACCOUNTS....cont'd

16 RELATED PARTIES....cont'd

At the balance sheet date there were arm's length agreements between the Company and various related companies to provide management, security, property and maintenance services. These companies have directors in common with the Company. The values of these transactions during the period were -

	Period to 3/02/07		Period to 28/01/06	
	Purchases	Sales	Purchases	Sales
	£'000	£'000	£'000	£'000
Harrods Ltd	1,035	771	1,045	736
Genavco Insurance Ltd	17	-	17	-
Liberty Publishing & Media Ltd	88	-	73	-
	<u>1,140</u>	<u>771</u>	<u>1,135</u>	<u>736</u>

At the balance sheet date Debtors and Creditors included the following balances

	As at 3/02/07 £'000	As at 28/01/06 £'000
Debtors		
Harrods Ltd	<u>5</u>	<u>67</u>
Creditors		
Liberty Publishing & Media Ltd	<u>9</u>	<u>15</u>

17 ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is Gemini Holdings Ltd Inc, a company registered in Panama.

At 3 February 2007 and at 28 January 2006 the ultimate controlling party of Jasmine Di Milo Limited was Ms J. L. Fayed.